BIGLARI HOLDINGS INC.
Form 10-K
November 24, 2014

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

FORM 10-K

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

For the fiscal year ended September 24, 2014

or

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

For the transition period from ___ to ___

Commission file number 0-8445

BIGLARI HOLDINGS INC.
(Exact name of registrant as specified in its charter)

| INDIANA | 37-0684070 |
|---|---|
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification No.) |
| 17802 IH 10 West, Suite 400<br>San Antonio, Texas | 78257 |
| (Address of principal executive offices) | (Zip Code) |

(210) 344-3400
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, stated value $.50 per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
|---|---|---|---|
| o | x | o | o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes o No x

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of April 9, 2014 was approximately $662,300,256 based on the closing stock price of $460.94 per share on that day.

As of November 14, 2014, 2,065,586 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be filed for its 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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Part I

Item 1. Business

Biglari Holdings Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities, including media, property and casualty insurance, as well as restaurants. The Company's largest operating subsidiaries are involved in the franchising and operating of restaurants. The Company is led by Sardar Biglari, Chairman and Chief Executive Officer of Biglari Holdings and its major operating subsidiaries. The Company's long-term objective is to maximize per-share intrinsic value. All major operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Sardar Biglari, Chairman and Chief Executive Officer.

Biglari Holdings' fiscal year ends on the last Wednesday in September. Fiscal years 2014, 2013, and 2012 each contain 52 weeks. On October 16, 2014, the Company's Board of Directors approved a change in the Company's fiscal year-end moving from the last Wednesday in September to December 31 of each year. The Company will file a Transition Report on Form 10-KT for the transition period from September 25, 2014 through December 31, 2014.

Restaurant Operations

The Company's restaurant operations' activities are conducted through two restaurant concepts operated by subsidiaries Steak n Shake Operations, Inc. ("Steak n Shake") and Western Sizzlin Corporation ("Western"). As of September 24, 2014, Steak n Shake operated 416 company-operated restaurants and 124 franchised units. Western operated 4 company-operated restaurants and 71 franchised units.

Steak n Shake is engaged in the ownership, operation, and franchising of Steak n Shake restaurants. Founded in 1934 in Normal, Illinois, Steak n Shake is a classic American brand serving premium burgers and milkshakes.

Western is engaged primarily in the franchising of restaurants. Founded in 1962 in Augusta, Georgia, Western offers signature steak dishes as well as other classic American menu items. Western also operates other concepts, Great American Steak & Buffet, and Wood Grill Buffet consisting of hot and cold food buffet style dining.

Operations

A typical restaurant's management team consists of a general manager, a restaurant manager and other managers depending on the operating complexity and sales volume of the restaurant. Each restaurant's general manager has primary responsibility for the day-to-day operations of his or her unit. Restaurant operations obtain food products and supplies from independent national distributors. Purchases are centrally negotiated to ensure uniformity in product quality.

Franchising

Restaurant operations' franchising program extends the brands to areas in which there are no current development plans for Company stores. The expansion plans include seeking qualified new franchisees and expanding relationships with current franchisees.

Restaurant operations typically seek franchisees with both the financial resources necessary to fund successful development and significant experience in the restaurant/retail business. Both restaurant chains assist franchisees with the development and ongoing operation of their restaurants. In addition, personnel assist franchisees with site selection, approve restaurant sites, and provide prototype plans, construction support and specifications. Restaurant operations' staff provides both on-site and off-site instruction to franchised restaurant management and associates. Moreover, Steak n Shake franchised restaurants are required to serve only approved menu items.

International

We have a corporate office in Monaco to support expansion of Steak n Shake in the Middle East and Europe. We are developing an international organization with personnel in various functions to support international efforts. In 2014 we opened two company-operated locations in Europe to introduce and promote the Steak n Shake brand to prospective franchisees. Similar to our domestic franchise agreements, a typical international franchise development agreement provides the vehicle for payment of development fees and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant.

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Competition

The restaurant business is one of the most intensely competitive industries. As there are virtually no barriers to entry into the restaurant business, competitors may include national, regional and local establishments. There may be established competitors with financial and other resources that are greater than the Company's restaurant operations capabilities. Restaurant businesses compete on the basis of price, menu, food quality, location, personnel and customer service. The restaurant business is often affected by changes in consumer tastes and by national, regional, and local economic conditions. The performance of individual restaurants may be impacted by factors such as traffic patterns, demographic trends, severe weather conditions, and competing restaurants. Additional factors that may adversely affect the restaurant industry include, but are not limited to, food and wage inflation, safety, and food-borne illness.

Government regulations

The Company is subject to various global, federal, state and local laws affecting its restaurant operations. Each of the restaurants must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety and fire agencies in the jurisdiction in which the restaurant is located. In addition, each restaurant must comply with various laws that regulate the franchisor/franchisee relationship, employment and pay practices and child labor laws. To date, none of the Company restaurant operations have been materially adversely affected by such laws or been affected by any difficulty, delay or failure to obtain required licenses or approvals.

Trademark and licenses

The name and reputation of Steak n Shake is a material asset and management protects it and other service marks through appropriate registrations.

The Company has an exclusive license with Mr. Biglari for the use of the Biglari and Biglari Holdings names and marks in association with various products and services, and has entered into a sublicense agreement with Steak n Shake, LLC and Steak n Shake Enterprises, Inc. providing for the association of the Biglari name and mark with all of Steak n Shake's restaurants (including Company-operated and franchised locations), products and brands. See "Certain agreements with our Chairman and CEO may deter a change of control or proxy contest" under Part I, Item 1A and Note 16, "Related Party Transactions" in the accompanying notes to consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Insurance Business

Our insurance business is comprised of First Guard Insurance Company and its agency, 1st Guard Corporation (collectively "First Guard"), which we acquired on March 19, 2014. First Guard is a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers. First Guard is headquartered in Venice, Florida.

First Guard competes for truck insurance with other companies. The trucking insurance business is highly competitive in the areas of price and service. Vigorous competition is provided by large, well-capitalized companies and by small regional insurers. First Guard's cost-efficient system and focus on customer service has enabled it to offer competitive rates and achieve an underwriting profit. First Guard uses its own claim staff to manage claims. Seasonal variations in First Guard's insurance business are not significant. However, extraordinary weather conditions or other factors may have a significant effect upon the frequency or severity of claims.

The insurance business is stringently regulated by state insurance departments. First Guard operates under licenses issued by various insurance authorities. Such supervision and regulation include matters relating to authorized lines of business, capital and surplus requirements, licensing of insurers, investments, the filing of annual and other financial reports prepared on the basis of Statutory Accounting Principles, the filing and form of actuarial reports, dividends, and a variety of other financial and non-financial matters.

Media Business

Our media business is composed of Maxim. We acquired certain assets and liabilities of Maxim on February 27, 2014. Maxim is a brand management company whose business lies in media, in print and digital, and in licensing of products and services. Maxim is headquartered in New York City, New York.

Publishing is a highly competitive business. The Company's magazines and related publishing products and services compete with other mass media, including the Internet and many other leisure-time activities. Competition for advertising dollars is based primarily on advertising rates, circulation levels, reader demographics, advertiser results, and sales team effectiveness.

Maxim products are marketed under various registered brand names, including, but not limited to, “MAXIM®” and “Maxim®”.

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Investments
The Company and its subsidiaries have invested in The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, "the investment partnerships"). The investment partnerships operate as private investment funds. As of September 24, 2014, the fair value of the investments was $620.8 million. These investments are subject to a rolling five-year lock-up period under the terms of the respective partnership agreements.

Employees
The Company employs 23,130 persons.

Additional information with respect to Biglari Holdings' businesses
Information related to our reportable segments may be found in Part II, Item 8 of this Form 10-K.

Biglari Holdings maintains a website (www.biglariholdings.com) where its annual reports, press releases, interim shareholder reports and links to its subsidiaries' websites can be found. Biglari Holdings' periodic reports filed with the Securities and Exchange Commission (the "SEC"), which include Form 10-K, Form 10-Q, Form 8-K and amendments thereto, may be accessed by the public free of charge from the SEC and through Biglari Holdings' website. In addition, corporate governance documents such as Corporate Governance Guidelines, Code of Conduct, Governance, Compensation and Nominating Committee Charter and Audit Committee Charter are posted on the Company's website and are available without charge upon written request. The Company's website and the information contained therein or connected thereto are not intended to be incorporated into this report on Form 10-K.

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Item 1A. Risk Factors

Biglari Holdings and its subsidiaries (referred to herein as "we," us," "our," or similar expressions) are subject to certain risks and uncertainties in our business operations which are described below. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known or that are currently deemed immaterial may also impair our business operations.

Risks Relating to Biglari Holdings

We are dependent on our Chairman and CEO.
Our success depends on the services of Sardar Biglari, Chairman and Chief Executive Officer. All major operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari. Moreover, certain counterparties have requested and obtained a provision in their agreements with the right to terminate in the event Mr. Biglari ceases to be our Chairman and Chief Executive Officer. If for any reason the services of Mr. Biglari were to become unavailable, a material adverse effect on our business could occur. In addition, as described further below, if the Company were to lose the services of Mr. Biglari, the counterparties maintaining certain contracts with the Company may have a right to terminate those contracts. At that time, the Company may owe significant amounts of money to Mr. Biglari pursuant to the terms of a license agreement. Taken as a whole, the losses pertaining to these contracts and the liabilities imposed by the license agreement connected to the loss of Mr. Biglari may materially impact the Company in an adverse manner.

Our historical growth rate is not indicative of our future growth.
When evaluating our historical growth and prospects for future growth, it is important to consider that while our business philosophy has remained relatively constant our mix of business has changed and will continue to change. Our dynamic business model makes it difficult to assess our prospects for future growth. Restrictions on our access to capital described further below may also adversely affect our ability to execute our plans for future growth.

Biglari Holdings' access to capital is subject to restrictions that may adversely affect its ability to satisfy its cash requirements or implement its growth strategy.
We are a holding company and are largely dependent upon dividends and other sources of funds from our subsidiaries in order to meet our needs. Steak n Shake's credit facility contains restrictions on its ability to pay dividends to Biglari Holdings. In addition, the ability of our insurance subsidiaries to pay dividends to Biglari Holdings is regulated by state insurance laws, which limit the amount of, and in certain circumstances may prohibit the payment of, cash dividends. Furthermore, as a result of our substantial investments in The Lion Fund, L.P. and The Lion Fund II, L.P., investment partnerships controlled by Mr. Biglari, our access to capital is restricted by the terms of their respective partnership agreements, as described more fully below. There is also a high likelihood that we will make additional investments in these investment partnerships. Taken together, these restrictions may result in our having insufficient funds to satisfy our cash requirements. As a result, we may need to look to other sources of capital which may be more expensive or may not be available.

Competition.
Each of our operating businesses faces intense competitive pressure within the markets in which they operate. Competition may arise domestically as well as internationally. While we manage our businesses with the objective of achieving long-term sustainable growth by developing and strengthening competitive advantages, many factors, including market changes, may erode or prevent the strengthening of competitive advantages. Accordingly, future operating results will depend to some degree on whether our operating units are successful in protecting or enhancing their competitive advantages. If our operating businesses are unsuccessful in these efforts, our periodic operating results may decline from current levels in the future. We also highlight certain competitive risks in the sections below.

Unfavorable domestic and international economic, societal and political conditions could hurt our operating businesses.

To the extent that the recovery from the economic recession continues to be slow or the economy worsens for a prolonged period of time, one or more of our significant operations could be materially harmed. In addition, our restaurant operations depend on having access to borrowed funds through the capital markets at reasonable rates. To the extent that access to credit is restricted or the cost of funding increases, our business could be adversely affected.

Our operating businesses face a variety of risks associated with doing business in foreign markets.

There is no assurance that our international operations will be profitable. Our international operations are subject to all of the risks associated with our domestic operations, as well as a number of additional risks, varying substantially country by country. These include, inter alia, international economic and political conditions, corruption, terrorism, social and ethnic unrest, foreign currency fluctuations, differing cultures and consumer preferences. Our expansion into international markets could also create risks to our brands.

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In addition, we may become subject to foreign governmental regulations that impact the way we do business with our international franchisees and vendors. These include antitrust and tax requirements, anti-boycott regulations, international trade regulations, the USA Patriot Act, the Foreign Corrupt Practices Act, and applicable local law. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business and our financial condition.

We may not be able to adequately protect our intellectual property, which could decrease the value of our brand and products.

The success of our business depends on the continued ability to use the existing trademarks, service marks, and other components of our brand to increase brand awareness and further develop branded products. While we take steps to protect our intellectual property, our rights to our trademarks could be challenged by third parties or our use of these trademarks may result in liability for trademark infringement, trademark dilution, or unfair competition, adversely affecting our profitability. We may also become subject to these risks in the international markets in which we operate and in which we plan to expand. Any impairment of our intellectual property or brands, including due to changes in U.S. or foreign intellectual property laws or the absence of effective legal protections or enforcement measures, could adversely impact our business, financial condition and results of operations.

Litigation could have a material adverse effect on our financial position, cash flows and results of operations.

We are or may be from time to time a party to various legal actions, investigations and other proceedings brought by employees, consumers, policyholders, suppliers, shareholders, government agencies or other third parties in connection with matters pertaining to our business, including related to our investment activities. The outcome of such matters is often difficult to assess or quantify and the cost to defend future proceedings may be significant. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any negative allegation regarding our Company, our business or our products could adversely affect our reputation. While we believe that the ultimate outcome of routine legal proceedings individually and in the aggregate will not have a material impact on our financial position, we cannot assure that an adverse outcome on, or reputational damage from, any of these matters would not, in fact, materially impact our business and results of operations for the period when these matters are completed or otherwise resolved.

Certain agreements with our Chairman and CEO may deter a change of control or proxy contest.

We have entered into a license agreement with Sardar Biglari, Chairman and Chief Executive Officer, under which Mr. Biglari has granted the Company an exclusive license to use his name when connected to the provision of certain products and services, as well as a sublicense agreement with Steak n Shake that, inter alia, grants Steak n Shake the right to use the trademark “Steak n Shake by Biglari.” In the event of a change of control of the Company or Mr. Biglari’s termination without cause or resignation following specified occurrences, including (1) his removal as Chairman of the Board or Chief Executive Officer or (2) his no longer maintaining sole capital allocation authority, Mr. Biglari would be entitled to receive revenue-based royalty payments related to the usage of his name under the terms of the license agreement for a defined period of no less than five years. Revenue-based royalties derived from Steak n Shake’s restaurants (including Company operated and franchised locations), products and brands would be included in calculating these royalty payments, which would thus represent significant liability for the Company. A change of control would also enable franchisees to terminate their franchise agreement with us. In addition, we have an incentive agreement with Mr. Biglari, in which he is entitled to receive performance-based annual incentive payments contingent on the growth of the Company’s adjusted book value in each fiscal year. In the event of a change in control or Mr. Biglari’s termination without cause or resignation following specified occurrences, including (1) his removal as Chairman of the Board or Chief Executive Officer or (2) his no longer maintaining sole capital allocation authority, Mr. Biglari would receive specified payments thereunder. The combination of these provisions along with others referenced (e.g., contracts cancellable if Mr. Biglari is no longer Chairman and Chief Executive Officer) all together could create the prevention of a transaction involving a change of control of the Company or deterrence of a potential proxy contest.

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The Lion Fund, L.P.'s ownership position in the Company enables it to exert significant influence over matters requiring shareholder approval.

The Lion Fund, L.P., controlled by Mr. Biglari, has the ability to exert significant influence on actions the Company may take in the future that require shareholder approval, including change of control transactions. The Lion Fund, L.P.'s ownership position may conflict with the interests of the Company's other shareholders.

Risks Relating to Our Restaurant Operations

Our restaurant operations face intense competition from a wide range of industry participants.

The restaurant business is one of the most competitive industries. As there are virtually no barriers to entry into the restaurant business, competitors may include national, regional and local establishments. There may be established competitors with financial and other resources that are greater than the Company's restaurant operations capabilities. Restaurant businesses compete on the basis of price, menu, food quality, location, personnel and customer service. The restaurant business is often affected by changes in consumer tastes and by national, regional, and local economic conditions. The performance of individual restaurants may be impacted by factors such as traffic patterns, demographic trends, severe weather conditions, and competing restaurants. Additional factors that may adversely affect the restaurant industry include, but are not limited to, food and wage inflation, safety, and food-borne illness.

Changes in economic conditions may have an adverse impact on our restaurant operations.

Our restaurant operations are subject to normal economic cycles affecting the economy in general or the restaurant industry in particular. The restaurant industry has been affected by economic factors, including the deterioration of global, national, regional and local economic conditions, declines in employment levels, and shifts in consumer spending patterns. The disruptions experienced in the global economy and volatility in the financial markets have reduced, and may continue to reduce, consumer confidence in the economy, negatively affecting consumer restaurant spending, which could be harmful to our financial position and results of operations. As a result, decreased cash flow generated from our business may adversely affect our financial position and our ability to fund our operations. In addition, macroeconomic disruptions could adversely impact the availability of financing for our franchisees' expansions and operations.

Our cash flows and financial position could be negatively impacted if we are unable to comply with the restrictions and covenants in Steak n Shake's debt agreements.

The Company's subsidiaries currently maintain debt instruments, including Steak n Shake's credit agreement, dated as of March 19, 2014, with the lenders party thereto. Covenants in the debt agreements impose operating and financial restrictions, including requiring operating subsidiaries to maintain certain financial ratios and thereby restricting, among other things, their ability to incur additional indebtedness and make distributions to the Company. Their failure to comply with these covenants and restrictions could constitute an event of default that, if not cured or waived, could result, among other things, in the acceleration of their indebtedness, which could negatively impact our operations and business and may also significantly affect our ability to obtain additional or alternative financing. In such event, our cash flows may not be sufficient to fully repay this indebtedness and we cannot assure you that we would be able to refinance or restructure this debt. In addition, the restrictions contained in these debt instruments could adversely affect our ability to finance our operations, acquisitions or investments.

Steak n Shake's ability to make payments on its credit facility and to fund operations depends on its ability to generate cash, which is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. Steak n Shake may not generate sufficient cash flow from operations to service this debt or to fund its other liquidity needs.

Fluctuations in commodity and energy prices and the availability of commodities, including beef, fried products, poultry, and dairy, could affect our restaurant business.

The cost, availability and quality of ingredients restaurant operations use to prepare their food is subject to a range of factors, many of which are beyond their control. A significant component of our restaurant business' costs is related to food commodities, including beef, fried products, poultry, and dairy products, which can be subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand, changes in international commodity markets, and other factors. If there is a substantial increase in prices for these food commodities, our results of operations may be negatively affected. In addition, our restaurants are dependent upon frequent deliveries of perishable food products that meet certain specifications. Shortages or interruptions in the supply of perishable food products caused by unanticipated demand, problems in production or distribution, disease or food-borne illnesses, inclement weather, or other conditions could adversely affect the availability, quality, and cost of ingredients, which would likely lower revenues, damage our reputation, or otherwise harm our business.

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Adverse weather conditions or losses due to casualties could negatively impact our operating performance.
Property damage caused by casualties and natural disasters, instances of inclement weather, flooding, hurricanes, fire, and other acts of nature can adversely impact sales in several ways. Many of Steak n Shake's and Western's restaurants are located in the Midwest and Southeast portions of the United States. During the first and second fiscal quarters, restaurants in the Midwest may face harsh winter weather conditions. During the first and fourth fiscal quarters, restaurants in the Southeast may experience hurricanes or tropical storms. Our sales and operating results may be negatively affected by these harsh weather conditions, which could make it more difficult for guests to visit our restaurants, necessitate the closure of restaurants for a period of time or costly repairs due to physical damage, or lead to a shortage of employees resulting from unsafe road conditions or an evacuation of the general population.

We are subject to health, employment, environmental, and other government regulations, and failure to comply with existing or future government regulations could expose us to litigation or penalties, damage our reputation, and lower profits.
We are subject to various global, federal, state, and local laws and regulations affecting our restaurant operations. Changes in existing laws, rules and regulations applicable to us, or increased enforcement by governmental authorities, may require us to incur additional costs and expenses necessary for compliance. If we fail to comply with any of these laws, we may be subject to governmental action or litigation, and our reputation could be accordingly harmed. Injury to our reputation would, in turn, likely reduce revenues and profits.

The development and construction of restaurants is subject to compliance with applicable zoning, land use, and environmental regulations. Difficulties in obtaining, or failure to obtain, the required licenses or approvals could delay or prevent the development of a new restaurant in a particular area.

In recent years, there has been an increased legislative, regulatory, and consumer focus on nutrition and advertising practices in the food industry. As a result, restaurant operations may become subject to regulatory initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food products, which could increase expenses. The operation of the Steak n Shake and Western franchise system is also subject to franchise laws and regulations enacted by a number of states, and to rules promulgated by the U.S. Federal Trade Commission. Any future legislation regulating franchise relationships may negatively affect our operations, particularly our relationship with franchisees. Failure to comply with new or existing franchise laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales. Further national, state and local government initiatives, such as mandatory health insurance coverage, "living wage" or other proposed increases in minimum wage rates could adversely affect our business.

