Biglari Holdings Inc.

2020 Annual Report

Dear Shareholders of Biglari Holdings Inc.:

Biglari Holdings is a multifaceted enterprise, a collection of businesses built through acquisitions. We are owners of businesses, and the task we perform is that of capital allocation. In constructing the corporation, our paramount economic objective is to maximize per-share intrinsic value.* Capital allocation guides our steps, and the light that shows the path ahead is the light of rationality. Because this rational approach challenges conventional norms, Biglari Holdings is *ipso facto* an unconventional company.

The parent corporation, Biglari Holdings, derives strength from its diverse union of operationally independent companies: Steak n Shake Inc., Western Sizzlin Corporation, Maxim Inc., First Guard Insurance Company, Southern Oil Company, and Southern Pioneer Property & Casualty Insurance Company, listed in order of acquisition. Together these six business units form a stronger foundation upon which to build as compared to twelve years ago, when all our capital was committed to a restaurant company.

Our subsidiaries generate cash beyond their capital requirements and dispatch it to Biglari Holdings to fund its growth. A dollar received from a restaurant company is as good as a dollar received from an oil company. By channeling cash into acquisitions, the corporation widens the variety of its earnings streams.

Our pursuit of a broad range of acquisitions conforms to no master plan. Opportunity rather than any preordained notion dictates capital allotment concerning the businesses or industries we may enter. The flexibility of this approach enables us to add new businesses unconstrained by institutional impediments stemming from precedent, convention, or structure. Besides, rules are a poor substitute for rational decision-making.

In addition to considering various business acquisitions, we also evaluate opportunities available through the stock market. Indeed, we constantly compare one investment alternative against a multitude of others in determining capital utilization. As a consequence of our seizing remunerative business and investment opportunities over the past twelve years, Biglari Holdings' cash and investments grew from $1.6 million to $710.3 million — even while allocating funds toward the acquisition of businesses. Here is the year-by-year development of cash and investments:

(In Millions)

	Cash and Cash Equivalents	Marketable Securities	The Lion Fund	Total Investments
2008	$ 1.6	$ –	$ –	**$ 1.6**
2009	51.4	3.0	–	**54.4**
2010	47.6	32.5	38.6	**118.7**
2011	99.0	115.3	38.5	**252.8**
2012	60.4	269.9	48.3	**378.6**
2013	94.6	85.5	455.3	**635.4**
2014	124.3	21.5	620.8	**766.6**
2015	56.5	23.8	734.7	**815.0**
2016	75.8	26.8	972.7	**1,075.3**
2017	58.6	27.7	925.3	**1,011.6**
2018	48.6	38.3	715.1	**802.0**
2019	67.8	44.9	666.1	**778.8**
2020	24.5	94.9	590.9	**710.3**

Notes: The years 2015 through 2020 were calendar years. The years 2009 through 2014 were fiscal years that ended on the last Wednesday in September. The 2008 data is for the fiscal quarter ending on July 2, 2008, the nearest fiscal quarter prior to present management assuming control. Biglari Holdings' investments in The Lion Fund, L.P. and The Lion Fund II, L.P. do not include other limited partners' interests. Both partnerships throughout this letter will be referenced as The Lion Fund.

* Intrinsic value is measured by taking all future cash flows into and out of the business and discounting the net figures at an appropriate interest rate.

The financial strength of Biglari Holdings is a notable advantage. Over the years, far too many corporations carrying significant debt have encountered distress and destruction, a fate Phil Cooley, Vice Chairman of Biglari Holdings, and I have no desire of experiencing. The financial architecture we have designed separates the obligations of each subsidiary from those of the parent company. Despite the parent company remaining debt-free from its founding, in early 2021, we also eliminated Steak n Shake's debt, which will account for a major reduction in our cash and investments at the end of the first quarter of 2021. Today, the entire enterprise — the holding company and its operating businesses — is devoid of debt. We are not opposed to injecting moderate leverage into the balance sheet, but only when there is no possibility of it threatening the well-being of the corporation.