Risks Relating to Our Investment Activities

Our investment activities are conducted primarily through outside investment partnerships, The Lion Fund, L.P. and The Lion Fund II, L.P., which are controlled by Mr. Biglari.
As a result of our sale of Biglari Capital Corp. ("Biglari Capital"), general partner of The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, the "investment partnerships"), to Mr. Biglari, and the contribution of our investments to these funds in exchange for limited partner interests, our investment activities are conducted mainly through these outside investment partnerships. Under the terms of their partnership agreements, each contribution made by the Company to the investment partnerships is subject to a five-year lock-up period, and any distribution upon our withdrawal of funds will be paid out over a two-year period (and may be paid in-kind rather than in cash, thus increasing the difficulty of liquidating these investments). As a result of these provisions and our consequent inability to access this capital for a defined period, our capital invested in the investment partnerships may be subject to an increased risk of loss of all or a significant portion of value, and we may become unable to meet our capital requirements. There is a high likelihood that we will make additional investments in these investment partnerships in

the future.

In connection with the sale of Biglari Capital, we also entered into a Shared Services Agreement with Biglari Capital pursuant to which we agreed to provide certain services to Biglari Capital (e.g., use of space at our corporate headquarters) in exchange for a 6% hurdle rate for the Company and its subsidiaries (as compared to a 5% hurdle rate for all other limited partners), above which Biglari Capital is entitled to receive an incentive reallocation in its capacity as general partner of the investment partnerships. There can be no assurance that the benefit, if any, we may realize from this increased hurdle rate will enable us to recoup our costs incurred in performing services for Biglari Capital under the Shared Services Agreement.

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The incentive allocation to which Mr. Biglari, as Chairman and Chief Executive Officer of Biglari Capital, general partner of the investment partnerships, is entitled under the terms of the respective partnership agreements is equal to 25% of the net profits allocated to the limited partners in excess of their applicable hurdle rate. Unlike Mr. Biglari's compensation under his incentive agreement with the Company, which may not exceed $10 million for any one-year performance period, the incentive allocation concerning investments held by the investment partnerships is not subject to any such limitation. Investments made by the Company in the investment partnerships may lead to significant increases in this compensation to Mr. Biglari.

Our investments are unusually concentrated and fair values are subject to a loss in value.
Our investments are predominantly held through the investment partnerships, which generally invest in common stocks. These investments are largely concentrated in the common stock of one investee, Cracker Barrel Old Country Store, Inc. A significant decline in the major values of these investments may produce a large decrease in our consolidated shareholders' equity and can have a material adverse effect on our consolidated book value per share and earnings.

We are subject to the risk of possibly becoming an investment company under the Investment Company Act of 1940.
Because we are a holding company and a significant portion of our assets may, from time to time, consist of investments in entities in which we do not have a controlling interest, we run the risk of inadvertently becoming an investment company, which would require us to register under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we operate our business, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies.

To avoid becoming and registering as an investment company under the Investment Company Act, we monitor the value of our investments and structure transactions accordingly. As a result, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, events beyond our control, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings or adverse developments with respect to our ownership of certain of our subsidiaries, could result in our inadvertently becoming an investment company. If it were established that we were an investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the Securities and Exchange Commission (the "SEC"), that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period it was established that we were an unregistered investment company.

Risks Relating to Our Insurance Business

Our success depends on our ability to underwrite risks accurately and to charge adequate rates to policyholders.
Our results of operations depend on our ability to underwrite and set rates accurately for risks assumed. A primary role of the pricing function is to ensure that rates are adequate to generate sufficient premiums to pay losses, loss adjustment expenses, and underwriting expenses, and earning a profit.

Our insurance business is vulnerable to significant catastrophic property loss, which could have an adverse effect on its financial condition and results of operations.
Our insurance business faces a significant risk of loss in the ordinary course of its business for property damage resulting from natural disasters, man-made catastrophes and other catastrophic events. These events typically increase the frequency and severity of commercial property claims. Because catastrophic loss events are by their nature

unpredictable, historical results of operations may not be indicative of future results of operations, and the occurrence of claims from catastrophic events may result in significant volatility in our insurance business' financial condition and results of operations from period to period. We attempt to manage our exposure to these events through reinsurance programs, although there is no assurance we will be successful in doing so.

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Inability to obtain reinsurance or to collect ceded losses and loss adjustment expenses could adversely affect our insurance business's ability to write new policies.

Our insurance business's purchases reinsurance to help manage its exposure to risk. Under these ceded reinsurance arrangements, another insurer assumes a specified portion of our exposure in exchange for a specified portion of policy premiums. The availability, amount and cost of reinsurance depend on market conditions and may vary significantly. Thus, any decrease in the amount of this reinsurance will increase the risk of loss. If our insurance business is unable to obtain sufficient reinsurance at a cost it deems acceptable, it may be unwilling to bear the increased risk and may reduce the level of its underwriting commitments.

Ceded reinsurance does not discharge our insurance business's direct obligations under the policies it writes. Our insurance business remains liable to policyholders even if it is unable to obtain recoveries under which it believes it is entitled to receive under the reinsurance contracts. Losses may not be recovered from the reinsurers until claims are paid.

Our insurance business is subject to extensive existing state, local and foreign governmental regulations that restrict its ability to do business and generate revenues.

Our insurance business is subject to regulation in the jurisdictions in which it operates. These regulations may relate to, among other things, the types of business that can be written, the rates that can be charged for coverage, the level of capital and reserves that must be maintained, and restrictions on the types and size of investments that can be placed. Regulations may also restrict the timing and amount of dividend payments. Accordingly, existing or new regulations related to these or other matters or regulatory actions imposing restrictions on our insurance business may adversely impact its results of operations.

Risks Relating to Our Media Business

Our media business faces significant competition from other magazine publishers and new forms of media, including digital media, and as a result our media business may not be able to improve its operating results.

Our media business competes principally with other magazine publishers. The proliferation of choices available to consumers for information and entertainment has resulted in audience fragmentation and has negatively impacted overall consumer demand for print magazines and intensified competition with other magazine publishers for share of print magazine readership. Our media business also competes with digital publishers and other forms of media. This competition has intensified as a result of the growing popularity of mobile devices and the shift in preference of some consumers from print media to digital media for the delivery and consumption of content.

Our media business derives a significant percentage of its revenues from advertising. Competition among print magazine and digital publishers for advertising is primarily based on the circulation and readership of magazines and the number of visitors to websites, respectively, and the demographics of customers, advertising rates, plus the effectiveness of advertising sales teams. The proliferation of new platforms available to advertisers, combined with continuing competition from print platforms, has impacted both the amount of advertising our media business is able to sell as well as the rates advertisers are willing to pay. Our media business' ability to compete successfully for advertising also depends on its ability to prove the value of its advertising.

Our pursuit of licensing opportunities for the Maxim brand may prove to be unsuccessful.

The transformation of the business depends to a significant degree upon its ability to develop new licensing agreements to expand the Maxim brand. However, these licensing efforts may be unsuccessful. We may be unable to secure favorable terms for future licensing arrangements, which could lead to, among other things, disputes with licensing partners that hinder our ability to grow the Maxim brand. Future licensing partners may also fail to honor their contractual obligations or take other actions that can diminish the value of the Maxim brand. Disputes could also arise that prevent or delay our ability to collect licensing revenues under these arrangements. If any of these

developments occur or our licensing efforts are otherwise not successful, the value and recognition of the Maxim brand, as well as the prospects of our media business, could be materially, adversely affected.

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Our media business is exposed to risks associated with weak economic conditions.
Because magazines are generally discretionary purchases for consumers, circulation revenues are sensitive to general economic conditions and economic cycles. Certain economic conditions such as general economic downturns, including periods of increased inflation, unemployment levels, interest rates, gasoline and other energy prices, or declining consumer confidence, may negatively impact consumer spending. Reduced consumer spending or a shift in consumer spending patterns away from discretionary items will likely result in reduced demand for our media business's magazines and may also require us to incur increased operating expenses.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Office Facilities

| Use | Location | Own/Lease |
|---|---|---|
| Executive Office | San Antonio, TX | Lease |
| Executive Office | New York, NY | Lease |
| Executive Office | Venice, FL | Lease |
| Executive Office | Roanoke, VA | Lease |
| Executive Office | Los Angeles, CA | Lease |
| Executive Office | Monte-Carlo, Monaco | Lease |
| Executive Office | Indianapolis, IN | Own |

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Restaurant Properties

As of September 24, 2014, restaurant operations included 615 company-operated and franchised locations. Restaurant operations own the land and building for 154 restaurants. The following table lists the locations of the restaurants, as of September 24, 2014:

| | Steak n Shake | | Western Sizzlin | | |
|---|---|---|---|---|---|
| | Company-operated | Franchised | Company-operated | Franchised | Total |
| Domestic: | | | | | |
| Alabama | 2 | 7 | — | 6 | 15 |
| Arizona | 1 | — | — | — | 1 |
| Arkansas | — | 2 | — | 17 | 19 |
| California | — | 1 | — | 2 | 3 |
| Colorado | 2 | 1 | — | — | 3 |
| Florida | 80 | 2 | — | 1 | 83 |
| Georgia | 23 | 17 | — | 7 | 47 |
| Illinois | 63 | 7 | — | — | 70 |
| Indiana | 68 | 3 | — | — | 71 |
| Iowa | 3 | — | — | — | 3 |
| Kansas | — | 4 | — | 1 | 5 |
| Kentucky | 14 | 3 | — | — | 17 |
| Louisiana | — | 1 | — | 1 | 2 |
| Maryland | — | — | — | 2 | 2 |
| Michigan | 19 | 1 | — | — | 20 |
| Mississippi | — | 2 | — | 2 | 4 |
| Missouri | 39 | 24 | — | 1 | 64 |
| Montana | — | 1 | — | — | 1 |
| Nevada | — | 2 | — | — | 2 |
| New Jersey | — | 1 | — | — | 1 |
| New York | 1 | — | — | — | 1 |
| North Carolina | 6 | 6 | — | 10 | 22 |
| Ohio | 63 | — | — | 1 | 64 |
| Oklahoma | — | 5 | — | 9 | 14 |
| Pennsylvania | 6 | 3 | — | — | 9 |
| South Carolina | 1 | 4 | — | 3 | 8 |
| Tennessee | 9 | 10 | — | 4 | 23 |
| Texas | 14 | 9 | — | — | 23 |
| Virginia | — | 4 | 3 | 4 | 11 |
| West Virginia | — | 2 | 1 | — | 3 |
| International: | | | | | |
| France | 1 | — | — | — | 1 |
| Spain | 1 | — | — | — | 1 |
| United Arab Emirates | — | 2 | — | — | 2 |
| Total | 416 | 124 | 4 | 71 | 615 |

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Item 3. Legal Proceedings

We are involved in various legal proceedings and have certain unresolved claims pending. We believe, based on examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided in our consolidated financial statements is not likely to have a material effect on our results of operations, financial position or cash flows.

On June 3, 2013 and July 2, 2013, two shareholders of the Company filed derivative actions putatively on behalf of the Company against the members of our board of directors in the United States District Courts for the Southern District of Indiana and the Western District of Texas. The actions were consolidated in the Southern District of Indiana in 2014. The shareholders allege claims for breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, waste, and unjust enrichment relating to certain Company transactions, including the Company's acquisition of Biglari Capital, Mr. Biglari's incentive agreement, the trademark license agreement between the Company and Mr. Biglari, and the Company's rights offering. The shareholders seek to recover unspecified damages, various forms of injunctive relief, and an award of their attorneys' fees. The Company believes these claims are without merit and intends to defend these cases vigorously.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Rights Offering

In fiscal years 2014 and 2013, Biglari Holdings completed offerings of transferable subscription rights, distributing one transferable subscription right ("Rights") for each share of its common stock to shareholders. Every five Rights entitled a shareholder to subscribe for one share of common stock at a price of $250.00 and $265.00, respectively. Shareholders on the record date who fully exercised the Rights distributed to them were also entitled to subscribe for and purchase additional shares of common stock not purchased by other Rights holders through their basic subscription privileges. The offerings were oversubscribed and 344,261 and 286,767 new shares of common stock were issued, respectively. The Company received net proceeds of $85.9 million and $75.6 million from the offerings, respectively. Including the issuance of the newly subscribed shares the Company had 2,065,566 shares outstanding as of September 24, 2014.

Market Information

Biglari Holdings' common stock is listed for trading on the New York Stock Exchange (the "NYSE"), trading symbol: BH. The following table sets forth the high and low sales prices per share, as reported on the NYSE List and adjusted for the 2014 and 2013 offerings of transferable subscription rights during the periods indicated:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $460.28 | $381.26 | $328.74 | $283.20 |
| Second Quarter | 482.14 | 384.05 | 347.90 | 314.85 |
| Third Quarter | 430.82 | 378.03 | 357.77 | 321.11 |
| Fourth Quarter | 415.97 | 338.88 | 401.74 | 357.62 |

Shareholders

Biglari Holdings had approximately 10,700 beneficial shareholders, of which approximately 1,100 were record holders of its common stock at November 14, 2014.

Dividends

Biglari Holdings has not declared a cash dividend during the fiscal years ended September 24, 2014, September 25, 2013 and September 26, 2012.

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Issuer Purchases of Equity Securities

The following table presents information on purchases of our common stock during the quarterly period ended September 24, 2014 by The Lion Fund, L.P. and Sardar Biglari, each of whom may be deemed to be an "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended:

| | (a) Total Number of Shares Purchased | | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs |
|---|---|---|---|---|---|
| July 3, 2014 – August 2, 2014 | - | | $- | - | - |
| August 3, 2014 – September 2, 2014 | - | | $- | - | - |
| September 3, 2014 – September 24, 2014 | 59,006 | (1) | $250.00 | - | - |
| Total | 59,006 | (1) | | - | - |

(1) Includes (a) 50,037 and 5,110 shares purchased by The Lion Fund, L.P. and Sardar Biglari, respectively, pursuant to the exercise of their basic subscription privileges in connection with the Company's subscription rights offering and (b) 3,502 and 357 shares purchased by The Lion Fund, L.P. and Sardar Biglari, respectively, pursuant to the exercise of their oversubscription privileges in connection with the Company's subscription rights offering.

Performance Graph

The following chart compares the subsequent value of $100 invested in Biglari Holdings' common stock on September 30, 2009 with a similar investment in the Standard and Poor's 500 Stock Index and Standard and Poor's Restaurant Index.

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The preceding stock price performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent that we specifically incorporate it by reference into such filings.

Securities Authorized for Issuance Under Equity Compensation Plans
The "Equity Compensation Plan Information" required by Item 201(d) of Regulation S-K will be contained in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders, to be filed on or before January 22, 2015, and such information is incorporated herein by reference.

Item 6. Selected Financial Data

Selected Financial Data for the Past Five Years
(dollars in thousands except per share data)

| | 52 Weeks Ended | | | | |
|---|---|---|---|---|---|
| | Fiscal 2014(2)(4) | Fiscal 2013(2)(4) | Fiscal 2012(2)(3) | Fiscal 2011(2)(3) | Fiscal 2010 (2)(3) |
| Revenue: | | | | | |
| Total revenues | $ 793,811 | $ 755,822 | $ 740,207 | $ 709,200 | $ 673,781 |
| Earnings: | | | | | |
| Net earnings attributable to Biglari Holdings Inc. | $ 28,804 | $ 140,271 | $ 21,593 | $ 34,565 | $ 28,094 |
| Basic earnings per share attributable to Biglari Holdings Inc. (1) | $ 16.85 | $ 90.89 | $ 13.92 | $ 22.35 | $ 17.29 |
| Diluted earnings per share attributable to Biglari Holdings Inc. (1) | $ 16.82 | $ 90.69 | $ 13.88 | $ 22.23 | $ 17.19 |
| Year-end data: | | | | | |
| Total assets | $ 1,174,732 | $ 988,543 | $ 773,787 | $ 672,860 | $ 563,839 |
| Long-term notes payable and other borrowings | 315,196 | 216,747 | 230,603 | 217,483 | 142,028 |
| Biglari Holdings Inc. shareholders' equity | $ 638,717 | $ 564,589 | $ 349,125 | $ 279,678 | $ 248,995 |

(1) Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. In fiscal year 2014 and 2013 the Company completed rights offerings in which 344,261 and 286,767 new shares of common stock were issued, respectively. The theoretical earnings per share have been retroactively restated for all years to give effect to the rights offerings.
(2) Fiscal years 2014, 2013, 2012, 2011, and 2010 ended on September 24, 2014, September 25, 2013, September 26, 2012, September 28, 2011, and September 29, 2010, respectively.
(3) For financial reporting purposes all common shares of the Company held by the consolidated affiliated partnerships are recorded in treasury stock on the consolidated balance sheet. For

purposes of computing the weighted average common shares outstanding, the shares of treasury stock attributable to the unrelated limited partners of the consolidated affiliated partnerships - based on their proportional ownership during the period - are considered outstanding shares.

(4) For financial reporting purposes and for purposes of computing the weighted average common shares outstanding, the shares of Company stock attributable to the unrelated limited partners of The Lion Fund, L.P. - based on their proportional ownership during the period - are considered outstanding shares.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands except per share data)

Net earnings attributable to Biglari Holdings shareholders for each of the past three years are disaggregated in the table that follows. Amounts are recorded after deducting income taxes.

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Operating businesses: | | | |
| Restaurant | $17,965 | $21,361 | $33,110 |
| Insurance | 964 | - | - |
| Media | (9,949) | - | - |
| Total operating businesses | 8,980 | 21,361 | 33,110 |
| Corporate and other | (4,412) | (7,133) | (9,806) |
| Investment gains (including contributions) | 18,305 | 115,568 | 2,604 |
| Investment partnership gains | 12,316 | 14,537 | 1,953 |
| Interest expense, not allocated to businesses | (6,385) | (4,062) | (6,268) |
| | $28,804 | $140,271 | $21,593 |

Biglari Holdings Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities, including media, property and casualty insurance, as well as restaurants. The Company's largest operating subsidiaries are involved in the franchising and operating of restaurants. The Company is led by Sardar Biglari, Chairman and Chief Executive Officer of Biglari Holdings and its major operating subsidiaries. The Company's long-term objective is to maximize per-share intrinsic value. All major operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Sardar Biglari, Chairman and Chief Executive Officer.

Our restaurant businesses generated after-tax earnings in each of the last three years. Restaurant businesses include Steak n Shake and Western. As of September 24, 2014, Steak n Shake comprised 416 company-operated restaurants and 124 franchised units. Western comprised 4 company-operated restaurants and 71 franchised units. Steak n Shake's same-store sales increased in each of the last 23 quarters. Steak n Shake's same-store sales increased 2.9%, 2.2% and 3.8% during 2014, 2013, and 2012, respectively. Steak n Shake's same-store traffic increased 2.0%, 2.1%, and 3.7% during 2014, 2013, and 2012, respectively. The term "same-store sales" refers to the sales of Company-operated units open at least 18 months at the beginning of the current period and remained open through the end of the period. Same-store traffic measures the number of patrons who walk through the same units.

Our insurance business is composed of First Guard Insurance Company and its agency, 1st Guard Corporation (collectively "First Guard"), which we acquired on March 19, 2014. First Guard is a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers. Our insurance business generated after-tax earnings of $964 during fiscal year 2014.

Our media business is composed of Maxim. We acquired certain assets and liabilities of Maxim on February 27, 2014. Maxim is a brand management company whose business lies principally in media and licensing. Our media business generated an after-tax loss of $9,949 from the purchase date to the end of the fiscal year.

In 2014 and 2013 the Company completed rights offerings in which 344,261 and 286,767 new shares of common stock were issued, respectively. The Company received net proceeds of $85,873 and $75,595 from the offerings, respectively. Earnings per share have been retroactively restated for all three years to account for the rights offerings.

We have a 52/53 week fiscal year that ended on the last Wednesday in September. Fiscal years 2014, 2013, and 2012 all contained 52 weeks. On October 16, 2014, the Company's Board of Directors approved a change in the Company's fiscal year-end moving from the last Wednesday in September to December 31 of each year. The Company will file a Transition Report on Form 10-KT for the transition period from September 25, 2014 through December 31, 2014.

The following discussion should be read in conjunction with Item 1, Business and our Consolidated Financial Statements and the notes thereto included in this Form 10-K. The following discussion should also be read in conjunction with the "Cautionary Note Regarding Forward-Looking Statements" and the risks and uncertainties described in Item 1A, Risk Factors set forth above.

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Restaurants

Steak n Shake and Western comprise 615 company-operated and franchised restaurants. Earnings of our restaurant operations are summarized below.

| | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Net sales | $ 759,889 | | $ 736,968 | | $ 721,754 | |
| Franchise royalties and fees | 15,032 | | 11,741 | | 9,631 | |
| Other revenue | 3,234 | | 3,210 | | 2,520 | |
| Total revenue | 778,155 | | 751,919 | | 733,905 | |
| | | | | | | |
| Restaurant cost of sales | | | | | | |
| Cost of food | 226,436 | 29.8% | 218,199 | 29.6% | 207,234 | 28.7% |
| Restaurant operating costs | 358,998 | 47.2% | 348,654 | 47.3% | 337,905 | 46.8% |
| Rent | 17,073 | 2.2% | 16,150 | 2.2% | 15,916 | 2.2% |
| Total cost of sales | 602,507 | | 583,003 | | 561,055 | |
| | | | | | | |
| Selling, general and administrative | | | | | | |
| General and administrative | 64,872 | 8.3% | 56,485 | 7.5% | 44,003 | 6.0% |
| Marketing | 43,324 | 5.6% | 44,375 | 5.9% | 42,531 | 5.8% |
| Other expenses | 5,409 | 0.7% | 4,458 | 0.6% | 2,303 | 0.3% |
| Total selling, general and administrative | 113,605 | | 105,318 | | 88,837 | |
| | | | | | | |
| Depreciation and amortization | 24,064 | 3.1% | 24,882 | 3.3% | 26,161 | 3.6% |
| | | | | | | |
| Interest on obligations under leases | 9,720 | | 9,829 | | 10,073 | |
| | | | | | | |
| Earnings before income taxes | 28,259 | | 28,887 | | 47,779 | |
| | | | | | | |
| Income tax expense | 10,294 | | 7,526 | | 14,669 | |
| | | | | | | |
| Net earnings | $ 17,965 | | $ 21,361 | | $ 33,110 | |

Cost of food, restaurant operating costs and rent expense are expressed as a percentage of net sales. General and administrative, marketing, other expenses and depreciation and amortization are expressed as a percentage of total revenue.

The total number of company-operated and franchised restaurants at September 24, 2014 was as follows:

| | Steak n Shake | | Western Sizzlin | | |
|---|---|---|---|---|---|
| | Company-operated | Franchised | Company-operated | Franchised | Total |
| Total stores as of September 26, 2012 | 414 | 83 | 5 | 87 | 589 |
| Net restaurants opened (closed) | 1 | 21 | (1) | (5) | 16 |
| Total stores as of September 25, 2013 | 415 | 104 | 4 | 82 | 605 |
| Net restaurants opened (closed) | 1 | 20 | - | (11) | 10 |

| | | | | | |
|---|---|---|---|---|---|
| Total stores as of September 24, 2014 | 416 | 124 | 4 | 71 | 615 |

Net sales during 2014 were $759,889, an increase of $22,921 over 2013. The increased performance of our restaurant operations was largely driven by Steak n Shake's same-store sales. Steak n Shake's same-store sales increased 2.9% during 2014, whereas customer traffic increased by 2.0%. In 2013, net sales increased 2.1% from $721,754 to $736,968, also primarily because of the increase in Steak n Shake's same-store sales. Steak n Shake's same-store sales increased 2.2% during 2013 whereas customer traffic increased by 2.1%.

Franchise royalties and fees increased 28.0% during 2014. The franchised units numbered 195 at the end of 2014, compared to 186 at the end of 2013. The increase in franchise fees is primarily attributable to royalties by 41 newly franchised Steak n Shake stores which opened in 2013 and 2014. Franchise royalties and fees increased 21.9% during 2013. However, franchise fees in conjunction with the opening of the franchised stores by themselves accounted for a 4.7% increase in 2013. The remaining 17.2% increase is primarily attributable to royalties from Steak n Shake's newly franchised stores, which opened in 2012 and 2013.

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Cost of food in the current year was $226,436 or 29.8% of net sales, compared with $218,199 or 29.6% of net sales in 2013. The increase in costs was primarily attributable to higher sales. The price of beef rose during 2014; however, the increased costs were mostly offset by reductions in the prices of other commodities. In 2013 higher revenues increased cost of food by approximately $5.4 million, and higher commodity prices impacted cost of food by approximately $3.2 million. The cost of food in 2012 was $207,234 or 28.7% of net sales.

Restaurant operating costs were $358,998 or 47.2% of net sales compared to $348,654 or 47.3% in 2013. The increased costs were mainly based on higher sales. Restaurant operating costs were $337,905 or 46.8% of net sales in 2012. Restaurant operating costs increased in 2013 over 2012, inter alia, because of increased staffing in our stores of $4.3 million, higher supply costs of $2.3 million, and higher insurance costs of $1.6 million.

Rent expense attributable to restaurant operations remained consistent at 2.2% of net sales, compared to that of the prior years.

General and administrative expenses increased from $56,485 or 7.5% of total revenues in 2013 to $64,872 or 8.3% of total revenues. The increased costs were primarily attributable to higher compensation expense of $4.1 million and higher recruiting and legal fees of $4.2 million for Steak n Shake’s domestic and international development. General and administrative expenses increased from $44,003 or 6.0% of total revenues in 2012 to $56,485 or 7.5% of total revenues in 2013. Increased training in 2013 resulted in a higher expense of $2.7 million, which was largely tied to franchise openings. Our efforts to franchise the Steak n Shake concept domestically and internationally have steadily increased general and administrative expenses.

Marketing expense was $43,324 or 5.6% of total revenues in the current year, versus $44,375 or 5.9% of total revenues in 2013 and $42,531 or 5.8% of total revenues in 2012.

Depreciation and amortization expense was $24,064 or 3.1% of total revenues in the current year, versus $24,882 or 3.3% of total revenues in 2013 and $26,161 or 3.6% of total revenues in 2012.

Interest on obligations under leases was $9,720 during the current year, versus $9,829 during 2013 and $10,073 during 2012. Steak n Shake’s total obligations under leases have decreased as the leases mature. The total obligations under leases outstanding at the end of 2014, 2013 and 2012 were $106,189, $112,486 and $116,066, respectively.

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Insurance

First Guard is a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers. Earnings of our insurance business are summarized below.

| | 2014 |
|---|---|
| Premiums written | $5,330 |
| Insurance losses | 2,765 |
| Underwriting expenses | 1,489 |
| Total losses and expenses | 4,254 |
| Pre-tax underwriting gain | 1,076 |
| Commissions | 205 |
| Investment income | 126 |
| Investment gains | 54 |
| Earnings before income taxes | 1,461 |
| Income tax expense | 497 |
| Contribution to net earnings | $964 |

Media

Maxim is a brand management company whose business lies principally in media and licensing. Earnings of our media operations are summarized below.

| | 2014 |
|---|---|
| Revenue | $9,941 |
| | |
| Media cost of sales | 19,399 |
| Selling, general and administrative expenses | 6,523 |
| Loss before income taxes | (15,981) |
| Income tax benefit | (6,032) |
| Contribution to net earnings | $(9,949) |

We purchased Maxim on February 27, 2014. During the year we made investments into the brand, many of which are reflected in the reported expenses. We have recruited personnel to rebuild the media business, both in print and in digital, and to build a licensing business.

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Investment Gains

Earnings from our investments are summarized below.

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Gain on contributions to investment partnerships | $29,524 | $182,746 | $- |
| Gain on sale of Biglari Capital Corp. | - | 1,597 | - |
| Realized investment gains | - | 1 | 4,200 |
| Other than temporary impairment | - | (570) | - |
| Total gain before tax expense | 29,524 | 183,774 | 4,200 |
| Tax expense | 11,219 | 68,206 | 1,596 |
| Contribution to net earnings | $18,305 | $115,568 | $2,604 |

Investment gains/losses in any given period will vary; therefore, for analytical purposes, management measures operating performance by analyzing earnings before realized and unrealized investment gains/losses.

On July 1, 2013, Biglari Holdings sold all of the outstanding shares of Biglari Capital Corp. to Mr. Biglari, Chairman and CEO of Biglari Holdings, and recorded a gain of $1,597. Biglari Capital Corp. is the general partner of The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively "investment partnerships"). The investment partnerships are limited partnerships operating as private investment funds. The Company has a limited interest in each of the partnerships.

Biglari Holdings recognized non-cash pre-tax gains of $29,524 ($18,305 net of tax) during 2014 and $182,746 ($114,931 net of tax) during 2013 on the contribution of securities to investment partnerships. Biglari Holdings' management does not regard the gains that were recorded, as required by generally accepted accounting principles, as meaningful. The gains recognized for financial reporting purposes are deferred for income tax purposes. These transactions essentially had no effect on our consolidated shareholders' equity because the gains included in earnings were accompanied by a corresponding reduction of unrealized investment gains included in accumulated other comprehensive income.

Realized investment gains of $1 during 2013 and $4,200 during 2012 are gains from securities held directly by the Company and its subsidiaries.

Investment Partnership Gains

Earnings from our investments in partnerships are summarized below.

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Investment partnership gains | $14,055 | $20,068 | $- |
| Gains from consolidated affiliated partnerships | - | 3,903 | 6,302 |
| Earnings attributable to redeemable noncontrolling interest | - | (1,901) | (3,152) |
| Total partnership gains before tax expense | 14,055 | 22,070 | 3,150 |
| Tax expense | 1,739 | 7,533 | 1,197 |
| Contribution to net earnings | $12,316 | $14,537 | $1,953 |

Prior to sale of Biglari Capital Corp., the Company held a controlling interest in The Lion Fund, L.P. and Western Acquisitions, L.P. (the "consolidated affiliated partnerships"), and we accounted for the partnerships' gains and losses in our consolidated financial statements. As a result of the sale of Biglari Capital Corp., the Company no longer has a controlling interest in the consolidated affiliated partnerships. Because we ceased to have a controlling interest in the consolidated affiliated partnerships, these entities were no longer consolidated in the Company's financial

statements. From July 1, 2013, we record gains/losses from investment partnerships (inclusive of the investment partnerships' unrealized gains and losses on the securities) in the consolidated statements of earnings based on the carrying value of our proportional ownership interests in the investment partnerships. The Company recorded after-tax earnings from investment partnership gains of $12,316 during 2014 and $13,296 during 2013. The Company recorded after-tax earnings from the consolidated affiliated partnerships of $1,241 during 2013 and $1,953 during 2012.

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Certain of the investment partnerships hold the Company's common stock as investments. The Company's pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock. Gains and losses on Company common stock included in the earnings of these partnerships are eliminated.

The consolidated affiliated partnerships held the Company's common stock as investments. Net earnings of the Company included the realized and unrealized appreciation/depreciation of the investments held by consolidated affiliated partnerships, other than the realized and unrealized appreciation/depreciation of investments the consolidated affiliated partnerships held in the Company's common stock, which was eliminated in the consolidation.

Interest Expense

The Company's interest expense by year is summarized below.

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest expense, not attributable to businesses | $(9,166) | $(6,551) | $(8,155) |
| Loss on debt extinguishment | (1,133) | - | (1,955) |
| Total interest expense | (10,299) | (6,551) | (10,110) |
| Tax expense (benefit) | (3,914) | (2,489) | (3,842) |
| Contribution to net earnings | $(6,385) | $(4,062) | $(6,268) |

Interest expense increased from $6,551 in 2013 to $9,166 in the current year. This increase primarily pertained to higher balances and interest on Steak n Shake's current credit facility, entered into on March 19, 2014, compared to Steak n Shake's former credit facility. The outstanding balance at September 24, 2014 was $219,450 with a 4.75% interest rate compared to $120,250 with a 3.94% interest rate on September 25, 2013. Interest expense in 2013 decreased from $8,155 in 2012. The decrease primarily pertained to lower interest rates. On September 26, 2012, the total outstanding debt for Steak n Shake was $132,388.

The loss on extinguishment of debt for 2014 of $1,133 and 2012 of $1,955 related to the write-off of deferred loan costs associated with Steak n Shake's then outstanding credit facilities.

Corporate and Other

Corporate and other exclude restaurant, insurance and media companies. Corporate and other registered a net loss of $4,412 in the current year versus a net loss of $7,133 during 2013, and a net loss of $9,806 during 2012. The after-tax loss decreased in 2014 compared to 2013 primarily because of a decrease in incentive compensation. The after-tax loss decreased in 2013 as compared to that in 2012 because of an increase in dividend income.

Income Tax Expense

Consolidated income tax expense was 26.2% of pretax income in the current year, versus 34.3% in 2013 and 20.7% in 2012. The decrease in the Company's tax rate in 2014 as compared to 2013 was primarily attributable to reduced contributions of securities to investment partnerships. The Company recognized gains of $29,524 during 2014 and $182,746 during 2013 on the contribution of securities to investment partnerships. In 2014 and 2013, gains on contributions to investment partnerships were taxed at 38.0% and 37.1%, respectively. The increase in the Company's tax rate in 2013 compared to 2012 was primarily because of higher effective tax rates for gains on contributions to investment partnerships in 2013.

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Financial Condition

Our balance sheet continues to maintain significant liquidity. Our consolidated shareholders' equity on September 24, 2014 was $638,717, an increase of $289,592 compared to the September 26, 2012 balance. The combined increase during 2014 and 2013 in consolidated shareholders' equity was primarily attributable to an increase in comprehensive income of $124,656 as well as funds raised in equity offerings amounting to $161,468. The increase in comprehensive income was primarily due to appreciation of our investments.

Consolidated cash and investments are summarized below.

| | 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents | $124,290 | $94,626 |
| Investments | 21,523 | 85,479 |
| Fair value of interest in investment partnerships | 620,811 | 455,297 |
| Total cash and investments | 766,624 | 635,402 |
| Less: portion of Company stock held by investment partnerships | (63,573) | (57,598) |
| Carrying value of cash and investments on balance sheet | $703,051 | $577,804 |

The Company's pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock. Unrealized gains/losses of Biglari Holdings' stock held by the investment partnerships are eliminated in the Company's results.

Liquidity

During 2014 cash flows from operations primarily consisted of $23,470 of cash flows from earnings (excluding gains) and $10,340 of cash dividends from investment partnerships. During 2013 and 2012 cash flows from earnings (excluding gains) were $40,234 and $48,597, respectively.

Net cash used in investing activities during 2014 was primarily because of contributions to investment partnerships of $100,000, acquisitions of businesses of $40,143 and capital expenditures of $35,812. Net cash used in investing activities of $60,765 during 2013 primarily consisted of purchases of investments of $45,277 and capital expenditures of $14,167. During 2012 net cash used in investing activities was $87,885 based primarily on purchases of investments of $108,825 offset by sales of investments of $38,108.

During 2014 we generated cash from financing activities which primarily resulted from an increase in Steak n Shake borrowings of $101,411 and proceeds from an equity offering of $85,873. $50,000 of Steak n Shake's increased borrowings were used to pay a cash dividend to Biglari Holdings and the remaining loan proceeds will be used by Steak n Shake for working capital and general corporate purposes. During 2013 we generated $75,595 of cash from financing activities from an equity offering. During 2012 we used $709 of cash in financing activities.

We intend to meet the working capital needs of our operating subsidiaries principally through anticipated cash flows generated from operations, cash on hand, existing credit facilities, and the sale of excess properties and investments. We continually review available financing alternatives.

Steak n Shake Credit Facility

On March 19, 2014, Steak n Shake and its subsidiaries entered into a new credit agreement. This credit agreement provides for a senior secured term loan facility in an aggregate principal amount of $220.0 million and a senior secured revolving credit facility in an aggregate principal amount of up to $30.0 million.

The term loan is scheduled to mature on March 19, 2021. It amortizes at an annual rate of 1.0% in equal quarterly installments, beginning June 30, 2014, at 0.25% of the original principal amount of the term loan, subject to mandatory prepayments from excess cash flow, asset sales and other events described in the credit agreement. The balance will be due at maturity. The revolver will be available on a revolving basis until March 19, 2019.

Steak n Shake has the right to request an incremental term loan facility from participating lenders and/or eligible assignees at any time, up to an aggregate total principal amount not to exceed $70.0 million if certain customary conditions within the credit agreement are met.

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Borrowings bear interest at a rate per annum equal to a base rate or a Eurodollar rate (minimum of 1%) plus an applicable margin. Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. Interest on loans under the revolver is based on a Eurodollar rate plus an applicable margin ranging from 2.75% to 4.25% or on the prime rate plus an applicable margin ranging from 1.75% to 3.25%. The applicable margins on revolver loans are contingent on Steak n Shake's total leverage ratio. The revolver also carries a commitment fee ranging from 0.40% to 0.50% per annum, according to Steak n Shake's total leverage ratio, on the unused portion of the revolver.

As of September 24, 2014, the interest rate on the term loan was 4.75%.

The credit agreement includes customary affirmative and negative covenants and events of default, as well as a financial maintenance covenant, solely with respect to the revolver, relating to the maximum total leverage ratio.

Both the term loan and the revolver have been secured by first priority security interests on substantially all the assets of Steak n Shake. Biglari Holdings is not a guarantor under the credit facility. Approximately $118,589 of the proceeds of the term loan were used to repay all outstanding amounts under Steak n Shake's former credit facility and to pay related fees and expenses, $50,000 of such proceeds were used to pay a cash dividend to Biglari Holdings, and the remaining term loan proceeds of approximately $51,411 will be used by Steak n Shake for working capital and general corporate purposes. As of September 24, 2014, $219,450 was outstanding under the term loan, and no amount is outstanding under the revolver.

Steak n Shake had $10,188 and $6,588 in standby letters of credit outstanding as of September 24, 2014 and September 25, 2013, respectively.

Western Revolver
During fiscal year 2014, Western drew $1,000 due June 13, 2015.

Interest Rate Swap
During fiscal year 2013, Steak n Shake entered into an interest rate swap for a notional amount of $65,000 through September 30, 2015. The agreement hedges potential changes in the Eurodollar rate. The fair value of the interest rate swap was a liability of $170 and $214 on September 24, 2014 and September 25, 2013, respectively, and is included in accrued expenses on the consolidated balance sheet.

During fiscal year 2011, Steak n Shake entered into an interest rate swap agreement for a notional amount of $20,000, which effectively fixed the interest rate on a prior credit facility at 3.25% through February 15, 2016. The notional amount decreases $1,000 quarterly through its maturity on February 15, 2016. The notional amount of the interest rate swap was $6,000 on September 24, 2014. The fair value of the interest rate swap was a liability of $63 and $187 on September 24, 2014 and September 25, 2013, respectively, and is included in accrued expenses on the consolidated balance sheet.

Critical Accounting Policies
Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain accounting policies require management to make estimates and judgments concerning transactions that will be settled several years in the future. Amounts recognized in our consolidated financial statements from such estimates are necessarily based on numerous assumptions involving varying and potentially significant degrees of judgment and uncertainty. Accordingly, the amounts currently reflected in our consolidated financial statements will likely increase or decrease in the future as additional information becomes available.

We believe the following critical accounting policies represent our more significant judgments and estimates used in preparation of our consolidated financial statements. Given the current composition of our business, we do not believe that any accounting policies related to our insurance or media businesses were critical to the preparation of our consolidated financial statements as of and for the fiscal year ended September 24, 2014.

Consolidation

The consolidated financial statements include the accounts of (i) Biglari Holdings Inc., (ii) the wholly-and majority-owned subsidiaries of Biglari Holdings Inc. in which control can be exercised and (iii) limited partnership investment entities in which we have a controlling interest as the general partner. In evaluating whether we have a controlling interest in entities in which we would consolidate, we consider the following: (1) for voting interest entities, we consolidate those entities in which we own a majority of the voting interests; and (2) for limited partnership entities, we consolidate those entities if we are the general partner of such entities and for which no substantive removal rights exist. The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered include the determination as to the degree of control over an entity by its various equity holders and the design of the entity.

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Before the sale of Biglari Capital and liquidation of Western Acquisitions, L.P., the Company consolidated its affiliated partnerships in its consolidated financial statements, which included the accounts of (i) the Company, (ii) its wholly-owned subsidiaries Biglari Capital, Steak n Shake, and Western, and (iii) The Lion Fund, L.P. and Western Acquisitions, L.P. (the "consolidated affiliated partnerships"), in which the Company had a substantive controlling interest. As a result of the sale of Biglari Capital and the related liquidation of Western Acquisitions, L.P., the Company has ceased to have a controlling interest in the consolidated affiliated partnerships, which, accordingly, are no longer consolidated in the Company's financial statements. Beginning July 1, 2013, the consolidated financial statements only include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

Prior to July 1, 2013 the consolidated affiliated partnerships' assets and liabilities were consolidated on the consolidated balance sheet even though outside limited partners had majority ownership in the consolidated affiliated partnerships. The Company did not guarantee any of the liabilities of its subsidiaries that were serving as general partners to these consolidated affiliated partnerships.

Beginning July 1, 2013, our interests in the investment partnerships are accounted for as equity method investments because of our retained limited partner interest in the investment partnerships. The Company records gains from investment partnerships (inclusive of the investment partnerships' unrealized gains and losses on their securities) in the consolidated statement of earnings based on our proportional ownership interest in the investment partnerships.

Impairment of Long-lived Assets

We review company-operated restaurants for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment. We test for impairment by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total estimated future cash flows are less than the carrying amount of the asset, the carrying value is written down to the estimated fair value, and a loss is recognized in earnings. The future cash flows expected to be generated by an asset requires significant judgment regarding future performance of the asset, fair market value if the asset were to be sold, and other financial and economic assumptions.

Insurance Reserves

We currently self-insure a significant portion of expected losses under our workers' compensation, general liability, directors' and officers' liability, and auto liability insurance programs. For certain programs, we purchase reinsurance for individual and aggregate claims that exceed predetermined limits. We record a liability for all unresolved claims and our estimates of incurred but not reported ("IBNR") claims at the anticipated cost to us. The liability estimate is based on information received from insurance companies, combined with management's judgments regarding frequency and severity of claims, claims development history, and settlement practices. Significant judgment is required to estimate IBNR claims as parties have yet to assert a claim, and therefore the degree to which injuries have been incurred and the related costs have not yet been determined. Additionally, estimates about future costs involve significant judgment regarding legislation, case jurisdictions, and other matters.