When the COVID-19 pandemic engulfed the global economy, Biglari Holdings' capital structure proved its soundness. We neither relied upon nor required the assistance of financial institutions. What we cannot predict, we can prepare for with a conservatively constructed corporation capable not only of withstanding economic shocks but also capitalizing on acquisition opportunities.

With just five employees at the holding company and capital allocation centralized — managed exclusively by me — we create an efficient means of corporate resource allocation. We employ no analysts or advisors. Indeed, our system repudiates all kinds of administrative inefficiencies and costs associated with typical departments, such as public relations, investor relations, human resources, and acquisitions. By sidestepping bureaucracy, we are able to advance with agility and speed.

Since the corporation is being shaped by my capital allocation, Biglari Holdings is akin to a work of art. I have a canvas on which to paint and a nearly unlimited palette of colors from which to choose. Still, by design, we restrict ourselves to businesses whose future economic prospects we can evaluate, which frequently leads us to shun those in industries undergoing rapid change.

Although major financial decisions are centralized at the parent company level, we employ extreme delegation of operating decisions at the business unit level. We impart the highest degree of autonomy to the businesses we acquire; thus, we seek out skillfully operated, profitable companies, with the full expectation that they will remain so after the change in ownership. It is anathema for Biglari Holdings to purchase an operating company whose management must be supplied. Our aim, by way of analogy, is to buy good horses with great jockeys. Then Phil and I cheer them on.

When we joined with Ed Campbell at First Guard and the Hynemans at Southern Pioneer, we had no need to be involved with their respective operations. In fact, their performance could be hurt if we were. Plainly, we do not impart expertise to our acquirees — they arrive with it. Ed Campbell and the Hynemans are extraordinary businessmen of high character and high competence who attain exceptional results. Phil and I are honored to be associated with both families.

By acquiring family-owned and -managed businesses, we have developed a reputation for transacting with individuals who would not otherwise sell to private equity or strategic buyers. We are ideally suited for operators who care about their business and their employees, and value a permanent home for their corporate masterpiece. Most financial or strategic buyers are unable or unwilling to commit to continuity in personnel or permanency in ownership. Because I am the controlling shareholder of the corporation, we are able to make such promises and keep them. This differential engenders an advantage vis-à-vis our acquisitive competitors.

Our corporate performance is the result of cash generated by operating subsidiaries along with capital allocation work, which according to our criterion must outdo the S&P 500 Index. Over the past twelve years we believe Biglari Holdings' gain in per-share intrinsic value has far outstripped the S&P 500. Two components are critical in assessing the company's progress: its investments and its operating businesses.

Investments

By the end of 2020, total investments (cash, marketable securities, and Biglari Holdings' investments in The Lion Fund) amounted to $710.3 million; most of that sum came from investment profits. Our investment activities are largely conducted through The Lion Fund, whose origin dates from the year 2000 when I founded it. Through The Lion Fund, we have invested the corporation's capital, your capital, in select common stocks.

At year-end, The Lion Fund's largest common stock holding was Cracker Barrel Old Country Store, Inc. We originally purchased 4,737,794 shares of Cracker Barrel for $241.1 million from May 2011 through December 2012, with a dollar-weighted purchase date of December 2011. Between 2018 and 2019, The Lion Fund reduced its holding in Cracker Barrel to 2,000,000 shares. In March 2020, however, Biglari Holdings purchased an additional 55,141 shares for its insurance subsidiaries. All in all, we now control 8.7% of Cracker Barrel's outstanding stock at an average cost per share of $51.25.

By year-end 2020, we received proceeds of $471.1 million from the sale of Cracker Barrel stock, $221.3 million in dividends and derivative gains, plus we held a remaining stake of $271.1 million in market value. In sum, over a nine-year period, our investment in Cracker Barrel of $245.5 million turned into $963.5 million in value.

We adhere to long-term selective investing. And we have no exit strategy in mind — namely, date or price — at the time of purchase. The mere presence of a market quotation does not redirect our attention from business performance to stock performance. Rather, quoted market prices of businesses we own in part provide us with the option to either acquire additional shares or sell the shares we hold. Of course, we are not compelled to do either.