We self-insure our group health insurance risk. We record a liability for our group health insurance for all applied claims and our estimate of claims incurred but not yet reported. Our estimate is based on information received from our insurance company and claims processing practices.

Our reserves for self-insured liabilities at September 24, 2014 and September 25, 2013 were $9,221 and $8,629, respectively.

Income Taxes

We record deferred tax assets or liabilities based on differences between financial reporting and tax basis of assets and liabilities using currently enacted rates and laws that will be in effect when the differences are expected to reverse. We record deferred tax assets to the extent we believe there will be sufficient future taxable income to utilize those assets prior to their expiration. To the extent deferred tax assets would be unable to be utilized, we would record a valuation allowance against the unrealizable amount and record that amount as a charge against earnings. Due to changing tax laws and state income tax rates, significant judgment is required to estimate the effective tax rate expected to apply to tax differences that are expected to reverse in the future. We must also make estimates about the sufficiency of taxable income in future periods to offset any deductions related to deferred tax assets currently recorded. Based on 2014 results, a change of one percentage point in the annual effective tax rate would have an impact of $390 on net earnings.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

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Goodwill and Other Intangible Assets

We are required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The required analysis of potential impairment of goodwill requires a two-step approach. The first step is the estimation of fair value of each reporting unit. If step one indicates that impairment potentially exists, the second step is performed to measure the amount of impairment, if any. Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. The valuation methodology and underlying financial information included in our determination of fair value require significant management judgments. We use both market and income approaches to derive fair value. The judgments in these two approaches include, but are not limited to, comparable market multiples, long-term projections of future financial performance, and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results.

Leases

Restaurant operations lease certain properties under operating leases. Many of these lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. Rent expense is recognized on a straight-line basis over the expected lease term, including cancelable option periods when failure to exercise such options would result in an economic penalty. We use a time period for straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the rent commencement date of the lease term is the earlier of the date when they become legally obligated for the rent payments or the date when they take access to the grounds for build out. Accounting for leases involves significant management judgment.

Effects of Governmental Regulations and Inflation

Most Restaurant operations employees are paid hourly rates related to minimum wage laws. Any increase in the legal minimum wage would directly increase our operating costs. We are also subject to various laws related to zoning, land use, health and safety standards, working conditions, and accessibility standards. Any changes in these laws that require improvements to our restaurants would increase our operating costs.

Inflation in food, labor, fringe benefits, energy costs, transportation costs and other operating costs directly affect our operations.

The federal healthcare reform legislation that became law in March 2010 (known as the Patient Protection and Affordable Care Act [“PPACA”]) mandates menu labeling of certain nutritional aspects of restaurant menu items such as caloric, sugar, sodium, and fat content. Altering our recipes in response to such legislation could increase our costs and/or change the flavor profile of our menu offerings which could have an adverse impact on our results of operations. Additionally, if our customers perceive our menu items to contain unhealthy caloric, sugar, sodium, or fat content, our results of operations could be further adversely affected.

Additionally, minimum employee health care coverage mandated by state or federal legislation, such as the PPACA, could significantly increase our employee health benefit costs or require us to alter the benefits we provide to our employees. While we are assessing the potential impact the PPACA will have on our business, certain of the mandates in the legislation are not yet effective. If our employee health benefit costs increase, we cannot provide assurance that we will be able to offset these costs through increased revenue or reductions in other costs, which could have an adverse effect on our results of operations and financial condition.

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Contractual Obligations

Our significant contractual obligations and commitments as of September 24, 2014 are shown in the following table:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Less than 1 year | 1 – 3 years | 3 – 5 years | More than 5 years | Total |
| Long-term debt (1) (2) | $13,478 | $26,738 | $26,458 | $224,582 | $291,256 |
| Capital leases and finance obligations (1) | 15,586 | 24,837 | 15,302 | 7,903 | 63,628 |
| Operating leases (3) | 16,935 | 27,434 | 23,315 | 59,074 | 126,758 |
| Purchase commitments (4) | 2,281 | 1,119 | 35 | — | 3,435 |
| Other long-term liabilities (5) | — | — | — | 1,650 | 1,650 |
| Total | $48,280 | $80,128 | $65,110 | $293,209 | $486,727 |

(1) Includes principal and interest and assumes payoff of indebtedness at maturity date.
(2) Includes outstanding borrowings under Steak n Shake's credit facility.
(3) Excludes amounts to be paid for contingent rents. Includes amounts to be paid for subleased properties.
(4) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms. Excludes agreements that are cancelable without penalty.
(5) Includes liabilities for Non-Qualified Deferred Compensation Plan. Excludes our unrecognized tax benefits of $444 as of September 24, 2014 because we cannot make a reliable estimate of the timing of cash payments.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating leases entered into in the normal course of business.

Recently Issued Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our consolidated financial statements, see Note 1, “Summary of Significant Accounting Policies” in the accompanying notes to consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In general, forward-looking statements include estimates of future revenues, cash flows, capital expenditures, or other financial items, and assumptions underlying any of the foregoing. Forward-looking statements reflect management’s current expectations regarding future events and use words such as “anticipate,” “believe,” “expect,” “may,” an other similar terminology. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Investors should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. These forward-looking statements are all based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, many beyond our control, including, but not limited to, the risks and uncertainties described in Item 1A, Risk Factors set forth above. We undertake no obligation to publicly update or revise them, except as may be required by law.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The majority of our investments are conducted through investment partnerships which generally hold common stocks. We also hold marketable securities directly. Through investments in the investment partnerships we hold a concentrated position in the common stock of Cracker Barrel Old Country Store, Inc. A significant decline in the general stock market or in the prices of major investments may produce a large net loss and decrease in our consolidated shareholders' equity. Decreases in values of equity investments can have a materially adverse effect on our earnings and on consolidated shareholders' equity.

We prefer to hold equity investments for very long periods of time so we are not troubled by short-term price volatility with respect to our investments. Our interests in the investment partnerships are committed on a rolling 5-year basis, and any distributions upon our withdrawal of funds will be paid out over two years (and may be paid in kind rather than in cash). Market prices for equity securities are subject to fluctuation. Consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. A hypothetical 10% increase or decrease in the market price of our investments would result in a respective increase or decrease in the fair market value of our investments of $57,876, along with a corresponding change in shareholders' equity of approximately 6%.

Borrowings on Steak n Shake's credit facility bear interest at a rate per annum equal to a base rate or a Eurodollar rate (minimum of 1%) plus an applicable margin. Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. Interest on loans under the revolver is based on a Eurodollar rate plus an applicable margin ranging from 2.75% to 4.25% or on the prime rate plus an applicable margin ranging from 1.75% to 3.25%. At September 24, 2014, a hypothetical 100 basis point increase in short-term interest rates would have an impact of approximately $236 on our net earnings. On October 11, 2012, Steak n Shake entered into an interest rate swap for a notional amount of $65,000 through September 30, 2015. The agreement hedges potential changes in the Eurodollar rate. The fair value of the interest rate swap was a liability of $170 on September 24, 2014. In February 2011, in connection with the issuance of the term loan under Steak n Shake's previous credit facility, Steak n Shake entered into an interest rate swap agreement with the lender for a notional amount of $20,000, which effectively fixed the interest rate on the term loan at 3.25% through its maturity. The fair value of the interest rate swap was a liability of $63 at September 24, 2014.

We have had minimal exposure to foreign currency exchange rate fluctuations in 2014 and 2013 and no exposure in 2012.

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Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Biglari Holdings Inc.
San Antonio, Texas

We have audited the accompanying consolidated balance sheets of Biglari Holdings Inc. and subsidiaries (the "Company") as of September 24, 2014 and September 25, 2013, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the periods ended September 24, 2014, September 25, 2013, and September 26, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Biglari Holdings Inc. and subsidiaries as of September 24, 2014 and September 25, 2013, and the results of their operations and their cash flows for the years ended September 24, 2014, September 25, 2013, and September 26, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 5 to the financial statements, during 2014 and 2013, the Company contributed cash and securities with an aggregate value of $174.4 million and $377.6 million, respectively to investment partnerships. The Company and its subsidiaries have invested in the investment partnerships in the form of limited partner interests. These investments are subject to a rolling five-year lock-up period under the terms of the respective partnership agreements for the investment partnerships.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 24, 2014, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 22, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Indianapolis, Indiana
November 22, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Biglari Holdings Inc.
San Antonio, Texas

We have audited the internal control over financial reporting of Biglari Holdings Inc. and subsidiaries (the "Company") as of September 24, 2014, based on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Maxim Inc. and subsidiaries which was acquired on February 27, 2014, and First Guard Insurance Company and its agency, 1st Guard Corporation, which were acquired on March 19, 2014, and whose financial statements constitute 5% and 2% of consolidated total assets and consolidated total revenues, respectively, of the consolidated financial statement amounts as of and for the year ended September 24, 2014. Accordingly, our audit did not include the internal control over financial reporting at Maxim Inc., First Guard Insurance Company, 1st Guard Corporation and their respective subsidiaries. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 24, 2014, based on the criteria established in Internal Control — Integrated Framework (1992) issued by

the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended September 24, 2014 of the Company and our report dated November 22, 2014 expressed an unqualified opinion on those financial statements and financial statement schedule and included an emphasis of a matter paragraph relating to the contribution of cash and securities to investment partnerships.

/s/ DELOITTE & TOUCHE LLP
Indianapolis, Indiana
November 22, 2014

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Management’s Report on Internal Control Over Financial Reporting

The management of Biglari Holdings Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers, and effected by the board of directors, management and other personnel, to provide assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the effectiveness of its internal control over financial reporting as of September 24, 2014 based on the criteria set forth in a report entitled Internal Control — Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, we have concluded that, as of September 24, 2014, our internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of the Company's internal control over financial reporting excluded Maxim Inc., First Guard Insurance Company, 1st Guard Corporation and their respective subsidiaries, which were acquired in fiscal year 2014. These acquisitions represented 5% and 2% of consolidated total assets and consolidated total revenues, respectively, of the Company as of and for the year ended September 24, 2014. These acquisitions are more fully discussed in Note 1 of the notes to the consolidated financial statements. Under guidelines established by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting within one year of the date of the acquisition.

The Company’s independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the Company’s internal control over financial reporting and its report is included herein.

| | |
|---|---|
| /s/ Sardar Biglari | /s/ Bruce Lewis |
| Sardar Biglari | Bruce Lewis |
| Chairman and Chief Executive Officer | Controller |

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands except per-share amounts)

| | 2014 (52 weeks) | 2013 (52 weeks) | 2012 (52 weeks) |
|---|---|---|---|
| Revenues | | | |
| Restaurant operations | $778,155 | $751,919 | $733,905 |
| Insurance premiums and other | 5,715 | - | - |
| Media advertising and other | 9,941 | - | - |
| Other | - | 3,903 | 6,302 |
| | 793,811 | 755,822 | 740,207 |
| Cost and expenses | | | |
| Restaurant cost of sales | 602,507 | 583,003 | 561,055 |
| Insurance losses and underwriting expenses | 4,254 | - | - |
| Media cost of sales | 19,399 | - | - |
| Selling, general and administrative | 128,472 | 126,835 | 109,547 |
| Depreciation and amortization | 24,905 | 25,250 | 26,424 |
| | 779,537 | 735,088 | 697,026 |
| Other income (expenses) | | | |
| Interest and dividends | 1,182 | 8,265 | 4,000 |
| Interest expense | (10,299) | (6,551) | (10,110) |
| Interest on obligations under leases | (9,720) | (9,829) | (10,073) |
| Gain on sale of Biglari Capital Corp. | - | 1,597 | - |
| Investment gains (including contributions) | 29,524 | 182,177 | 4,200 |
| Investment partnership gains | 14,055 | 20,068 | - |
| Total other income (expenses) | 24,742 | 195,727 | (11,983) |
| | | | |
| Earnings before income taxes | 39,016 | 216,461 | 31,198 |
| Income tax expense | 10,212 | 74,289 | 6,453 |
| Net earnings | 28,804 | 142,172 | 24,745 |
| Less: Earnings attributable to noncontrolling interests | - | (1,901) | (3,152) |
| Net earnings attributable to Biglari Holdings Inc. | $28,804 | $140,271 | $21,593 |
| Earnings per share | | | |
| Basic earnings per common share | $16.85 | $90.89 | $13.92 |
| Diluted earnings per common share | $16.82 | $90.69 | $13.88 |
| Weighted average shares and equivalents | | | |
| Basic | 1,709,621 | 1,543,370 | 1,551,613 |
| Diluted | 1,712,775 | 1,546,665 | 1,555,406 |

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands)

| | 2014 (52 Weeks) | 2013 (52 Weeks) | 2012 (52 Weeks) |
|---|---|---|---|
| Net earnings attributable to Biglari Holdings Inc. | $28,804 | $140,271 | $21,593 |
| Other comprehensive income: | | | |
| Reclassification of investment appreciation in net earnings | (29,578) | (182,286) | (1,455) |
| Applicable income taxes | 11,237 | 67,640 | 553 |
| Net change in unrealized gains and losses on investments | (4,930) | 146,079 | 81,075 |
| Applicable income taxes | 1,874 | (53,881) | (30,808) |
| Foreign currency translation | (582) | 8 | - |
| Other comprehensive (loss) income, net | (21,979) | (22,440) | 49,365 |
| Total comprehensive income | $6,825 | $117,831 | $70,958 |

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

| | September 24, 2014 | September 25, 2013 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $124,290 | $94,626 |
| Investments | 21,523 | 85,479 |
| Receivables | 15,962 | 7,055 |
| Inventories | 6,892 | 6,475 |
| Other current assets | 17,601 | 3,851 |
| Total current assets | 186,268 | 197,486 |
| Property and equipment | 354,147 | 346,147 |
| Goodwill | 40,164 | 28,251 |
| Other intangible assets | 22,907 | 7,721 |
| Investment partnerships | 557,238 | 397,699 |
| Other assets | 14,008 | 11,239 |
| Total assets | $1,174,732 | $988,543 |
| | | |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | $39,207 | $31,140 |
| Accrued expenses | 64,440 | 65,885 |
| Current portion of notes payable and other borrowings | 9,387 | 15,989 |
| Total current liabilities | 113,034 | 113,014 |
| Long-term notes payable and other borrowings | 315,196 | 216,747 |
| Deferred taxes | 96,762 | 84,525 |
| Other liabilities | 11,023 | 9,668 |
| Total liabilities | 536,015 | 423,954 |
| Shareholders' equity | | |
| Common stock - 2,065,566 and 1,720,782 shares outstanding | 1,071 | 899 |
| Additional paid-in capital | 391,878 | 269,810 |
| Retained earnings | 340,775 | 348,339 |
| Accumulated other comprehensive income | (522) | 21,457 |
| Treasury stock, at cost | (94,485) | (75,916) |
| Biglari Holdings Inc. shareholders' equity | 638,717 | 564,589 |
| Total liabilities and shareholders' equity | $1,174,732 | $988,543 |

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands)

| | 2014 (52 Weeks) | 2013 (52 Weeks) | 2012 (52 Weeks) |
|---|---|---|---|
| Operating activities | | | |
| Net earnings | $28,804 | $142,172 | $24,745 |
| Adjustments to reconcile net earnings to operating cash flows: | | | |
| Depreciation and amortization | 24,905 | 25,250 | 26,424 |
| Provision for deferred income taxes | 9,164 | 72,035 | (2,727) |
| Asset impairments and other non-cash expenses | 3,253 | 3,508 | 3,744 |
| Loss on disposal of assets | 977 | 1,111 | 611 |
| Gain on sale of Biglari Capital Corp. | - | (1,597) | - |
| Investment gains (including contributions) | (29,578) | (182,177) | (4,200) |
| Investment partnership gains | (14,055) | (20,068) | - |
| Distributions from investment partnerships | 10,340 | - | - |
| Changes in receivables and inventories | (5,926) | 195 | (3,659) |
| Changes in other assets | (2,599) | (2,742) | 1,019 |
| Changes in accounts payable and accrued expenses | 2,290 | 3,764 | 10,491 |
| Investment operations of consolidated affiliated partnerships: | | | |
| Purchases of investments | - | - | (14,477) |
| Sales of investments | - | 1,516 | 26,052 |
| Investment gains/losses | - | (3,597) | (5,942) |
| Changes in cash and cash equivalents | - | (578) | (12,115) |
| Net cash provided by operating activities | 27,575 | 38,792 | 49,966 |
| Investing activities | | | |
| Additions of property and equipment | (35,812) | (14,167) | (8,675) |
| Proceeds from property and equipment disposals | 2,641 | 2,449 | 2,379 |
| Acquisitions of businesses, net of cash acquired | (40,143) | - | - |
| Purchase of lease rights | - | (3,770) | - |
| Proceeds from sale of Biglari Capital Corp., net of cash on hand | - | 1,699 | - |
| Purchases of investments and contributions to investment partnerships | (112,530) | (46,977) | (108,825) |
| Sales of investments | 11,986 | 1 | 38,108 |
| Changes in due to/from broker | - | - | (7,272) |
| Changes in restricted assets | 3,098 | - | (3,600) |
| Net cash used in investing activities | (170,760) | (60,765) | (87,885) |
| Financing activities | | | |
| Proceeds from revolving credit facility | 11,700 | 17,000 | - |
| Payments on revolving credit facility | (10,700) | (17,000) | (15,000) |
| Borrowings on long-term debt | 217,800 | - | 130,000 |
| Principal payments on long-term debt | (120,800) | (12,138) | (110,170) |
| Deferred financing charges | (4,754) | - | (1,961) |
| Principal payments on direct financing lease obligations | (6,278) | (5,904) | (5,272) |
| Proceeds from stock rights offering | 85,873 | 75,595 | - |
| Proceeds from exercise of stock options and employees stock purchase plan | 24 | 16 | 403 |

| | | | |
|---|---|---|---|
| Financing activities of consolidated affiliated partnerships: | | | |
| Contributions from and distributions to noncontrolling interests, net | - | (1,226) | 1,291 |
| Net cash (used in) provided by financing activities | 172,865 | 56,343 | (709) |
| Effect of exchange rate changes on cash | (16) | (103) | - |
| Increase (decrease) in cash and cash equivalents | 29,664 | 34,267 | (38,628) |
| Cash and cash equivalents at beginning of year | 94,626 | 60,359 | 98,987 |
| Cash and cash equivalents at end of year | $124,290 | $94,626 | $60,359 |

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|---|---|---|---|---|---|---|
| Balance at September 28, 2011 | $756 | $144,569 | $230,390 | $ (5,468) | $(90,569) | $279,678 |
| Net earnings | | | 21,593 | | | 21,593 |
| Other comprehensive income, net | | | | 49,365 | | 49,365 |
| Exercise of stock options | | 859 | | | 23 | 882 |
| Adjustment of redeemable noncontrolling interest to maximum redemption value | | (2,393) | | | | (2,393) |
| Balance at September 26, 2012 | $756 | $143,035 | $251,983 | $ 43,897 | $(90,546) | $349,125 |
| Net earnings | | | 140,271 | | | 140,271 |
| Other comprehensive income, net | | | | (22,440) | | (22,440) |
| Deconsolidation of affiliated partnerships | | 12,224 | | | 25,640 | 37,864 |
| Adjustment to treasury stock for holdings in investment partnerships | | | | | (11,033) | (11,033) |
| Issuance of stock for rights offering | 143 | 119,367 | (43,915) | | | 75,595 |
| Exercise of stock options | | (6) | | | 23 | 17 |
| Adjustment of redeemable noncontrolling interest to maximum redemption value | | (4,810) | | | | (4,810) |
| Balance at September 25, 2013 | $899 | $269,810 | $348,339 | $ 21,457 | $(75,916) | $564,589 |
| Net earnings | | | 28,804 | | | 28,804 |
| Other comprehensive income, net | | | | (21,979) | | (21,979) |
| Adjustment to treasury stock for holdings in investment partnerships | | | | | (18,594) | (18,594) |
| Issuance of stock for rights offering | 172 | 122,069 | (36,368) | | | 85,873 |
| Exercise of stock options | | (1) | | | 25 | 24 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance at September 24, 2014 | $1,071 | $391,878 | $340,775 | $ (522) | $(94,485) | $638,717 |

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands, except share and per-share data)

Note 1. Summary of Significant Accounting Policies

Description of Business
Biglari Holdings Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities, including media, property and casualty insurance, as well as restaurants. The Company's largest operating subsidiaries are involved in the franchising and operating of restaurants. The Company is led by Sardar Biglari, Chairman and Chief Executive Officer of Biglari Holdings and its major operating subsidiaries. The Company's long-term objective is to maximize per-share intrinsic value. All major operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Sardar Biglari, Chairman and Chief Executive Officer.