An alluring consequence for true long-term, concentrated investors is that price volatility often represents opportunity rather than risk, defined as the possibility of the permanent loss of capital. Because we command permanent capital, an element of vital importance, we are not forced to liquidate marketable securities in times of financial stress. By contrast, most investment firms risk redemptions by their clients. Our permanently capitalized structure engenders advantages, *inter alia*, the ability to favor a strategy of concentration. To be sure, it also takes a certain temperament to maintain a concentrated position through all vicissitudes. If we are correct about the facts, time becomes the dominant factor, for it transforms investment risk. The longer our holding period, the lower our investment risk, as long as the per-share intrinsic value of the business in question increases at an acceptable rate.

Biglari Holdings had a $590.9 million investment in The Lion Fund partnerships at the end of 2020. The company's investment in the partnerships excludes deferred income taxes on unrealized gains. As is evident in Biglari Holdings' financial statements, we would owe taxes of $44.8 million if the partnerships liquidated their holdings at year-end values. The tax liability, we regard, is tantamount to an interest-free loan from the government for the company's benefit. We are gaining the upside of leverage without its associated downside. Hence, we control $44.8 million more in assets funded by liabilities carrying no cost, no covenants, and no maturity date — except the loan must be paid as assets are sold. Plainly, the character of deferred tax liabilities is a source of value.

Operating Businesses

Biglari Holdings was created from two allied companies: Steak n Shake and Western Sizzlin. The holding company now has six major controlled businesses, each 100%-owned: Steak n Shake, Western Sizzlin, Maxim, First Guard, Southern Oil, and Southern Pioneer. By reallocating funds unneeded at our subsidiaries to other businesses, new streams of cash are added with each acquisition.

We assess business performance not on a single year's profits or cash flows but rather on the present value of future cash flows. As a first step in evaluating Biglari Holdings' performance, the following table delineates a breakdown of our earnings.

	(In 000's) 2020	2019
Operating Earnings:		
Restaurant Operations:		
Steak n Shake	$ (4,587)	$ (18,575)
Western Sizzlin	(765)	1,756
Insurance Operations:		
Underwriting — First Guard	9,379	6,477
Underwriting — Southern Pioneer	620	–
Investment Income and Other	2,432	626
Maxim	1,784	742
Southern Oil	2,018	8,032
Corporate and Other	(12,432)	(9,608)
Operating Earnings Before Interest and Taxes	(1,551)	(10,550)
Interest Expense	9,262	12,442
Income Taxes	(2,453)	(7,599)
Net Operating Earnings	(8,360)	(15,393)
Investment Gains/Losses*	(29,629)	60,773
Total Earnings	$ (37,989)	$ 45,380

** Investment gains/losses are reported on an after-tax basis and include unrealized gains and losses arising from changes in market prices on investments in equity securities as well as changes in the value of The Lion Fund partnerships.*

Our reported earnings are materially affected by the volatility in the carrying value of The Lion Fund and other investments. Yet we are indifferent to variability in reported earnings triggered by the accounting of these investments. Of course, over the very long term, profits from investments and profits from operations are equally important. However, yearly fluctuation in the value of investments makes those figures meaningless for analytical purposes. As such, the vagaries of our investment performance obscure our operating performance. To correct the resultant distortions in our earnings figures, we simply separate changes in investment values from the earnings of the operating businesses when we report Biglari Holdings' results.

In 2020, the corporation had a net operating loss of $8.4 million. Although Steak n Shake powered Biglari Holdings from 2009 through 2016 with its high earnings, a period of losses followed from 2018 through 2020. Nonetheless, in 2021, we expect each of the six business units to produce profits. It is our policy that every subsidiary must hold the prospect of generating long-term earnings for it to remain a permanent constituent of Biglari Holdings.

Much like the parable of the blind men and the elephant, in which six blind men each feel a different part of the pachyderm and thus fail to arrive at a complete picture of the animal before them, reviewing only the "bottom line" of our company is an incomplete method of assessing its economic performance. Not unlike the elephant, Biglari Holdings is a creature with a multitude of parts. To fully assess the economic picture of the corporation, the logical approach for shareholders to take is to review the performance of each operating subsidiary.

Restaurant Operations

Our restaurant operations consist of Steak n Shake and Western Sizzlin for a combined 598 units. However, their business models differ. Steak n Shake, with 556 locations, primarily operates restaurants but continues its shift toward a nonconventional franchising model. Western Sizzlin, on the other hand, is primarily engaged in traditional franchising, with 42 units — all but 3 are franchisee-run.

Western Sizzlin Corp.

Phil and I entered the restaurant business when we took control of Western Sizzlin Corp., then a publicly owned company, in March 2006. Robyn Mabe was the CFO when we arrived on the scene. Today she is the company's CEO. Under her steady leadership, Western Sizzlin has delivered considerable value for Biglari Holdings.

On March 30, 2010, we acquired the company for a net purchase price of $21.7 million. For the decade under Biglari Holdings' ownership — until March 2020, when the pandemic caused a temporary government-mandated shutdown of dining rooms — Western Sizzlin was a moneymaker, with distributions to the parent company totaling $26.0 million. However, operating a buffet business in the midst of a pandemic is not for the faint of heart. Nevertheless, Robyn displayed uncanny judgment by aggressively adjusting the business such that the company registered an operating loss of only $765,000 in 2020. Based on current trends, we expect Western Sizzlin to be reasonably profitable in 2021.

Steak n Shake Inc.

Steak n Shake, born in 1934 on Route 66, is as American as apple pie. It is the originator of the Steakburger and a legendary milkshake, which together have been the company's gustatory stars for 87 years…and counting.

Present management took over Steak n Shake on August 5, 2008. From 2009 through 2020, Steak n Shake sent nearly $300 million of cash to Biglari Holdings, which fueled the holding company's growth. As previously noted, in early 2021, Steak n Shake paid off the remaining balance of a $153 million term debt with capital provided by Biglari Holdings. Over the duration of our ownership, net cash to the parent company, adjusted for the recent transaction, is about $150 million. The upshot is that Steak n Shake no longer carries debt.

Steak n Shake prospered for eight years despite brutal competition. The last three years have been hard for the company. Yet hard times are nothing new for capitalist enterprises. Of course, we are desirous of stable, durable earnings from Steak n Shake, but before we discuss how we expect to achieve that laudable objective, let us first review the company's earnings since fiscal 2008.

(Dollars in 000's)

	Operating Earnings	Number of Company-Operated Units	Number of Franchise Partner Units	Number of Traditional Franchise Units	Total Number of Units
2008	$ (30,754)	423	–	75	498
2009	11,473	412	–	73	485
2010	38,316	412	–	71	483
2011	41,247	413	–	76	489
2012	45,622	414	–	83	497
2013	28,376	415	–	104	519
2014	26,494	416	–	124	540
2015	39,749	417	–	144	561
2016	34,717	417	–	173	590
2017	431	415	–	200	615
2018	(10,657)	411	2	213	626
2019	(18,575)	368	29	213	610
2020	(4,587)	276	86	194	556

Notes: The years 2015 through 2020 were calendar years. The years 2008 through 2014 were fiscal years that ended on the last Wednesday in September.

Note that when we assumed management responsibility in August 2008, we halted the expansion of company-operated units. When the fiscal year ended in September 2008, we had 423 company-operated units but their dismal performance caused the company to hemorrhage losses of $100,000 per day that fall. We turned the business around swiftly, which resulted in earnings of $100,000 per day a year later. Notwithstanding, many units remained only marginally profitable. The onset of an operating shortfall a few years ago led us to take decisive steps to address it, including permanently closing units that had become unprofitable and temporarily shutting any that could not deliver excellent customer service.