Fiscal Year
Our fiscal year ends on the last Wednesday in September. Fiscal years 2014, 2013, and 2012 each contain 52 weeks. On October 16, 2014, the Company's Board of Directors approved a change in the Company's fiscal year-end moving from the last Wednesday in September to December 31 of each year. The Company will file a Transition Report on Form 10-KT for the transition period from September 25, 2014 through December 31, 2014.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries including Steak n Shake Operations, Inc. ("Steak n Shake") and Western Sizzlin Corporation ("Western"). The consolidated financial statements also include the accounts of Maxim Inc. ("Maxim") and First Guard Insurance Company and its agency, 1st Guard Corporation (collectively "First Guard") from the dates of their respective acquisitions. In addition to consolidating wholly-owned entities we consolidate entities if we have a controlling interest in the general partner. Intercompany accounts and transactions have been eliminated in consolidation.

Prior to July 2013, the consolidated financial statements included the accounts of the Company, its wholly-owned subsidiaries (including Biglari Capital Corp. ["Biglari Capital"]), and investment related limited partnerships The Lion Fund, L.P. and Western Acquisitions, L.P. (collectively the "consolidated affiliated partnerships"), in which we had a controlling interest.

In July 2013 the Company liquidated the partners' interest in Western Acquisitions, L.P. by distributing assets of the partnership to the partners and Biglari Holdings sold all of the outstanding shares of Biglari Capital to Mr. Biglari. Biglari Capital is the general partner of The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively the "investment partnerships"), which are limited partnerships that operate as private investment funds.

As a result of the sale of Biglari Capital and the related liquidation of Western Acquisitions, L.P. the Company ceased to have a controlling interest in Biglari Capital and the consolidated affiliated partnerships. Accordingly, Biglari Capital and the consolidated affiliated partnerships are no longer consolidated in the Company's consolidated financial statements.

Western's, Maxim's, First Guard's and the investment partnerships' September 30 period end for financial reporting purposes differs from the end of the Company's fiscal year. There were no significant transactions in the intervening period.

Business Acquisitions

On February 27, 2014 the Company acquired certain assets and liabilities of Maxim. Maxim is a brand management company whose business lies in media, both in print and in digital, and in licensing of products and services. On March 19, 2014, the Company acquired the stock of First Guard, a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers. These acquisitions were not material, individually or in aggregate, to the Company. The fair value of the assets and liabilities acquired — other than investments, goodwill and intangibles — was not material.

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BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands, except share and per-share data)

Cash and Cash Equivalents
Cash equivalents primarily consist of U.S. Government securities and money market accounts, all of which have original maturities of three months or less. Cash equivalents are carried at fair value.

Investments
Our investments consist of available-for-sale securities and are carried at fair value with net unrealized gains or losses reported as a component of accumulated other comprehensive income in shareholders' equity. Realized gains and losses on disposals of investments are determined by specific identification of cost of investments sold and are included in investment gains/losses, a component of other income.

Investment Partnerships
Our interests in the investment partnerships are accounted as equity method investments because of our retained limited partner interests. The Company records investment partnership gains (inclusive of the investment partnerships' unrealized gains and losses on their securities) as a component of other income based on our proportional ownership interest in the partnerships.

The investment partnerships are for purposes of accounting principles generally accepted in the United States ("GAAP"), investment companies under the AICPA Audit and Accounting Guide Investment Companies. For periods prior to July 1, 2013, the Company retained the specialized accounting for the consolidated affiliated partnerships, pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946-810-45.

Concentration of Equity Price Risk
The majority of our investments are conducted through investment partnerships which generally hold common stocks. We also hold marketable securities directly. Through the investment partnerships we hold a concentrated position in the common stock of Cracker Barrel Old Country Store, Inc. A significant decline in the general stock market or in the prices of major investments may have a materially adverse effect on our earnings and on consolidated shareholders' equity.

Receivables
Our accounts receivable balance consists primarily of franchisee, customer, and other receivables. We carry our accounts receivable at cost less an allowance for doubtful accounts, which is based on a history of past write-offs and collections and current credit conditions. Allowance for doubtful accounts was $1,512 and $804 at September 24, 2014 and September 25, 2013, respectively. Amounts charged to expense and deductions from the allowance totaled $898 and $190, respectively, in 2014. Amounts charged to expense and deductions from the allowance in 2013 and 2012 were insignificant.

Inventories
Inventories are valued at the lower of cost (first-in, first-out method) or market, and consist primarily of restaurant food items and supply inventory.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized on the straight-line method over the estimated useful lives of the assets (10 to 30 years for

buildings and land improvements, and 3 to 10 years for equipment). Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the term of the related leases. Interest costs associated with the construction of new restaurants are capitalized. Major improvements are also capitalized while repairs and maintenance are expensed as incurred. We review our long-lived assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For purposes of this assessment, assets are evaluated at the lowest level for which there are identifiable cash flows. If the future undiscounted cash flows of an asset are less than the recorded value, an impairment is recorded for the difference between the carrying value and the estimated fair value of the asset. Refer to Note 3 for information regarding asset impairments.

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BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands, except share and per-share data)

Goodwill and Other Intangible Assets

Goodwill and indefinite life intangibles are not amortized, but are tested for potential impairment on an annual basis, or more often if events or circumstances change that could cause goodwill or indefinite life intangibles to become impaired. Other purchased intangible assets are amortized over their estimated useful lives, generally on a straight-line basis. We perform reviews for impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying value. When an impairment is identified, we reduce the carrying value of the asset to its estimated fair value. No impairments were recorded on goodwill during fiscal years 2014, 2013, or 2012. During fiscal year 2013, the Company recorded an impairment related to the trade name of Western's company-operated stores. Refer to Note 8 for information regarding our goodwill and other intangible assets.

Operating Leases

The Company leases certain property under operating leases. Many of these lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. Rent expense is recognized on a straight-line basis over the expected lease term, including cancellable option periods when failure to exercise such options would result in an economic penalty. In addition, the rent commencement date of the lease term is the earlier due date when we become legally obligated for the rent payments, the date when we take access to the property, or the grounds for build out.

Common Stock and Treasury Stock

The Company's common stock is $0.50 stated value. The following table presents shares authorized, issued and outstanding:

| | September 24, 2014 | September 25, 2013 |
|---|---|---|
| Common stock authorized | 2,500,000 | 2,500,000 |
| | | |
| Common stock issued | 2,142,202 | 1,797,941 |
| Treasury stock held by the Company | (76,636) | (77,159) |
| Outstanding shares | 2,065,566 | 1,720,782 |
| Proportional ownership of the Company's common stock in The Lion Fund, L.P. | (187,109) | (132,406) |
| Net outstanding shares for financial reporting purposes | 1,878,457 | 1,588,376 |

Revenue Recognition

Restaurant operations

We record revenue from restaurant sales at the time of sale, net of discounts. Revenue from the sale of gift cards is deferred at the time of sale and recognized either upon redemption by the customer or at expiration of the gift cards. Sales revenues are presented net of sales taxes. Unit franchise fees and area development fees are recorded as revenue when said-related restaurant begins operations. Royalty fees and administrative services fees based on franchise sales are recognized as revenue as earned. License revenue and rental revenues are recognized as revenue when earned.

Restaurant operations revenues were as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Net sales | $759,889 | $736,968 | $721,754 |
| Franchise royalties and fees | 15,032 | 11,741 | 9,631 |
| Other | 3,234 | 3,210 | 2,520 |
| | $778,155 | $751,919 | $733,905 |

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BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands, except share and per-share data)

Insurance premiums and commissions
Insurance premiums are earned over the terms of the related policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs, are charged to operations as incurred. Premiums earned are stated net of amounts ceded to reinsurer. Commissions, gains and investment income for fiscal year 2014 were not significant.

Media advertising and other
Magazine subscription and advertising revenues are recognized at the magazine cover date. The unearned portion of magazine subscriptions is deferred until the magazine's cover date, at which time a proportionate share of the gross subscription price is recognized as revenues, net of any commissions paid to subscription agents. Also included in subscription revenues are revenues generated from single-copy sales of magazines through retail outlets such as newsstands, supermarkets, convenience stores and drugstores and on certain digital devices, which may or may not result in future subscription sales. Revenues from retail outlet sales are recognized based on gross sales less a provision for estimated returns.

Other revenue
Other revenue represents realized and unrealized gains/losses on investments held by consolidated affiliated partnerships. Realized gains/losses from the disposal of investments held by consolidated affiliated partnerships are determined by specific identification of cost of investments sold.

Restaurant cost of sales
Cost of sales includes the cost of food, restaurant operating costs and restaurant rent expense. Cost of sales excludes depreciation and amortization, which is presented as a separate line item on the consolidated statement of earnings.

Earnings Per Share
Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. In fiscal years 2014 and 2013, Biglari Holdings completed offerings of transferable subscription rights. The offerings were oversubscribed and 344,261 and 286,767 new shares of common stock were issued, respectively. The Company received net proceeds of $85,873 and $75,595 from the offerings, respectively. Earnings per share for the 2013 and 2012 fiscal years have been retroactively restated to account for the rights offerings.

For periods after July 1, 2013, the shares of Company stock attributable to our limited partner interest in The Lion Fund, L.P. — based on our proportional ownership during this period — are considered treasury stock on the consolidated balance sheet and thereby deemed not to be included in the calculation of weighted average common shares outstanding.

For financial reporting purposes for periods before July 1, 2013, all common shares of the Company held by the consolidated affiliated partnerships are recorded in treasury stock on the consolidated balance sheet. In order to compute the weighted average common shares outstanding, only the shares of treasury stock attributable to the unrelated limited partners of the consolidated affiliated partnerships — based on their proportional ownership during the period — were considered outstanding shares.

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BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(dollars in thousands, except share and per-share data)

The following table presents a reconciliation of basic and diluted weighted average common shares:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Basic earnings per share: | | | |
| Weighted average common shares | 1,709,621 | 1,543,370 | 1,551,613 |
| Diluted earnings per share: | | | |
| Weighted average common shares | 1,709,621 | 1,543,370 | 1,551,613 |
| Dilutive effect of stock awards | 3,154 | 3,295 | 3,793 |
| Weighted average common and incremental shares | 1,712,775 | 1,546,665 | 1,555,406 |
| Number of share-based awards excluded from the calculation of earnings per share as the awards' exercise prices were greater than the average market price of the Company's common stock. | — | 705 | 705 |

Marketing Expense
Advertising costs are charged to expense at the later of the date the expenditure is incurred or the date the promotional item is first communicated. Marketing expense is included in selling, general and administrative expenses on the consolidated statement of earnings.

Insurance Losses
Liabilities for losses and loss adjustment expenses are established under insurance contracts issued by our insurance subsidiaries. These losses and loss adjustment expenses include an amount for reported losses and an amount for losses incurred but not reported. Reserves for incurred but not reported losses are estimates based upon past experience. Reinsurance contracts do not relieve the ceding company of its obligations to indemnify policyholders with respect to the underlying insurance contracts. Liabilities for insurance losses of $769 are included in accrued expenses in the consolidated balance sheet.

Insurance Reserves
We self-insure a significant portion of expected losses under our workers' compensation, general liability, auto, directors' and officers' and medical liability insurance programs, and record a reserve for our estimated losses on all unresolved open claims and our estimated incurred but not reported claims at the anticipated cost to us. Insurance reserves are recorded in accrued expenses in the consolidated balance sheet.

Savings Plans
Several of our subsidiaries also sponsor deferred compensation and defined contribution retirement plans, such as 401(k) or profit sharing plans. Employee contributions to the plans are subject to regulatory limitations and the specific plan provisions. Some of the plans allow for discretionary contributions as determined by management. Employer contributions expensed with respect to these plans were $207, $207 and $213 for fiscal years 2014, 2013 and 2012, respectively.

Use of Estimates
Preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from the estimates.

New Accounting Standards

In August 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-15 Presentation of Financial Statements-Going Concern. The amendments in this update provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The amendments in this update are effective for the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is evaluating the effect, if any, on its consolidated financial statements.

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BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update is effective for annual periods beginning after December 15, 2016 and interim periods therein, which will require us to adopt these provisions in the first quarter of 2017. Early adoption is not permitted. We are evaluating the effect this guidance will have on our consolidated financial statements and related disclosures.

In April 2014, the FASB issued ASU 2014-09, Revenue From Contracts With Customers. The amendments in this update create Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in Topic 605. The objective of the amendment is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amendment is effective for annual reporting periods beginning after December 15, 2016, and interim periods therein. Early adoption is not permitted. The Company is evaluating the effect, if any, on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08 Reporting of Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 provides a narrower definition of discontinued operations than under existing generally accepted accounting principles (“GAAP”). ASU 2014-08 requires that only disposals of components of an entity (or groups of components) that represent a strategic shift that has or will have a major effect on the reporting entity’s operations are reported in the financial statements as discontinued operations. ASU 2014-08 also provides guidance on the financial statement presentations and disclosures of discontinued operations. ASU 2014-08 is effective prospectively for disposals (or classifications of held-for-sale) of components of an entity that occur in annual or interim periods beginning after December 15, 2014. We do not believe the adoption of ASU 2014-08 will have a material effect on the Company’s consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405), which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 2013-04 is effective for fiscal years beginning after December 15, 2013, which is effective for the Company’s first quarter of fiscal year 2015. We do not believe the adoption of ASU 2013-04 will have a material effect on the Company’s consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires disclosure of the amounts reclassified out of each component of accumulated other comprehensive income and into net earnings during the reporting period and is effective for reporting periods beginning after December 15, 2012. The adoption of ASU 2013−02 did not have a material impact on the measurement of net earnings or other comprehensive income.

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities and in January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11, as clarified, enhances disclosures surrounding offsetting (netting) assets and liabilities. The clarified

standard applies to derivatives, repurchase agreements and securities lending transactions and requires companies to disclose gross and net information about financial instruments and derivatives eligible for offset and to disclose financial instruments and derivatives subject to master netting arrangements in financial statements. The clarified standard did not have a material effect on our financial position or results of operations.

Change in Presentation

Because in the current year the acquisition of businesses that operate in industries other than restaurant operations, management changed the historical presentation of the financial statements to more clearly present the consolidated financial statements for our diversified business. Management also consolidated certain line items that were no longer significant concerning the consolidated financial statements. Prior periods have been reclassified to conform to the current year presentation. Such changes had no impact on total assets, total revenue, or total net income.

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Note 2. Divestitures

In July 2013, Biglari Holdings sold all of the outstanding shares of Biglari Capital to Mr. Biglari for $1,700. The Company recorded a gain on the sale of $1,597. Biglari Capital is the general partner of the investment partnerships. The Company also liquidated the partners' interests in Western Acquisitions, L.P. by distributing assets of the partnership to the partners.

Note 3. Impairment and Restaurant Closings

Steak n Shake recorded asset impairment during fiscal years 2014, 2013 and 2012 of $1,433, $1,666, and $901, respectively, in selling, general and administrative expenses. Steak n Shake closed two restaurants and sold two restaurants to franchisees in fiscal year 2014. No company-operated restaurants were closed in fiscal years 2013 and 2012.

Western recorded restaurant closing costs of $72 during fiscal year 2013 in selling, general and administrative expenses. Western closed one company-operated restaurant in each of fiscal years 2014 and 2013.

Note 4. Investments

Investments consisted of the following:

| | 2014 | 2013 |
|---|---|---|
| Cost | $21,439 | $50,884 |
| Gross unrealized gains | 129 | 34,595 |
| Gross unrealized losses | (45) | - |
| Fair value | $21,523 | $85,479 |

Investment gains/losses are recognized when investments are sold (as determined on a specific identification basis) or as otherwise required by GAAP. The timing of realized gains and losses from sales can have a material effect on periodic earnings. However, such realized gains or losses usually have little, if any, impact on total shareholders' equity because the investments are carried at fair value with any unrealized gains/losses included as a component of accumulated other comprehensive income in shareholders' equity. We believe that realized investment gains/losses are often meaningless in terms of understanding reported results. Short-term investment gains/losses have caused and may continue to cause significant volatility in our results.

Investment gains were as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Gain on contributions to investment partnerships | $29,524 | $182,746 | $- |
| Gross realized gains on sales | - | 1 | 4,584 |
| Gross realized losses on sales | - | - | (384) |
| Other than temporary impairment | - | (570) | - |
| Investment gains (including contributions) | $29,524 | $182,177 | $4,200 |

The Company recognized a pre-tax gain of $29,524 ($18,305 net of tax) on a contribution of $74,418 in securities and $182,746 ($114,931 net of tax) on a contribution of $375,936 in securities to the investment partnerships during fiscal years 2014 and 2013, respectively. The gains had a material accounting effect on the Company's fiscal 2014 and 2013 earnings. However, these gains had no impact on total shareholders' equity because the investments were carried at fair value prior to the contribution, with the unrealized gains included as a component of accumulated other comprehensive income.

In connection with the acquisition of First Guard we acquired $15,043 of investments.

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Note 5. Investment Partnerships

Beginning July 1, 2013, as a result of the sale of Biglari Capital the Company reports on the limited partnership interests in investment partnerships under the equity method of accounting. We record our proportional share of equity in the investment partnerships but exclude Company common stock held by said partnerships. The Company's pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock. The Company records gains/losses from investment partnerships (inclusive of the investment partnerships' unrealized gains and losses on their securities) in the consolidated statements of earnings based on our carrying value of these partnerships. The fair value is calculated net of the general partner's accrued incentive fees. Gains and losses on Company common stock included in the earnings of these partnerships are eliminated because they are recorded as treasury stock.

The fair value and adjustment for Company common stock held by the investment partnerships to determine carrying value of our partnership interest is presented below:

| | Fair Value | Company Common Stock | Carrying Value |
|---|---|---|---|
| Partnership interest at July 1, 2013 | $54,608 | $43,580 | $11,028 |
| Investment partnership gains (losses) | 23,053 | 2,985 | 20,068 |
| Contributions of cash and securities to investment partnerships | 377,636 | - | 377,636 |
| Increase in proportionate share of Company stock held | - | 11,033 | (11,033) |
| Partnership interest at September 25, 2013 | 455,297 | 57,598 | 397,699 |
| Investment partnership gains (losses) | 1,436 | (12,619) | 14,055 |
| Contributions of cash and securities (net of distributions of $10,340) to investment partnerships | 164,078 | - | 164,078 |
| Increase in proportionate share of Company stock held | - | 18,594 | (18,594) |
| Partnership interest at September 24, 2014 | $620,811 | $63,573 | $557,238 |

The Company's proportionate share of Company stock held by investment partnerships at cost is $73,207 and $54,613 at September 24, 2014 and September 25, 2013, respectively, and is recorded as treasury stock.

The carrying value of the partnership interest approximates fair value adjusted by changes in the value of held Company stock. Fair value is according to our proportional ownership interest of the fair value of investments held by the investment partnerships. The fair value measurement is classified as level 3 within the fair value hierarchy.

For purposes of distinguishing investment partnership gains and losses, we use the investment partnerships' results for a similar period. For the Company's period ending September 24, 2014, the investment partnerships' value was utilized as of the period ending September 30, 2014.

We recorded $14,055 and $20,068 of gains from investment partnerships during fiscal years 2014 and 2013, respectively. On December 31 of each year, the general partner of the investment partnerships, Biglari Capital, will earn an incentive reallocation fee for the Company's investments equal to 25% of the net profits above an annual

hurdle rate of 6%. Our policy is to accrue an estimated incentive fee throughout the fiscal year. The total incentive reallocation from Biglari Holdings to Biglari Capital for calendar year 2013 was $14,702, including $3,655 associated with gains on the Company's common stock, whose gains are eliminated in our financial statements. As of September 25, 2013, the Company accrued $5,033 for the incentive fee for Biglari Capital. No amount was accrued as of September 24, 2014 because net profits for the calendar year to date do not exceed the hurdle. Our investments in these partnerships are committed on a rolling 5-year basis.

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Summarized financial information for The Lion Fund, L.P. and The Lion Fund II, L.P. is presented below:

| | Equity in Investment Partnerships | |
|---|---|---|
| | Lion Fund | Lion Fund II |
| Current and total assets as of September 30, 2014 | $154,561 | $548,923 |
| Current and total liabilities as of September 30, 2014 | $58 | $25 |
| Revenue for the twelve month period ending September 30, 2014 | $(12,860) | $19,832 |
| Earnings for the twelve month period ending September 30, 2014 | $(12,950) | $19,789 |
| Biglari Holdings' Ownership Interest | 61.6% | 95.8% |
| | | |
| Current and total assets as of September 30, 2013 | $126,121 | $408,883 |
| Current and total liabilities as of September 30, 2013 | $83 | $11 |
| Revenue for the twelve month period ending September 30, 2013 | $9,200 | $25,109 |
| Earnings for the twelve month period ending September 30, 2013 | $9,170 | $25,098 |
| Biglari Holdings' Ownership Interest | 52.1% | 96.3% |

The investments held by the investment partnerships are largely concentrated in the common stock of one investee, Cracker Barrel Old Country Store, Inc.

Consolidated Affiliated Partnerships
Prior to July 2013, The Lion Fund, L.P. and Western Acquisitions, L.P. were referred to as consolidated affiliated partnerships of the Company. Certain of the consolidated affiliated partnerships held the Company's common stock as investments. Net earnings for fiscal year 2013 and 2012 of the Company included the realized and unrealized appreciation and depreciation of the investments held by consolidated affiliated partnerships, other than realized and unrealized appreciation and depreciation of investments the consolidated affiliated partnerships held in the Company's common stock which were eliminated in consolidation. The affiliated partnerships were no longer consolidated as of September 24, 2014 or September 25, 2013.