The combination of labor-intensive, slow production and high-cost table service was a faulty business model. Simply put, the operation of dining rooms with table service was a money loser. Pre-pandemic, our labor costs had been running at 38.5% of net sales, placing us at a 6 to 8 percentage point disadvantage vis-à-vis the competition. What I had previously assessed as a sustainable competitive advantage proved to be anything but when our labor expenses continued to rise over the last several years. The Achilles' heel of increased labor costs in the dining room negated our other advantages, resulting in an overall handicap. By eliminating the unprofitable business our dining rooms generated, we effectively reduced revenue by one half. Yet Steak n Shake's labor now runs at around 29% of net sales, albeit at a lower sales volume. The dining room with table service was undoubtedly a revenue center, but it was not a profit center.

Steak n Shake is in an era of radical transformation. One aspect involves fully transitioning to a quick-service restaurant — speeding up the production process and changing the service model from full service to self-service. The other is the conversion of our system to a franchise partnership model, with a single-store owner running each restaurant. Despite the innovations underway, what is fundamental to the company — Steakburgers and milkshakes — remains the same. But let us untangle each initiative.

The modernization centers on achieving simplicity and speed in the way Steak n Shake's products are made and the way they are delivered to guests — without a diminution of quality. Although most of our dining rooms are currently closed, we are not dispensing with them altogether; rather, we intend to equip units with advanced self-service. What will be most evident to our returning patrons is that instead of ordering at the table, or even at a counter with an attendant, our guests will now initiate their transaction at a kiosk. We are embracing efficiency and transitioning the service model to empower our guests to place and pick up their own orders.

Certainly, the off-premises business — drive-through, delivery, and takeout — has propelled Steak n Shake over the years. For most of 2020, off-premises *became* our business. We increased off-premises sales for comparable stores by 14.3%, generated cash from operations, and effectively turned the business around during the pandemic. By reopening the dining rooms, we expect to amplify profits and achieve a satisfactory return on incremental investment.

A conversion to a bona fide quick-service restaurant chain will, we believe, enhance the company's economics. A refusal to invest, however, would mean that our competitors would retain their edge. It should be noted that while we had a plan to convert to a self-service model prior to the pandemic, it was one that would have taken several years to implement. We therefore made the decision to emerge from the public health crisis with a different service model for the entire system. In effect, the pandemic hastened the inevitable.

The confidence we have in the new service model and our resolve to implement it means that the majority of the earnings we expect to generate in 2021 will not be available to Biglari Holdings. Indeed, considerable sums will be absorbed by capital expenditures. The capital outlay per unit is between $100,000 and $200,000 to remodel the interior of the restaurant, introduce a new point-of-sale system, and install self-order kiosks. These expenditures will be phased in by prioritizing units that possess exemplary leadership — namely, those owned and operated by franchise partners, who invariably provide the gold standard in service. This takes us to the other critical initiative.

A monumental change underway at Steak n Shake is our franchise partnership program, which has provided clear and convincing evidence of success. It is important to review how the program works, because it is not the typical arrangement. Our franchise partner agreement stipulates that the franchisee make an upfront investment totaling $10,000, a modest figure for the opportunity. Because of our significant investment in the business, including the construction of the restaurant and its equipment, we assess a fee of up to 15% of sales as well as 50% of profits. We generate most of our revenue from our share of the profits. Under this arrangement, a franchise partner is able to earn considerable sums, which is the way we want it.

In the end, nothing is as important as the way our customers are treated. It takes the right leadership in a unit for customers to be served in a warm, caring, and hospitable manner. To achieve our goal, we are building a culture of ownership at the unit level. For operators to think and act like owners, we believe they must be owners. We are becoming a company of owners, changing the culture of the organization in our quest for service excellence.

By year-end 2020, we had converted 86 company-operated units into single-unit franchise partnerships, an increase of 57 partners from the prior year. We launched the program in late 2018, and by the end of that year, we had two partners. We are on our way.

To become a franchise partner is no easy task. The road to the summit is steep. In the process of admitting the 86, we received roughly 35,000 applications, which represents an acceptance rate of 0.25%. For those chosen, the financial reward can be substantial. In 2020, our partners earned, on average, $161,079; some are even on track to make more than $300,000 in their first year. Doubtless, a good number of our partners will become millionaires. But make no mistake: We are not minting millionaires but are merely providing the means — they are earning every penny.

By paving the way for franchise partners to live the American Dream, we are providing them an opportunity to attain financial liberty. A salient point for those who become America's ablest restaurant operators is that neither birth nor pedigree, ethnicity nor religion is an obstacle to success. A franchise partnership is a passport that cannot be purchased but only earned. It takes talent along with the passion to serve others, a rare combination that is woven into the character of each individual we accept.

An owner-operator of Steak n Shake harbors a deep sense of identification with his or her restaurant and understands well why it pays to be productive. An efficient enterprise with highly productive associates can pay higher wages than one that is not. Conversely, an enterprise that cannot make money cannot continue to do business. The true owner-operator never clocks out of work. The franchise partnership system is based on the enlightened self-interest of enterprising operators. We provide central direction to maintain uniformity across the brand, but we rely on our remarkable partners to provide the gold standard in service.

One metric by which to judge the culture of an organization is its turnover. Last year, the voluntary turnover rate of our franchise partners was 1%. Steak n Shake's culture is shaping into a distinctive and powerful one.

In the 2018 letter, I estimated that it would take about three years to transition to a network of franchise partners. I was overly optimistic with my timeline, but we have no intention of lowering our standards to meet it. Whether it takes us an additional year or two is less important than ensuring that everyone entering the system is no less talented or driven than those we have assembled to date.

Circling back to our remodeling efforts, each of the 86 franchise partners is on a different schedule for reopening their dining room with self-service. In 2021, we expect our partners to post another banner year of earnings. The better their earnings are, the better our performance will be. The combination of building a franchise network of enterprising operators and completing our conversion to a quick-service restaurant model will, we expect, transform the company and augment its value.

Steak n Shake now has two franchise arrangements: (1) the nontraditional franchise partner program, outlined above; and (2) the traditional franchise system, which is our means of growing unit count. The latter is a traditional franchise-based model that allows us to grow without a major capital outlay. Here, the funding necessary to expand the brand is borne by third parties. The noncapital-intensive strategy of traditional franchising generates high-return, annuity-like cash flows. As such, it is a business that not only produces cash instead of consuming it but concomitantly reduces operating risk. Beginning in 2010, we invested substantial sums to advance our traditional franchise business. Displayed below are the number of franchise units and the revenue derived from them.

(Dollars in 000's)

	Franchise Royalties and Other Fees (A)	Franchise Marketing Contributions (B)	Franchise Revenue (A) + (B)	Number of Franchise Units
2010*	$ 4,316	$ 6,516	$ 10,832	71
2020	12,505	5,193	17,698	194
Gain	$ 8,189	$ (1,323)	$ 6,866	123

** Franchise royalties and other fees have been adjusted to reflect Accounting Standards Codification Topic 606 adopted in 2018.*

Phil and I disregard the franchise marketing contributions because the vast majority of these are advertising dollars spent on behalf of the franchisees, as required by our contractual obligations. Our attention is instead centered on franchise royalties and other fees we receive from franchisees.

Steak n Shake's first franchise unit opened in 1939. From 1939 to 2010, Steak n Shake grew by an average of one franchise unit per year. The addition of 71 units in 71 years contrasts with an increase of 123 units in the last 10 years.

Our international operations represent approximately 18% of the sales of our traditional franchise system. We have concentrated our international resources in the French market, where Steak n Shake occupies a niche. Most of Europe's 38 units are located in France. As a sample of our uncompromising commitment to quality, we have established our own farm in Ramatuelle, which is situated in the Côte d'Azur. Some of the produce we grow, such as tomatoes and strawberries, supplies our units in France and Monaco. We have adapted to the sensibilities of the local culture.

When travel reopens, visit any of the Steak n Shakes in France or the one in Monaco and you will be impressed by our unmatched quality and service. Hervé Poirier is the CEO of Steak n Shake France. I cannot overemphasize the strength of his leadership. What he accomplishes with his small team is outstanding.