Realized investment gains/losses in the consolidated affiliated partnerships arose when investments were sold. The net unrealized and realized gains/losses from investments held by consolidated affiliated partnerships, other than holdings of the Company's debt and equity securities, for the fiscal years ended September 25, 2013 and September 26, 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| Gross unrealized gains | $3,746 | $3,047 |
| Gross unrealized losses | (410) | - |
| Net realized gains from sale | 261 | 2,895 |
| Other income | 306 | 360 |
| Total | $3,903 | $6,302 |

The limited partners of each of the investment funds had the ability to redeem their capital upon certain occurrences; therefore, the ownership of the investment funds held by the limited partners was presented as redeemable

noncontrolling interests of consolidated affiliated partnerships and measured at the greater of carrying value or fair value. The affiliated partnerships are no longer consolidated.

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The following is a reconciliation of the redeemable noncontrolling interests in the consolidated affiliated partnerships:

| | 2013 | 2012 |
|---|---|---|
| Carrying value at beginning of year | $52,088 | $45,252 |
| Contributions from noncontrolling interests | 1,076 | 1,545 |
| Distributions to noncontrolling interests | (2,302) | (254) |
| Incentive fee | (21) | (36) |
| Income allocation | 1,922 | 3,188 |
| Adjustment to redeemable noncontrolling interest to reflect maximum redemption value | 4,810 | 2,393 |
| Adjustment to reflect deconsolidation of affiliated partnerships | (57,573) | - |
| Carrying value at end of year | $- | $52,088 |

Note 6. Other Current Assets

Other current assets primarily include deferred tax assets, prepaid rent and other prepaid contractual obligations.

Note 7. Property and Equipment

Property and equipment is composed of the following:

| | 2014 | 2013 |
|---|---|---|
| Land | $162,731 | $162,488 |
| Buildings | 160,086 | 152,891 |
| Land and leasehold improvements | 157,622 | 155,962 |
| Equipment | 218,985 | 209,913 |
| Construction in progress | 9,450 | 5,538 |
| | 708,874 | 686,792 |
| Less accumulated depreciation and amortization | (354,727) | (340,645) |
| Property and equipment, net | $354,147 | $346,147 |

Depreciation and amortization expense for property and equipment for fiscal years 2014, 2013, and 2012 was $23,112, $23,422, and $24,290, respectively.

Note 8. Goodwill and Other Intangibles

Goodwill
Goodwill consists of the excess of the purchase price over the fair value of the net assets acquired in connection with business acquisitions.

A reconciliation of the change in the carrying value of goodwill is as follows:

| | Restaurants | Other | Total |
|---|---|---|---|
| Goodwill at September 26, 2012 | $27,529 | $- | $27,529 |

| | | | |
|---|---|---|---|
| Acquisitions during 2013 | 722 | - | 722 |
| Goodwill at September 25, 2013 | 28,251 | - | 28,251 |
| Acquisitions during 2014 | - | 11,913 | 11,913 |
| Goodwill at September 24, 2014 | $28,251 | $11,913 | $40,164 |

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We are required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The analysis of potential impairment of goodwill requires a two-step approach. The first is the estimation of fair value of each reporting unit. If step one indicates that impairment potentially exists, the second step is performed to measure the amount of impairment, if any. Goodwill impairment occurs when the estimated fair value of goodwill is less than its carrying value.

The valuation methodology and underlying financial information included in our determination of fair value require significant management judgments. We use both market and income approaches to derive fair value. The judgments in these two approaches include, but are not limited to, comparable market multiples, long-term projections of future financial performance, and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results. No impairment charges for goodwill were recorded in fiscal years 2014, 2013 or 2012.

Other Intangibles
Other intangibles are composed of the following:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | Total | Gross carrying amount | Accumulated amortization | Total |
| Right to operate | $1,480 | $ (1,471) | $9 | $1,480 | $ (1,353) | $127 |
| Franchise agreement | 5,310 | (2,390) | 2,920 | 5,310 | (1,859) | 3,451 |
| Other | 810 | (615) | 195 | 810 | (574) | 236 |
| Total | 7,600 | (4,476) | 3,124 | 7,600 | (3,786) | 3,814 |
| Intangible assets with indefinite lives: | | | | | | |
| Trade names | 15,876 | - | 15,876 | - | - | - |
| Other assets with indefinite lives | 3,907 | - | 3,907 | 3,907 | - | 3,907 |
| Total intangible assets | $27,383 | $ (4,476) | $22,907 | $11,507 | $ (3,786) | $7,721 |

Intangible assets subject to amortization consist of franchise agreements connected with the purchase of Western as well as rights to favorable leases related to prior acquisitions. These intangible assets are being amortized over their estimated weighted average of useful lives ranging from eight to twelve years.

Amortization expense for fiscal years 2014, 2013, and 2012 was $690, $690 and $702, respectively. Total annual amortization expense for each of the next five years will approximate $567.

The Company acquired Maxim and First Guard during fiscal year 2014 and lease rights during fiscal year 2013. Portions of the purchase prices were allocated to intangible assets with indefinite lives.

Intangible assets with indefinite lives consist of trade names, franchise rights as well as lease rights. During fiscal year 2013, the Company recorded an impairment loss for an intangible asset of $1,244 in selling, general and administrative. This number represents the trade name of Western’s company-operated stores, which we decided not

to use any longer. The calculation of fair value for the trade name was determined primarily by using a discounted cash flow analysis.

Note 9. Other Assets

Other assets primarily include non-qualified plan investments, the non-current portion of capitalized loan acquisition costs, restricted cash and bonds and the non-current portion of prepaid rent.

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Note 10. Accrued Expenses

Accrued expenses include the following:

| | 2014 | 2013 |
|---|---|---|
| Salaries, wages, and vacation | $14,681 | $ 22,379 |
| Taxes payable | 14,072 | 12,986 |
| Gift card liability | 9,089 | 6,371 |
| Deferred income taxes | - | 5,511 |
| Deferred revenue | 8,781 | 4,756 |
| Workers' compensation and other self-insurance accruals | 9,221 | 8,629 |
| Other | 8,596 | 5,253 |
| Accrued expenses | $64,440 | $ 65,885 |

Note 11. Other Liabilities

Other liabilities include the following:

| | 2014 | 2013 |
|---|---|---|
| Deferred rent expense | $6,447 | $6,469 |
| Other | 4,576 | 3,199 |
| Other liabilities | $11,023 | $9,668 |

Note 12. Income Taxes

The components of the provision for income taxes consist of the following:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Current: | | | |
| Federal | $571 | $506 | $7,275 |
| State | 477 | 1,748 | 1,905 |
| Deferred | 9,164 | 72,035 | (2,727) |
| Total income taxes | $10,212 | $74,289 | $6,453 |
| | | | |
| Reconciliation of effective income tax: | | | |
| Tax at U.S. statutory rates (35%) | $13,656 | $75,762 | $10,919 |
| State income taxes, net of federal benefit | 1,369 | 5,043 | 1,063 |
| Federal income tax credits | (4,298) | (4,249) | (3,517) |
| Tax attributed to noncontrolling interests | - | (666) | (1,103) |
| Dividends received deduction | (3,650) | (2,647) | (963) |
| Valuation allowance | 985 | - | - |
| Foreign tax rate differences | 1,993 | - | - |
| Other | 157 | 1,046 | 54 |
| Total income taxes | $10,212 | $74,289 | $6,453 |

Income taxes paid totaled $4,829 in fiscal year 2014, $1,518 in fiscal year 2013, and $16,802 in fiscal year 2012. Income tax refunds totaled $17 in fiscal year 2014, $52 in fiscal year 2013 and $641 in fiscal year 2012.

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As of September 24, 2014, we had approximately $444 of unrecognized tax benefits, including approximately $61 of interest and penalties, which are included in other long-term liabilities in the consolidated balance sheet. During fiscal year 2014, we recognized approximately $37 in potential interest and penalties associated with uncertain tax positions. Our continuing practice is to recognize interest expense and penalties related to income tax matters in income tax expense. The unrecognized tax benefits of $444 would impact the effective income tax rate if recognized.

The following table summarizes the Company's unrecognized tax benefits, excluding interest and penalties:

| | |
|---|---|
| September 28, 2011 | $1,480 |
| Gross increases – current period tax positions | 109 |
| Lapse of statute of limitations | (843) |
| September 26, 2012 | 746 |
| Gross increases – current period tax positions | 25 |
| Gross decreases – prior period tax positions | (6) |
| Lapse of statute of limitations | (62) |
| September 25, 2013 | 703 |
| Gross increases – current period tax positions | 37 |
| Gross decreases – prior period tax positions | (1) |
| Lapse of statute of limitations | (356) |
| September 24, 2014 | $383 |

We file income tax returns which are periodically audited by various foreign, federal, state, and local jurisdictions. With few exceptions, we are no longer subject to federal, state, and local tax examinations for fiscal years prior to 2011. We believe we have certain state income tax exposures related to fiscal years 2010 through 2014. Because of the expiration of the various state statutes of limitations for these fiscal years, it is possible that the total amount of unrecognized tax benefits will decrease by approximately $216 within 12 months.

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Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. Our deferred tax assets and liabilities consist of the following:

| | 2014 | 2013 |
|---|---|---|
| Deferred tax assets: | | |
| Insurance reserves | $3,321 | $2,938 |
| Share-based payments | 10 | 13 |
| Compensation accruals | 2,276 | 1,952 |
| Gift card accruals | 1,303 | 942 |
| Net operating loss credit carryforward | 1,292 | 60 |
| Valuation allowance on international net operating losses | (1,232) | - |
| Income tax credit carryforward | 1,695 | - |
| Other | 2,824 | 2,027 |
| Total deferred tax assets | 11,489 | 7,932 |
| | | |
| Deferred tax liabilities: | | |
| Investments | 88,050 | 91,405 |
| Fixed asset basis difference | 4,479 | 3,187 |
| Goodwill and intangibles | 4,910 | 3,376 |
| Total deferred tax liabilities | 97,439 | 97,968 |
| Net deferred tax liability | (85,950) | (90,036) |
| Less current portion | 10,812 | (5,511) |
| Long-term liability | $(96,762) | $(84,525) |

Receivables on the consolidated balance sheet include income tax receivables of $5,050 and $1,662 as of September 24, 2014 and September 25, 2013, respectively. The current deferred tax asset of $10,812 as of September 24, 2014 is included in other current assets on the consolidated balance sheet. The current deferred tax liability of $5,511 as of September 25, 2013 is included in accrued expenses on the consolidated balance sheet.

In September 2013, the IRS issued final and proposed regulations under IRC Sections 162, 263(a), and 168. These regulations provide guidance regarding the deduction and capitalization of expenditures related to tangible property and the disposition of tangible depreciable property. The regulations are generally effective for tax years beginning on or after January 1, 2014 and taxpayers will be allowed to rely on, and early adopt, both the final regulations and the proposed disposition rules to facilitate implementation efforts. The application of the new regulations did not have a material effect on the Company’s consolidated financial statements.

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Note 13. Notes Payable and Other Borrowings

Notes payable and other borrowings include the following:

| | 2014 | 2013 |
|---|---|---|
| Notes payable | $2,200 | $9,750 |
| Unamortized original issue discount | (284) | - |
| Obligations under leases | 6,471 | 6,239 |
| Western revolver | 1,000 | - |
| Total current portion of notes payable and other borrowings | $9,387 | $15,989 |
| | | |
| Notes payable | $217,250 | $110,500 |
| Unamortized original issue discount | (1,772) | - |
| Obligations under leases | 99,718 | 106,247 |
| Total long-term notes payable and other borrowings | $315,196 | $216,747 |

Note 14. Borrowings

Steak n Shake Credit Facility
On March 19, 2014, Steak n Shake and its subsidiaries entered into a new credit agreement. This credit agreement provides for a senior secured term loan facility in an aggregate principal amount of $220,000 and a senior secured revolving credit facility in an aggregate principal amount of up to $30,000.

The term loan is scheduled to mature on March 19, 2021. It amortizes at an annual rate of 1.0% in equal quarterly installments, beginning June 30, 2014, at 0.25% of the original principal amount of the term loan, subject to mandatory prepayments from excess cash flow, asset sales and other events described in the credit agreement. The balance will be due at maturity. The revolver will be available on a revolving basis until March 19, 2019.

Steak n Shake has the right to request an incremental term loan facility from participating lenders and/or eligible assignees at any time, up to an aggregate total principal amount not to exceed $70,000 if certain customary conditions within the credit agreement are met.

Borrowings bear interest at a rate per annum equal to a base rate or a Eurodollar rate (minimum of 1%) plus an applicable margin. Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. Interest on loans under the revolver is based on a Eurodollar rate plus an applicable margin ranging from 2.75% to 4.25% or on the prime rate plus an applicable margin ranging from 1.75% to 3.25%. The applicable margins on revolver loans are contingent on Steak n Shake's total leverage ratio. The revolver also carries a commitment fee ranging from 0.40% to 0.50% per annum, according to Steak n Shake's total leverage ratio, on the unused portion of the revolver.

The interest rate on the term loan was 4.75% on September 24, 2014.

The credit agreement includes customary affirmative and negative covenants and events of default, as well as a financial maintenance covenant, solely with respect to the revolver, relating to the maximum total leverage ratio.

Both the term loan and the revolver have been secured by first priority security interests in substantially all the assets of Steak n Shake. Biglari Holdings is not a guarantor under the credit facility. Approximately $118,589 of the proceeds of the term loan were used to repay all outstanding amounts under Steak n Shake's former credit facility and to pay related fees and expenses, $50,000 of such proceeds were used to pay a cash dividend to Biglari Holdings, and the remaining term loan proceeds of approximately $51,411 will be used by Steak n Shake for working capital and general corporate purposes. As of September 24, 2014, $219,450 was outstanding under the term loan, and no amount was outstanding under the revolver.

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We recorded losses of $1,133 and $1,955 in interest expense for the extinguishment of debt for fiscal years 2014 and 2012, respectively, related to the write-off of deferred loan costs associated with former credit facilities. We capitalized $4,754 in debt issuance costs in 2014.

We had $10,188 and $6,588 in standby letters of credit outstanding as of September 24, 2014 and September 25, 2013, respectively.

Western Revolver
During fiscal year 2014, Western drew $1,000 due June 13, 2015.

Interest Rate Swap
During fiscal year 2013, Steak n Shake entered into an interest rate swap for a notional amount of $65,000 through September 30, 2015. The agreement hedges potential changes in the Eurodollar rate. The fair value of the interest rate swap was a liability of $170 and $214 on September 24, 2014 and September 25, 2013, respectively, and is included in accrued expenses on the consolidated balance sheet.

During fiscal year 2011, Steak n Shake entered into an interest rate swap agreement for a notional amount of $20,000, which effectively fixed the interest rate on a prior credit facility at 3.25% through February 15, 2016. The notional amount decreases $1,000 quarterly through its maturity on February 15, 2016. The notional amount of the interest rate swap was $6,000 on September 24, 2014. The fair value of the interest rate swap was a liability of $63 and $187 on September 24, 2014 and September 25, 2013, respectively, and is included in accrued expenses on the consolidated balance sheet.

The carrying amounts for debt reported in the consolidated balance sheet did not differ materially from their fair values at September 24, 2014 and September 25, 2013. The fair value was determined to be a Level 3 fair value measurement.

Expected principal payments for all outstanding borrowings as of September 24, 2014, are as follows:

| | |
|---|---|
| 2015 | $3,200 |
| 2016 | 2,200 |
| 2017 | 2,200 |
| 2018 | 2,200 |
| 2019 | 2,200 |
| 2020 | 2,200 |
| 2021 | 206,250 |
| Total | $220,450 |

Interest
No interest was capitalized in connection with financing additions to property and equipment during fiscal years 2014, 2013, and 2012. Interest paid on debt amounted to $8,158 in 2014, $4,950 in 2013 and $7,359 in 2012. Interest paid on obligations under leases was $9,720, $9,829 and $10,073 in 2014, 2013, and 2012, respectively.

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Note 15. Leased Assets and Lease Commitments

We lease certain physical facilities under non-cancelable lease agreements. These leases require the payment of real estate taxes, insurance and maintenance costs. Certain leased facilities, which are no longer operated but are subleased to third parties or franchisees, are classified below as non-operating properties. Minimum future rental payments for non-operating properties have not been reduced by minimum sublease rentals of $11,920 related to operating leases receivable under non-cancelable subleases. The property and equipment cost related to finance obligations and capital leases as of September 24, 2014 is as follows: $72,941 buildings, $61,663 land, $29,506 land and leasehold improvements, $2,361 equipment and $70,612 accumulated depreciation.

On September 24, 2014, obligations under non-cancelable finance obligations, capital leases, and operating leases (excluding real estate taxes, insurance and maintenance costs) require the following minimum future rental payments:

| | | | | Operating Leases | |
|---|---|---|---|---|---|
| Year | Finance Obligations | Capital Leases | Total | Operating Property | Non-Operating Property |
| 2015 | $ 14,913 | $ 673 | $ 15,586 | $ 16,380 | $ 555 |
| 2016 | 13,421 | 487 | 13,908 | 13,940 | 557 |
| 2017 | 10,629 | 300 | 10,929 | 12,289 | 648 |
| 2018 | 8,437 | 232 | 8,669 | 11,266 | 836 |
| 2019 | 6,632 | — | 6,632 | 10,238 | 975 |
| After 2019 | 7,904 | — | 7,904 | 50,972 | 8,102 |
| Total minimum future rental payments | 61,936 | 1,692 | 63,628 | $ 115,085 | $ 11,673 |
| Less amount representing interest | 35,046 | 149 | 35,195 | | |
| Total principal obligations under leases | 26,890 | 1,543 | 28,433 | | |
| Less current portion | 5,869 | 602 | 6,471 | | |
| Non-current principal obligations under leases | 21,021 | 941 | 21,962 | | |
| Residual value at end of lease term | 77,756 | — | 77,756 | | |
| Obligations under leases | $ 98,777 | $ 941 | $ 99,718 | | |

Contingent rent totaling $1,549 in fiscal year 2014, $1,356 in fiscal year 2013 and $1,173 in fiscal year 2012 is recorded in restaurant cost of sales in the accompanying consolidated statement of earnings.

Non-cancellable finance obligations were created when the Company, under prior management, entered into certain build-to-suit or sale leaseback arrangements. As a result of continuing involvement in the underlying leases (generally due to right of substitution or purchase option provisions of the leases), the Company accounts for the leases as financings.

Note 16. Related Party Transactions

On July 1, 2013, Biglari Holdings entered into the following agreements with Mr. Biglari, its Chairman and Chief Executive Officer: (i) a Stock Purchase Agreement for the sale of Biglari Capital to Mr. Biglari; (ii) a Shared Services Agreement with Biglari Capital, and (iii) a First Amendment to the Amended and Restated Incentive Bonus Agreement, dated September 28, 2010, with Mr. Biglari (the “Incentive Agreement Amendment”). The transactions

contemplated thereby were unanimously approved by the independent Governance, Compensation and Nominating Committee of the Board of Directors of the Company (the "Committee"), which retained separate counsel, tax/accounting advisors, an independent compensation consultant, and a financial advisor to assist the Committee in the structuring, evaluation, and negotiation of such transactions.

Stock Purchase Agreement

Pursuant to the Stock Purchase Agreement, Biglari Holdings sold all the shares of Biglari Capital to Mr. Biglari for a purchase price of $1,700 in cash (the "Biglari Capital Transaction") and recorded a gain of $1,597. Prior to the execution and delivery of the Stock Purchase Agreement, Biglari Capital distributed to the Company substantially all of Biglari Capital's partnership interests in The Lion Fund, L.P. (including, without limitation, Biglari Capital's adjusted capital balance in its capacity as general partner of The Lion Fund, L.P., which totaled $5,721). Biglari Capital thus retained solely a general partner interest in each of The Lion Fund, L.P. and The Lion Fund II, L.P. at the time of the Biglari Capital Transaction.

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Shared Services Agreement

Connected with the Biglari Capital Transaction, Biglari Holdings and Biglari Capital entered into the Shared Services Agreement pursuant to which Biglari Holdings provides certain services to Biglari Capital in exchange for a 6% hurdle rate for Biglari Holdings and its subsidiaries (as compared to a 5% hurdle rate for all other limited partners) in order to determine the incentive reallocation to Biglari Capital, as general partner of The Lion Fund, L.P. and The Lion Fund II, L.P., under their respective partnership agreements. The incentive reallocation to Biglari Capital is equal to 25% of the net profits allocated to the limited partners in excess of their applicable hurdle rate. The Shared Services Agreement runs for an initial five-year term, and automatically renews for successive five-year periods, unless terminated by either party effective at the end of the initial or the renewed term, as applicable. The term of the Shared Services Agreement coincides with the lock-up period for the Company's investments in The Lion Fund, L.P. and The Lion Fund II, L.P. under their respective partnership agreements. During fiscal years 2014 and 2013, the Company provided services for Biglari Capital under the Shared Services Agreement costing an aggregate of $1,590 and $101, respectively.