For the period 2011 through 2015, our franchise business operated at a loss but intrinsic value advanced. We allocated capital to develop the franchising business with the expectation of creating greater dollar value for each dollar spent. Our traditional franchise business — domestic and international combined — is now a prodigious cash generator. In 2020, traditional franchise operations posted a profit of $6.9 million despite the disruption of the pandemic.

Insurance Operations

Our insurance business enhances Biglari Holdings' financial base and is a durable source of earnings. The reason we endeavor to construct a formidable insurance operation arises from our attraction to the financial dynamics of the property and casualty insurance business. Premiums are collected before claims are paid out, such that funds from policyholders are, in the interim, available for investment. Naturally, if the sum total of eventual losses and expenses does not exceed premiums, the company produces an underwriting profit, which, in effect, provides investment funds financed at sub-zero cost. Any investment gains or losses on these funds accrue to the insurance company's owners. The idea of sound underwriting supplying cost-free investment funds is simple in theory but difficult in practice, for the insurance-underwriting business has rarely proved highly profitable. In actuality, the property and casualty insurance industry often sustains underwriting losses.

However, we do not own ordinary insurance companies. Our entrance into the insurance field began with First Guard Insurance Company and its affiliated agency on March 19, 2014. Six years later, on March 9, 2020, we purchased Southern Pioneer Property & Casualty Insurance Company and its affiliated agency. Over our near seven-year history in the insurance business, we have produced underwriting profits every year, totaling $36.7 million pre-tax. Our underwriting superiority can be traced to our having teamed up with superior operators.

(Dollars in 000's)

	Premiums Earned	**Underwriting Profit**	**Combined Ratio**
2014*	$ 8,719	$ 1,797	79.4
2015	16,719	3,357	79.9
2016	22,397	4,913	78.1
2017	24,242	4,518	81.4
2018	26,465	5,634	78.7
2019	28,746	6,477	77.5
2020**	49,220	9,999	79.7

** First Guard from date of acquisition, March 19, 2014.*
*** Includes Southern Pioneer from March 9, 2020.*

First Guard is a direct underwriter of commercial truck insurance — with no agent between the insurer and the insured — rendering the company a low-cost operator with a sustainable competitive advantage. Its founder, Ed Campbell III, is responsible for building a marvelous business. His matchless insight, combined with his incomparable knowledge, arose in part from his familiarity with the insurance agency purchased by his father, Ed Campbell Jr., in 1965; in 1969 it was dedicated exclusively to truckers. Ed III purchased the agency in 1991, and in 1997 he created a direct underwriter, First Guard Insurance Company.

The company, led by Ed III with the fine, able assistance of company president Drew Toepfer, set an earnings record in 2020. First Guard registered an underwriting profit of $9.4 million, or 31.0% of premiums, continuing its streak of underwriting profitability for the 24th consecutive year, a truly remarkable feat.

Any capitalist would be fortunate to become the owner of one such business in a lifetime. But last year we had another stroke of good fortune with the purchase of Southern Pioneer, an insurer operating in several niche lines, the most important of which is providing commercial coverage to non-franchised automobile dealerships. In this particular line, Southern Pioneer holds a commanding share in its four core states: Alabama, Arkansas, Missouri, and Tennessee. In 2020, the company had an outstanding year, with a combined ratio of 94%. (The combined ratio represents losses incurred plus expenses as compared to premiums.) Southern Pioneer also supplied investment capital from liabilities tied to policyholders' funds, which engendered even more investment income. And because the company produced an underwriting profit, the cost of these funds was below zero.

Southern Pioneer was started in 1981 by two brothers, Ben and Hal Hyneman, who alongside their progeny — Brian, Matt, and Hunter — run the company with integrity and intelligence. The Hynemans are superb performers: They achieve non-commodity economics in an industry that sells commodity-like products, remaining ever alert to the next profitable niche. Yet they also possess a willingness to reduce premium volume in order to underwrite profitably. If there is one factor that elicits the team's pride, it is underwriting discipline. By forging strong relationships and developing a culture of first-rate service, the Hynemans have built an exceptional business that is sure to endure.