Investments in The Lion Fund, L.P. and The Lion Fund II, L.P.

During fiscal years 2014 and 2013, the Company contributed cash and securities it owned with an aggregate value of $174,418 and $377,636, respectively, in exchange for limited partner interests in The Lion Fund, L.P. and The Lion Fund II, L.P. As of September 24, 2014, the Company's investments in The Lion Fund, L.P. and The Lion Fund II, L.P. had a fair value of $620,811.

As the general partner of the investment partnerships, Biglari Capital on December 31 of each year will earn an incentive reallocation fee for the Company's investments equal to 25% of the net profits above an annual hurdle rate of 6%. Our policy is to accrue an estimated incentive fee throughout the fiscal year. The total incentive reallocation from Biglari Holdings to Biglari Capital for calendar year 2013 was $14,702, including $3,655 associated with gains on the Company's common stock, whose gains are eliminated in our financial statements. As of September 25, 2013, the Company accrued $5,033 for the incentive fee for Biglari Capital. No amount was accrued as of September 24, 2014 because net profits for the calendar year to date do not exceed the hurdle.

Incentive Agreement Amendment

Also in connection with the Biglari Capital Transaction, Biglari Holdings and Mr. Biglari entered into the Incentive Agreement Amendment which amends the Amended and Restated Incentive Bonus Agreement with Mr. Biglari to reflect and give effect to the Biglari Capital Transaction, which excludes earnings by the investment partnerships from the calculation of Mr. Biglari's incentive bonus.

License Agreement

On January 11, 2013, the Company entered into a Trademark License Agreement (the "License Agreement") with Mr. Biglari. The License Agreement was unanimously approved by the Committee.

Under the License Agreement, Mr. Biglari granted to the Company an exclusive license to use the Biglari and Biglari Holdings names (the "Licensed Marks") in association with various products and services (collectively the "Products and Services"). Upon (a) the expiration of twenty years from the date of the License Agreement (subject to extension as provided in the License Agreement), (b) Mr. Biglari's death, (c) the termination of Mr. Biglari's employment by the Company for Cause (as defined in the License Agreement), or (d) Mr. Biglari's resignation from his employment with the Company absent an Involuntary Termination Event (as defined in the License Agreement), the Licensed Marks for

the Products and Services will transfer from Mr. Biglari to the Company without any compensation if the Company is continuing to use the Licensed Marks in the ordinary course of its business. Otherwise, the rights will revert to Mr. Biglari.

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The license provided under the License Agreement is royalty-free unless and until one of the following events occurs: (i) a Change of Control (as defined in the License Agreement) of the Company; (ii) the termination of Mr. Biglari's employment by the Company without Cause; or (iii) Mr. Biglari's resignation from his employment with the Company due to an Involuntary Termination Event (each, a "Triggering Event"). Following the occurrence of a Triggering Event, Mr. Biglari is entitled to receive a 2.5% royalty on "Revenues" with respect to the "Royalty Period." The royalty payment to Mr. Biglari does not apply to all revenues received by Biglari Holdings and its subsidiaries nor does it apply retrospectively (i.e., to revenues received with respect to the period prior to the Triggering Event). The royalty applies to revenues recorded by the Company on an accrual basis under GAAP, solely with respect to the defined period of time after the Triggering Event equal to the Royalty Period, from a covered Product, Service or business that (1) has used the Biglari Holdings or Biglari name at any time during the term of the License Agreement, whether prior to or after a Triggering Event, or (2) the Company has specifically identified, prior to a Triggering Event, will use the name Biglari or Biglari Holdings.

"Revenues" means all revenues received, on an accrual basis under GAAP, by the Company, its subsidiaries and affiliates from the following: (1) all Products and Services covered by the License Agreement bearing or associated with the names Biglari and Biglari Holdings at any time (whether prior to or after a Triggering Event). This category would include, without limitation, the use of Biglari or Biglari Holdings in the public name of a business providing any covered Product or Service; and (2) all covered Products, Services and businesses that the Company has specifically identified, prior to a Triggering Event, will bear, use or be associated with the name Biglari or Biglari Holdings.

The Committee unanimously approved the association of the Biglari name and mark with all of Steak n Shake's restaurants (including Company operated and franchised locations), products and brands. On May 14, 2013, the Company, Steak n Shake, LLC and Steak n Shake Enterprises, Inc. entered into a Trademark Sublicense Agreement in connection therewith. Accordingly, revenues received by the Company, its subsidiaries and affiliates from Steak n Shake's restaurants, products and brands would come within the definition of Revenues for purposes of the License Agreement.

The "Royalty Period" is a defined period of time, after the Triggering Event, calculated as follows: (i) if, following three months after a Triggering Event, the Company or any of its subsidiaries or affiliates continues to use the Biglari or Biglari Holdings name in connection with any covered product or service, or continues to use Biglari as part of its corporate or public company name, then the "Royalty Period" will equal (a) the period of time during which the Company or any of its subsidiaries or affiliates continues any such use, plus (b) a period of time after the Company, its subsidiaries and affiliates have ceased all uses of the names Biglari and Biglari Holdings equal to the length of the term of the License Agreement prior to the Triggering Event, plus three years. As an example, if a Triggering Event occurs five years after the date of the License Agreement, and the Company ceases all uses of the Biglari and Biglari Holdings names two years after the Triggering Event, the Royalty Period will equal a total of ten years (the sum of two years after the Triggering Event during which the Biglari and Biglari Holdings names are being used, plus a period of time equal to the five years prior to the Triggering Event, plus three years); or (ii) if the Company, its subsidiaries and affiliates cease all uses of the Biglari and Biglari Holdings names within three months after a Triggering Event, then the "Royalty Period" will equal the length of the term of the License Agreement prior to the Triggering Event, plus three years. As an example, if a Triggering Event occurs five years after the date of the License Agreement, and the Company ceases all uses of the Biglari and Biglari Holdings names two months after the Triggering Event, the Royalty Period will equal a total of eight years (the sum of the period of time equal to the five

years prior to the Triggering Event, plus three years). Notwithstanding the above methods of determining the Royalty Period, the minimum Royalty Period is five years after a Triggering Event.

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Note 17. Common Stock Plans

On March 7, 2008, our shareholders approved the 2008 Equity Incentive Plan. During fiscal 2010, we resolved to suspend, indefinitely, the future issuance of stock-based awards under the 2008 plan. No shares were granted under the 2008 plan in fiscal year 2014, 2013 or 2012. To date, 11,660 restricted stock awards have vested and 10,235 stock options have been granted under the 2008 plan.

The following table summarizes the options activity under all of our stock option plans:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at September 25, 2013 | 9,381 | $ 281.64 | | |
| Exercised | (1,733) | $ 309.61 | | |
| Canceled or forfeited | (325) | $ 280.47 | | |
| Outstanding at September 24, 2014 | 7,323 | $ 275.08 | 2.47 years | $ 583 |
| Vested or expected to vest at September 24, 2014 | 7,323 | $ 275.08 | 2.47 years | $ 583 |
| Exercisable at September 24, 2014 | 7,323 | $ 275.08 | 2.47 years | $ 583 |

There was no unrecognized stock option compensation cost at September 24, 2014. No amounts were charged to expense during 2014 or 2013. Amounts charged to expense for 2012, and the intrinsic value of options exercised in 2014, 2013 and 2012 were not material.

Note 18. Commitments and Contingencies

We are involved in various legal proceedings and have certain unresolved claims pending. We believe, based on examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided in our consolidated financial statements is not likely to have a material effect on our results of operations, financial position or cash flows.

On June 3, 2013 and July 2, 2013, two shareholders of the Company filed derivative actions putatively on behalf of the Company against the members of our board of directors in the United States District Courts for the Southern District of Indiana and the Western District of Texas. The actions were consolidated in the Southern District of Indiana in 2014. The shareholders allege claims for breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, waste, and unjust enrichment relating to certain Company transactions, including the Company's acquisition of Biglari Capital, Mr. Biglari's incentive agreement, the trademark license agreement between the Company and Mr. Biglari, and the Company's 2013 rights offering. The shareholders seek to recover unspecified damages, various forms of injunctive relief, and an award of their attorneys' fees. The Company believes these claims are without merit and intends to defend these cases vigorously.

Note 19. Fair Value of Financial Assets and Liabilities

The fair values of substantially all of our financial instruments were measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the fair values presented are not necessarily indicative of the amounts that could be realized in an actual current market exchange. The use of alternative market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The hierarchy for measuring fair value consists of Levels 1 through 3, which are described below.

- Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

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- Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; other inputs that may be considered in fair value determinations of the assets or liabilities, such as interest rates and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Pricing evaluations generally reflect discounted expected future cash flows, which incorporate yield curves for instruments with similar characteristics, such as credit ratings, estimated durations and yields for other instruments of the issuer or entities in the same industry sector.

- Level 3 – Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities and we may be unable to corroborate the related observable inputs. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities.

The following methods and assumptions were used to determine the fair value of each class of the following assets and liabilities recorded at fair value in the consolidated balance sheet:

Cash equivalents: Cash equivalents primarily consist of money market funds which are classified within Level 1 of the fair value hierarchy.

Equity securities: The Company’s investments in equity securities are classified within Level 1 of the fair value hierarchy.

Bonds: The Company’s investments in bonds are classified within Level 2 of the fair value hierarchy.

Non-qualified deferred compensation plan investments: The assets of the non-qualified plan are set up in a rabbi trust. They represent mutual funds and are classified within Level 1 of the fair value hierarchy.

Interest rate swaps: Interest rate swaps are marked to market each reporting period and are classified within Level 2 of the fair value hierarchy. Interest rate swaps at September 24, 2014 and September 25, 2013 represent the fair market value for Steak n Shake’s two interest rate swaps.

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As of September 24, 2014 and September 25, 2013, the fair values of financial assets and liabilities were as follows:

| | September 24, 2014 | | | | September 25, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | |
| Cash equivalents | $ 348 | $ - | $ - | $ 348 | $ - | $ - | $ - | $ - |
| Equity securities: | | | | | | | | |
| Restaurant/Retail | - | - | - | - | 79,357 | - | - | 79,357 |
| Insurance | 6,117 | - | - | 6,117 | 6,122 | - | - | 6,122 |
| Bonds | - | 18,008 | - | 18,008 | - | - | - | - |
| Non-qualified deferred compensation plan investments | 1,633 | - | - | 1,633 | 1,169 | - | - | 1,169 |
| Total assets at fair value | $ 8,098 | $ 18,008 | $ - | $ 26,106 | $ 86,648 | $ - | $ - | $ 86,648 |
| | | | | | | | | |
| Liabilities | | | | | | | | |
| Interest rate swaps | $ - | $ 233 | $ - | $ 233 | $ - | $ 401 | $ - | $ 401 |
| Total liabilities at fair value | $ - | $ 233 | $ - | $ 233 | $ - | $ 401 | $ - | $ 401 |

There were no changes in our valuation techniques used to measure fair values on a recurring basis.

During fiscal years 2014, 2013 and 2012, the Company recorded impairments on long-lived assets of $1,433, $1,666 and $901, respectively. The fair value of the long-lived assets was determined based on Level 2 inputs using quoted prices for similar properties and quoted prices for the properties from brokers. The fair value of the assets impaired was not material for the years ended 2014, 2013, and 2012.

During fiscal year 2013, the Company recorded impairment on intangible assets of $1,244. The fair value was determined based on a discounted cash flow analysis which is a level 3 measurement. The fair value of the trade name was not material at impairment.

Note 20. Accumulated Other Comprehensive Income

During fiscal year 2014 and 2013, the changes in the balances of each component of accumulated other comprehensive income, net of tax, were as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Foreign Currency Translation Adjustments | Investment Gain | Accumulated Other Comprehensive Income | Foreign Currency Translation Adjustments | Investment Gain | Accumulated Other Comprehensive Income |

| | | | | | | |
|---|---|---|---|---|---|---|
| Beginning Balance | $8 | $21,449 | $ 21,457 | $- | $43,897 | $ 43,897 |
| Other comprehensive loss before reclassifications | (582) | (3,056) | (3,638) | 8 | 92,198 | 92,206 |
| Reclassification to (earnings) loss | - | (18,341) | (18,341) | - | (114,646) | (114,646) |
| Ending Balance | $(574) | $52 | $ (522) | $8 | $21,449 | $ 21,457 |

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The following reclassifications were made from accumulated other comprehensive income to the consolidated statement of earnings:

| Reclassifications from Accumulated Other Comprehensive Income | 2014 | 2013 | Affected Line Item in the Consolidated Statement of Earnings |
|---|---|---|---|
| Investment gain | $29,524 | $182,286 | Investment gains (including contributions) |
| | 54 | - | Insurance premiums and other |
| | 11,237 | 67,640 | Income tax expense |
| | $18,341 | $114,646 | Net of tax |

Note 21. Business Segment Reporting

Our reportable business segments are organized in a manner that reflects how management views those business activities. Certain businesses have been grouped together for segment reporting based upon operations even though those business units are operated under separate management.

Our restaurant operations segment includes Steak n Shake and Western. As a result of the acquisitions of Maxim and First Guard, the Company now reports segment information for these businesses. As a result of the sale of Biglari Capital and related deconsolidation of the consolidated affiliated partnerships during July 2013, the Company no longer has an investment management segment. Revenue and earnings before income taxes from the consolidated affiliated partnerships is included in Corporate and other. Beginning in fiscal 2014, we report our earnings from investment partnerships separate from Corporate and other. Other business activities not specifically identified with reportable business segments are presented in Corporate and other. The segment related financial information as of September 25, 2013 and for the years ended September 25, 2013 and September 26, 2012 has been restated to conform to the current year presentation.

We assess and measure segment operating results based on segment earnings as disclosed below. Segment earnings from operations are not necessarily indicative of cash available to fund cash requirements, nor are they synonymous with cash flow from operations.

The tabular information that follows shows data of our reportable segments reconciled to amounts reflected in the consolidated financial statements.

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A disaggregation of select data from our consolidated statements of earnings for the three most recent fiscal years is presented in the tables that follow.

Revenue and earnings before income taxes for the years ended September 24, 2014, September 25, 2013, and September 26, 2012 were as follows:

| | Revenue | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Operating Businesses: | | | |
| Restaurant Operations: | | | |
| Steak n Shake | $765,599 | $737,090 | $718,010 |
| Western | 12,556 | 14,829 | 15,895 |
| Total Restaurant Operations | 778,155 | 751,919 | 733,905 |
| First Guard | 5,715 | - | - |
| Maxim | 9,941 | - | - |
| Total Operating Businesses | 793,811 | 751,919 | 733,905 |
| Other | - | 3,903 | 6,302 |
| | $793,811 | $755,822 | $740,207 |

| | Earnings before income taxes | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Operating Businesses: | | | |
| Restaurant Operations: | | | |
| Steak n Shake | $26,494 | $28,376 | $45,622 |
| Western | 1,765 | 511 | 2,157 |
| Total Restaurant Operations | 28,259 | 28,887 | 47,779 |
| First Guard | 1,461 | - | - |
| Maxim | (15,981) | - | - |
| Total Operating Businesses | 13,739 | 28,887 | 47,779 |
| Corporate and other: | | | |
| Corporate and other | (8,003) | (9,717) | (10,671) |
| Investment gains (including contributions) | 29,524 | 183,774 | 4,200 |
| Investment partnership gains | 14,055 | 20,068 | - |
| Total corporate and other | 35,576 | 194,125 | (6,471) |
| Interest expense, not allocated to segments | (10,299) | (6,551) | (10,110) |
| | $39,016 | $216,461 | $31,198 |

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A disaggregation of our consolidated capital expenditure and depreciation, and amortization captions for fiscal years ended September 24, 2014, September 25, 2013, and September 26, 2012 is presented in the table that follows:

| | Capital Expenditures | | | Depreciation and Amortization | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Reportable segments: | | | | | | |
| Operating Businesses: | | | | | | |
| Restaurant Operations: | | | | | | |
| Steak n Shake | $25,398 | $6,337 | $7,513 | $23,402 | $24,230 | $25,432 |
| Western | 1,113 | 64 | 58 | 662 | 693 | 729 |
| Total Restaurant Operations | 26,511 | 6,401 | 7,571 | 24,064 | 24,923 | 26,161 |
| First Guard | - | - | - | 38 | - | - |
| Maxim | 312 | - | - | 211 | - | - |
| Total Operating Businesses | 26,823 | 6,401 | 7,571 | 24,313 | 24,923 | 26,161 |
| Corporate and other | 8,989 | 7,766 | 1,104 | 592 | 327 | 263 |
| Consolidated results | $35,812 | $14,167 | $8,675 | $24,905 | $25,250 | $26,424 |

A disaggregation of our consolidated asset captions as of September 24, 2014 and September 25, 2013 is presented in the table that follows:

| | Identifiable Assets | |
|---|---|---|
| | 2014 | 2013 |
| Reportable segments: | | |
| Restaurant Operations: | | |
| Steak n Shake | $416,051 | $389,273 |
| Western | 18,802 | 18,324 |
| Total Restaurant Operations | 434,853 | 407,597 |
| First Guard | 36,076 | - |
| Maxim | 23,913 | - |
| Corporate and other | 122,652 | 183,247 |
| Investment partnerships | 557,238 | 397,699 |
| Total assets | $1,174,732 | $988,543 |

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Note 22. Quarterly Financial Data (Unaudited)

| | 1st Quarter | 2nd Quarter | 3rd Quarter (3) | 4th Quarter (3) |
|---|---|---|---|---|
| For the year ended September 24, 2014 (52 weeks) (1) | | | | |
| Total revenues | $172,339 | $234,574 | $193,229 | $193,669 |
| Gross profit (2) | 38,377 | 52,191 | 39,724 | 37,359 |
| Costs and expenses | 167,843 | 224,753 | 190,429 | 196,512 |
| Earnings before income taxes | 24,864 | (12,263) | 13,367 | 13,048 |
| Net earnings attributable to Biglari Holdings Inc. (5) | 16,491 | (5,803) | 9,594 | 8,522 |
| Basic earnings per common share (4) | $9.62 | $(3.39) | $5.67 | $4.96 |
| Diluted earnings per common share (4) | $9.60 | $(3.39) | $5.66 | $4.95 |
| | | | | |
| For the year ended September 25, 2013 (52 weeks) (1) | | | | |
| Total revenues | $166,511 | $225,210 | $184,602 | $179,499 |
| Gross profit (2) | 37,613 | 50,189 | 43,476 | 41,541 |
| Costs and expenses | 159,181 | 220,606 | 178,137 | 177,164 |
| Earnings before income taxes | 5,930 | 1,420 | 169,834 | 39,277 |
| Net earnings attributable to Biglari Holdings Inc. (5) | 4,562 | 2,180 | 106,704 | 26,825 |
| Basic earnings per common share (4) | $2.94 | $1.41 | $69.08 | $17.46 |
| Diluted earnings per common share (4) | $2.94 | $1.40 | $68.92 | $17.43 |

(1) Our fiscal year includes quarters consisting of 12, 16, 12 and 12 weeks, respectively. Management changed the historical presentation of the financial statements during the fourth quarter of 2014 to more clearly present the consolidated financial statements for our diversified business. Prior periods have been reclassified to conform to the current year presentation.
(2) We define gross profit as net revenue less restaurant cost of sales, media cost of sales, and insurance losses and underwriting expenses, which excludes depreciation and amortization.
(3) We recorded pre-tax gain on contribution to investment partnerships of $29,524 during the third quarter of 2014, $162,869 during the third quarter of 2013 and $19,877 during the fourth quarter of 2013.
(4) Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. In fiscal year 2014 and 2013 the Company completed rights offerings in which 344,261 and 286,767 new shares of common stock were issued, respectively. Earnings per share have been retroactively restated to give effect to the rights offerings.
(5) Net earnings attributable to Biglari Holdings Inc. includes investment partnership gains of $14,055 ($12,316 net of tax) in 2014 and $20,068 ($13,296 net of tax) in 2013.

Note 23. Supplemental Disclosures of Cash Flow Information

During fiscal year 2014, we had no new capital lease obligations or lease retirements, and had $2,269 of capital expenditures in accounts payable at year-end. During fiscal year 2013, we had four new capital lease obligations of $2,311 and had $1,043 of capital expenditures in accounts payable at year-end. During fiscal year 2012, we had no new capital lease obligations or lease retirements, and had $589 of capital expenditures in accounts payable at

year-end.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Based on an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), our Chief Executive Officer and Controller have concluded that our disclosure controls and procedures were effective as of September 24, 2014.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 24, 2014 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be contained in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders, to be filed on or before January 22, 2015, and such information is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be contained in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders, to be filed on or before January 22, 2015, and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be contained in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders, to be filed on or before January 22, 2015, and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be contained in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders, to be filed on or before January 22, 2015, and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be contained in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders, to be filed on or before January 22, 2015, and such information is incorporated herein by reference.

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Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The following Consolidated Financial Statements, as well as the Reports of Independent Registered Public Accounting Firm, are included in Part II, Item 8 of this report:


| | PAGE |
|---|---|
| Reports of Independent Registered Public Accounting Firm | 28-29 |
| Management's Report on Internal Control over Financial Reporting | 30 |
| Consolidated Balance Sheets at September 24, 2014 and September 25, 2013 | 33 |
| For the years ended September 24, 2014, September 25, 2013, and September 26, 2012: | |
| Consolidated Statements of Earnings | 31 |
| Consolidated Statements of Comprehensive Income | 32 |
| Consolidated Statements of Cash Flows | 34 |
| Consolidated Statements of Changes in Shareholders' Equity | 35 |
| Notes to Consolidated Financial Statements | 36 |


2. Financial Statement Schedule


| | |
|---|---|
| Schedule I—Parent Company | |
| Condensed Balance Sheets at September 24, 2014 and September 25, 2013 | 66 |
| For the years ended September 24, 2014, September 25, 2013, and September 26, 2012: | |
| Condensed Statements of Earnings | 67 |
| Condensed Statements of Comprehensive Income | 67 |
| Condensed Statements of Cash Flows | 68 |
| Notes to Condensed Parent Company Financial Statements | 69 |


Other schedules have been omitted for the reason that they are not required, are not applicable, or the required information is set forth in the financial statements or notes thereto.

(b) Exhibits

See the "Exhibit Index" at page 72.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 22, 2014.

Biglari Holdings inc.

By: /s/ Bruce Lewis
Bruce Lewis
Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on November 22, 2014.

| Signature | Title |
|---|---|
| /s/ Sardar Biglari<br>Sardar Biglari | Chief Executive Officer and Chairman of the Board (Principal Executive Officer) |
| /s/ Bruce Lewis<br>Bruce Lewis | Controller (Principal Financial and Accounting Officer) |
| /s/ Philip Cooley<br>Philip Cooley | Director |
| /s/ Dr. Ruth J. Person<br>Dr. Ruth J. Person | Director |
| /s/ Kenneth R. Cooper<br>Kenneth R. Cooper | Director |
| /s/ William L. Johnson<br>William L. Johnson | Director |
| /s/ James P. Mastrian<br>James P. Mastrian | Director |

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Biglari Holdings Inc. (Parent Company)
(amounts in thousands)
Schedule I

Condensed Balance Sheets

| | September 24, 2014 | September 25, 2013 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $82,344 | $72,279 |
| Investments | 6,117 | 6,122 |
| Receivables | 5,050 | - |
| Other | 5,377 | 4,696 |
| Investment partnerships | 386,893 | 346,514 |
| Investments in and advances to/from subsidiaries | 224,341 | 218,186 |
| Total assets | $710,122 | $647,797 |
| | | |
| Liabilities and shareholders' equity | | |
| Accounts payable and accrued expenses | $1,406 | $11,960 |
| Deferred income taxes | 69,999 | 71,248 |
| Total liabilities | 71,405 | 83,208 |
| | | |
| Shareholders' equity | 638,717 | 564,589 |
| Total liabilities and shareholders' equity | $710,122 | $647,797 |

See accompanying Notes to Condensed Parent Company Financial Statements.

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Biglari Holdings Inc. (Parent Company)
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(amounts in thousands)
Schedule I (continued)

Condensed Statements of Earnings

| | 2014 (52 Weeks) | 2013 (52 Weeks) | 2012 (52 Weeks) |
|---|---|---|---|
| Income items: | | | |
| From consolidated subsidiaries: | | | |
| Dividends | $ 32,223 | $ - | $ - |
| Undistributed earnings | (5,009) | 29,777 | 28,306 |
| | 27,214 | 29,777 | 28,306 |
| Costs and expense items: | | | |
| General and administrative | 8,522 | 19,685 | 18,388 |
| | | | |
| Other income: | | | |
| Other income | 19 | 5,220 | 3,412 |
| Investment gains (including contributions) | - | 162,300 | 4,152 |
| Investment partnership gains | 6,749 | 20,068 | - |
| Gain on sale of Biglari Capital Corp. | - | 1,597 | - |
| Total other income | 6,768 | 189,185 | 7,564 |
| | | | |
| Earnings before income taxes | 25,460 | 199,277 | 17,482 |
| Income taxes | (3,344) | 59,006 | (4,111) |
| Net earnings | 28,804 | 140,271 | 21,593 |

Condensed Statements of Comprehensive Income

| | 2014 (52 Weeks) | 2013 (52 Weeks) | 2012 (52 Weeks) |
|---|---|---|---|
| Net earnings attributable to Biglari Holdings Inc. | 28,804 | 140,271 | 21,593 |
| Other comprehensive income: | | | |
| Reclassification of investment appreciation in net earnings | (29,578) | (182,286) | (1,455) |
| Applicable income taxes | 11,237 | 67,640 | 553 |
| Net change in unrealized gains and losses on investments | (4,930) | 146,079 | 81,075 |
| Applicable income taxes | 1,874 | ( 53,881) | ( 30,808) |
| Foreign currency translation | (582) | 8 | - |
| Other comprehensive (loss) income, net | (21,979) | (22,440) | 49,365 |
| Total comprehensive income | $ 6,825 | $ 117,831 | $ 70,958 |

See accompanying Notes to Condensed Parent Company Financial Statements.

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Biglari Holdings Inc. (Parent Company)
(Years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(amounts in thousands)
Schedule I (continued)

Condensed Statements of Cash Flows

| | 2014 (52 Weeks) | 2013 (52 Weeks) | 2012 (52 Weeks) |
|---|---|---|---|
| Operating activities | | | |
| Net earnings | $28,804 | $140,271 | $21,593 |
| Adjustments to reconcile net earnings to net cash: | | | |
| Excess distributed earnings of subsidiaries | 20,341 | - | - |
| Undistributed earnings of subsidiaries | 5,009 | (29,777) | (28,306) |
| Provision for deferred income taxes | (1,886) | 56,396 | (3,570) |
| Gain on sale of Biglari Capital Corp. | - | (1,597) | - |
| Investment gains (including contributions) | - | (162,300) | (4,152) |
| Investment partnership gains | (6,749) | (20,068) | - |
| Distributions from investment partnerships | 7,776 | - | - |
| Changes in accounts payable and accrued expenses | (10,554) | 785 | 7,346 |
| Changes in receivables and other | (4,016) | 3,410 | (3,483) |
| Net cash provided by (used in) operating activities | 38,725 | (12,880) | (10,572) |
| Investing activities | | | |
| Investments in and advances to/ from subsidiaries, net | (13,318) | 30,000 | 7,239 |
| Additions of property and equipment | (1,096) | (1,106) | (624) |
| Acquisitions of businesses, net of cash acquired | (40,143) | - | - |
| Proceeds from sale of Biglari Capital Corp, net of cash on hand | - | 1,699 | - |
| Purchases of investments | (60,000) | (46,977) | (101,004) |
| Sales of investments | - | 1 | 49,536 |
| Changes in due to/from broker | - | - | (7,051) |
| Net cash used in investing activities | (114,557) | (16,383) | (51,904) |
| Financing activities | | | |
| Proceeds from stock rights offering | 85,873 | 75,595 | - |
| Proceeds from exercise of stock options and employees stock purchase plan | 24 | 16 | 403 |
| Net cash provided by financing activities | 85,897 | 75,611 | 403 |
| Increase (decrease) in cash and cash equivalents | 10,065 | 46,348 | (62,073) |
| Cash and cash equivalents at beginning of year | 72,279 | 25,931 | 88,004 |
| Cash and cash equivalents at end of year | $82,344 | $72,279 | $25,931 |

See accompanying Notes to Condensed Parent Company Financial Statements.

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Notes to Condensed Parent Company Financial Statements
Biglari Holdings Inc. (Parent Company)
(years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(amounts in thousands)

Note 1. Basis of Presentation

Biglari Holdings Inc.'s (the "Company") condensed financial information has been derived from the consolidated financial statements and should be read in conjunction with the consolidated financial statements included in this Annual Report on Form 10-K.

Prior to July 2013, the consolidated financial statements included the accounts of the Company, its wholly-owned subsidiaries (including Biglari Capital Corp. ("Biglari Capital")), and investment related limited partnerships The Lion Fund, L.P. and Western Acquisitions, L.P. (collectively the "consolidated affiliated partnerships"), in which we had a controlling interest.

In July 2013 the Company liquidated the partners' interest in Western Acquisitions, L.P. by distributing assets of the partnership to the partners and Biglari Holdings sold all of the outstanding shares of Biglari Capital to Mr. Biglari. Biglari Capital is the general partner of The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively the "investment partnerships"), which are limited partnerships that operate as private investment funds.

As a result of the sale of Biglari Capital and the related liquidation of Western Acquisitions, L.P. the Company ceased to have a controlling interest in Biglari Capital and the consolidated affiliated partnerships. Accordingly, Biglari Capital and the consolidated affiliated partnerships are no longer consolidated in the Company's financial statements.

During fiscal years 2014 and 2013, the Company contributed cash and securities in exchange for limited partner interests in the investment partnerships. Prior to the contributions of securities to the investment partnerships the Company accounted for the securities as available-for-sale securities with unrealized gains and losses recorded as a component of shareholders' equity in the condensed balance sheet. Our interests in the investment partnerships are accounted for as equity method investments due to our retained limited partner interest. The Company records earning from investment partnerships in the condensed statement of earnings based on our proportional ownership interest in the investment partnerships' total earnings.

Our investments consist of available-for-sale securities and are carried at fair value with net unrealized gains or losses reported as a component of accumulated other comprehensive income in shareholders' equity. Realized gains and losses on disposals of investments are determined by specific identification of cost of investments sold and are included in realized investment gains/losses, a component of investment gains.

In each of fiscal years 2014 and 2013, Biglari Holdings completed an offering of transferable subscription rights. The offerings were oversubscribed and 344,261 and 286,767, respectively, new shares of common stock were issued. The Company received net proceeds of $85,873 and $75,595 from the offerings, respectively.

Note 2. Subsidiary Transactions

Dividends
During fiscal year 2014, the Company received cash dividends from subsidiaries of $52,564, which included distribution of current year earnings of $32,223 and historical earnings of $20,341. No cash dividends were received during fiscal year 2013 or 2012.

One of our wholly-owned subsidiaries has a credit facility that imposes restrictions on its ability to transfer funds to the Company through intercompany loans, distributions, or dividends.

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Notes to Condensed Parent Company Financial Statements
Biglari Holdings Inc. (Parent Company)
(years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(amounts in thousands)

Investment in Subsidiaries
The Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries.

Note 3. Investments

Investments consisted of the following:

| | 2014 | 2013 |
|---|---|---|
| Cost | $5,989 | $5,989 |
| Gross unrealized gains | 128 | 133 |
| Fair value | $6,117 | $6,122 |

As of September 24, 2014, the Company retained a balance of $6,117 of investments deemed as available-for-sale securities.

Investment gains/losses are recognized when investments are sold (as determined on a specific identification basis) or as otherwise required by GAAP. The timing of realized gains and losses from sales can have a material effect on periodic earnings. However, such realized gains or losses usually have little, if any, impact on total shareholders' equity because the investments are carried at fair value with any unrealized gains/losses included as a component of accumulated other comprehensive income in shareholders' equity. We believe that realized investment gains/losses are often meaningless in terms of understanding reported results. Short-term investment gains/losses have caused and may continue to cause significant volatility in our results.

Investment gains were as follows:

| | 2013 | 2012 |
|---|---|---|
| Gain on contributions to investment partnerships | $162,869 | $- |
| Gross realized gains on sales | 1 | 4,536 |
| Gross realized losses on sales | - | (384) |
| Other than temporary impairment | (570) | - |
| Gains on contributions and sales of investments | $162,300 | $4,152 |

The Company recognized a pre-tax gain of $162,869 ($102,607 net of tax) on contributions of $324,751 in securities to investment partnerships for fiscal year 2013. The gain had a material effect on the Company's fiscal 2013 earnings. However, this gain had no impact on total shareholders' equity because the investments were carried at fair value prior to the contribution, with the unrealized gains included as a component of accumulated other comprehensive income.

During fiscal year 2013, the Company had unrealized losses on available-for-sale securities in a continuous unrealized loss position for more than twelve consecutive months. Therefore, we recorded an impairment of $570 in fiscal year 2013.

Note 4. Investment Partnerships

The Company reports on the limited partnership interests in The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively the "investment partnerships") under the equity method of accounting. We record our proportional share of equity in the investment partnerships but exclude Company common stock held by said partnerships. The Company's pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock. The Company records gains/losses from investment partnerships (inclusive of the investment partnerships' unrealized gains and losses on their securities) in the consolidated statements of earnings based on our carrying value of these partnerships. The fair value is calculated net of the general partner's accrued incentive fees. Gains and losses on Company common stock included in the earnings of these partnerships are eliminated because they are recorded as treasury stock.

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Notes to Condensed Parent Company Financial Statements
Biglari Holdings Inc. (Parent Company)
(years ended September 24, 2014, September 25, 2013, and September 26, 2012)
(amounts in thousands)

The fair value and adjustment for Company common stock held by the investment partnerships to determine carrying value of our partnership interest is presented below:

| | Fair Value | Company Common Stock | Carrying Value |
|---|---|---|---|
| Partnership interest at July 1, 2013 | $54,608 | $43,580 | $11,028 |
| Investment partnership gains (losses) | 23,053 | 2,985 | 20,068 |
| Contributions of cash and securities to investment partnerships | 326,451 | - | 326,451 |
| Increase in proportionate share of Company stock held | - | 11,033 | (11,033) |
| Partnership interest at September 25, 2013 | 404,112 | 57,598 | 346,514 |
| Investment partnership gains (losses) | 1,071 | (5,678) | 6,749 |
| Contributions of cash and securities (net of distributions) to investment partnerships | 52,224 | - | 52,224 |
| Increase in proportionate share of Company stock held | - | 18,594 | (18,594) |
| Partnership interest at September 24, 2014 | $457,407 | $70,514 | $386,893 |

The Company's proportionate share of Company stock held by investment partnerships at cost is $73,207 and $54,613 at September 24, 2014 and September 25, 2013, respectively, and is recorded as treasury stock.

The carrying value of the partnership interest approximates fair value adjusted by changes in the value of held Company stock. Fair value is according to our proportional ownership interest of the fair value of investments held by the investment partnerships. The fair value measurement is classified as level 3 within the fair value hierarchy.

For purposes of distinguishing investment partnership gains and losses, we use the investment partnerships' results for a similar period. For the Company's period ending September 24, 2014, the investment partnerships' value was utilized as of the period ending September 30, 2014. Therefore, during 2014 and 2013, we recorded $6,749 and $20,068, respectively, of investment partnership gains. On December 31 of each year, the general partner of the investment partnerships, Biglari Capital, will earn an incentive reallocation fee for the Company's investments equal to 25% of the net profits above an annual hurdle rate of 6%. Our policy is to accrue an estimated incentive fee throughout the fiscal year. The total incentive reallocation from Biglari Holdings to Biglari Capital for calendar year 2013 was $13,946, including $3,655 associated with gains on the Company's common stock, whose gains are eliminated in our financial statements. As of September 25, 2013, the Company accrued $5,033 for the incentive fee for Biglari Capital. No amount was accrued as of September 24, 2014 because net profits for the calendar year to date do not exceed the hurdle. Our investments in these partnerships are committed on a rolling 5-year basis.

The investments held by the investment partnerships are largely concentrated in the common stock of one investee, Cracker Barrel Old Country Store, Inc.

Note 5. Income Taxes

Federal income taxes are paid based on the consolidated results of Biglari Holdings.

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INDEX TO EXHIBITS

| Exhibit Number | Description |
|---|---|

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by the Company, file number 0-8445, unless otherwise indicated.

| | |
|---|---|
| 2.01 | Agreement and Plan of Merger, dated as of October 22, 2009, by and among the Company, Grill Acquisition Corporation and Western. (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 23, 2009). |
| 3.01 | Amended and Restated Articles of Incorporation of the Company, filed March 27, 2002, as amended by Articles of Amendment dated December 17, 2009, January 27, 2010 and April 8, 2010. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 dated April 15, 2010). |
| 3.02 | Restated Bylaws of the Company, as amended through July 1, 2009. (Incorporated by reference to Exhibit 3.01 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2009). |
| 4.01 | Specimen certificate representing Common Stock of the Company. (Incorporated by reference to Exhibit 4.01 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 11, 2001). |
| 10.01* | 1997 Employee Stock Option Plan. (Incorporated by reference to the Appendix to the Company's definitive Proxy Statement dated December 24, 1996). |
| 10.02* | Amendment No. 1 to 1997 Employee Stock Option Plan. (Incorporated by reference to the Appendix to the Company's definitive Proxy Statement dated December 19, 2001). |
| 10.03* | Form of Stock Option Agreement under the Company's 1997 Employee Stock Option Plan. (Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended September 29, 2004 filed on December 16, 2004). |
| 10.04* | 2005 Director Stock Option Plan. (Incorporated by reference to Appendix B to the Company's definitive Proxy Statement dated December 20, 2004). |
| 10.05* | 2006 Employee Stock Option Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 8, 2006). |
| 10.06* | 2006 Incentive Bonus Plan. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 8, 2006). |
| 10.07* | Form of Incentive Stock Option Agreement under the 2006 Employee Stock Option Plan (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 8, 2006). |
| 10.08* | |

| | |
|---|---|
| | 2007 Non-Employee Director Restricted Stock Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 9, 2007). |
| 10.09* | 2008 Equity Incentive Plan. (Incorporated by reference to Appendix A to the Company's definitive Proxy Statement dated February 8, 2008). |
| 10.10* | Form of Employee Stock Option Agreement under the Company's 2008 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 9, 2008). |
| 10.11* | Form of 2008 Equity Incentive Plan Restricted Stock Agreement under the Company's 2008 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.02 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 9, 2008). |
| 10.12* | The Steak n Shake Non-Qualified Savings Plan, amended and restated as of March 15, 2010. (Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated April 22, 2010). |
| 10.13 | Multiple Unit Franchise Agreement, dated as of September 21, 2005, by and among the Company, Reinwald Enterprises Emory, LLC and Reinwald Enterprises Wild Geese, LLC. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 27, 2005). |

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| | |
|---|---|
| 10.14* | Form of Indemnity Agreement entered into on October 9, 2007 with the following Officers and Directors of the Company: Jeffrey A. Blade, Duane E. Geiger, Alan B. Gilman, Omar Janjua, David C. Milne, Thomas Murrill, Gary T. Reinwald, Steven M. Schiller, J. Michael Vance, Geoff Ballotti, Wayne Kelley, Charles Lanham, Ruth Person, John W. Ryan, J. Fred Risk, Steven M. Schmidt, Edward Wilhelm, and James Williamson, Jr. (Incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended September 26, 2007). |
| 10.15* | Severance Agreement, dated as of January 26, 2010, by and between the Company and Duane Geiger. (Incorporated by reference to Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 23, 2009). |
| 10.16* | Amended and Restated Incentive Bonus Agreement, dated September 28, 2010, by and between the Company and Sardar Biglari. (Incorporated by reference to Annex A to the Company's definitive Proxy Statement dated September 28, 2011). |
| 10.17 | Trademark License Agreement, dated as of January 11, 2013, by and between Biglari Holdings Inc. and Sardar Biglari. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 11, 2013). |
| 10.18 | Trademark Sublicense Agreement, entered as of May 14, 2013, by and among the Company, Steak n Shake, LLC and Steak n Shake Enterprises, Inc. (Incorporated by reference to Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 10, 2013). |
| 10.19 | Stock Purchase Agreement, dated July 1, 2013, by and between Biglari Holdings Inc. and Sardar Biglari. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 2, 2013). |
| 10.20 | Shared Services Agreement, dated July 1, 2013, by and between Biglari Holdings Inc. and Biglari Capital Corp. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated July 2, 2013). |
| 10.21* | First Amendment, dated as of July 1, 2013, to the Amended and Restated Incentive Bonus Agreement, dated as of September 28, 2010, by and between Biglari Holdings Inc. and Sardar Biglari. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated July 2, 2013). |
| 10.22 | Credit Agreement, dated as of March 19, 2014, among Steak n Shake Operations, Inc., as borrower, Steak n Shake Enterprises, Inc. and Steak n Shake, LLC, as subsidiary guarantors, the lenders party thereto, Jefferies Finance LLC, as joint lead arranger, syndication agent, documentation agent, book manager, administrative agent and collateral agent, and Fifth Third Bank, as joint lead arranger, swingline lender and issuing bank. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 21, 2014). |
| 10.23 | Security Agreement, dated as of March 19, 2014, by Steak n Shake Operations, Inc., Steak n Shake Enterprises, Inc. and Steak n Shake, LLC, as pledgors, assignors and debtors, in favor of Jefferies Finance LLC, in its capacity as collateral agent, pledgee, assignee and secured party. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 21, 2014). |
| 14.01 | Code of Conduct, dated May 17, 2010. |
| 21.01 | Subsidiaries of the Company. |
| 23.01 | Consent of Independent Registered Public Accounting Firm. |
| 31.01 | Rule 13(a)-14(a)/15d-14(a) Certification of Chief Executive Officer. |
| 31.02 | Rule 13(a)-14(a)/15d-14(a) Certification of Chief Financial Officer. |
| 32.01 | Section 1350 Certifications. |

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101** Interactive Data Files.

* Indicates management contract or compensatory plans or arrangements required to be filed as an exhibit to this Annual Report on Form 10-K.

** In accordance with Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.