Although the insurance industry is beset with poor economics, both First Guard and Southern Pioneer buck the trends. Ed Campbell and the Hynemans produce terrific underwriting results because they are careful, conservative, and competent. It takes economic sophistication to operate as skillfully as First Guard and Southern Pioneer. In each acquisition, we gained both human and financial capital.

One of the virtues of the Biglari Holdings system is that the businesses we purchase do not need to grow for the parent company to expand its domain significantly. We aim to utilize our earnings to purchase other insurance masterpieces, uniting them under the ownership of one dynamic corporation. While identifying and purchasing an insurance gem is not easy, the upside potential can be extraordinary. Having now acquired two insurance companies run by first-class families, we have a reputation that will, over time, build by word of mouth. Phil and I welcome other uncommon owner-managers to contact us if they are interested in placing their prized possession within our holding company to become part of our insurance family.

Southern Oil Company

We entered the business of producing oil and gas on September 9, 2019, upon acquiring Southern Oil for $51.5 million in cash. The company primarily operates offshore in the shallow waters of the Gulf of Mexico, specifically in Louisiana state waters.

Our purchase of Southern Oil occurred on the eve of one of the worst years in the oil and gas industry, with an ensuing pandemic-induced plunge in oil demand that caused prices to collapse. Despite the episodic stress on the petroleum industry, the situation underscored the benefit of having built a sizable margin of safety into the price we paid. As it turned out, we needed the safety — a margin that would absorb unfavorable developments.

Because of Southern Oil's debt-free balance sheet, it is also under no financial obligation to produce and deliver oil and gas at depressed prices. When energy prices dropped precipitously, we curtailed production. In addition, the leadership of Southern Oil operates with inexorable efficiency, as demonstrated by a nearly 50% reduction in general and administrative expenses. The team is up to the challenge of solving problems as they arise while maximizing productivity.

The typical oil and gas operator spends substantial capital on drilling operations to replace, and potentially increase, its reserve base. We certainly possess the operational capabilities — offshore platforms, developed pipelines, undeveloped leases, geologic support — needed to conduct exploration. Because of the capital intensity and risks associated with such activity, we are opting to team up with others, shifting the financial responsibility, in our endeavor to build oil and gas reserves. There is no guarantee, of course, that we will be successful in obtaining partners; nor was our acquisition predicated on procuring them.

From the time of acquisition through the end of 2020, Southern Oil paid Biglari Holdings $20.3 million in cash. Based on year-end crude oil and natural gas prices, the value of the company's producing wells continues to exceed the sum we paid for the company.

Maxim Inc.

In February 2014, we purchased Maxim, one of the most recognizable magazine properties. We did so *not* with the intention of entering the magazine business per se; rather, we acquired an underexploited brand with the intention of generating nonmagazine revenue, notably through licensing, a cash-generating business related to consumer products, services, and events. In 2020, Maxim earned $1.8 million and paid that amount to Biglari Holdings.

When we acquired Maxim, we first addressed the cost structure of the traditional side of the business, print publishing, while creating a sophisticated periodical that is aspirational and inspirational. We greatly amplified the quality of paper, photography, and content and have repositioned the brand with a luxury lifestyle magazine and an online presence that together provide a launching pad for high-profit lines of business.

The ability to build profits will rest mainly on our licensing business. Our results are sure to be uneven because licensing projects themselves materialize with irregularity. Maxim is a profitable enterprise, and we intend to unearth the latent value of the brand in order to obtain a satisfactory return on our total investment.

Shareholder Communications

My communications with shareholders are generally limited to the annual report and the annual meeting. We do not provide earnings guidance or hold quarterly conference calls because neither activity would be consistent with our style of management, whose aim is to attract informed long-term investors, not short-term speculators. Because we follow rational policies, we expect rational investors to populate the stock ownership. Moreover, we wish to provide all shareholders with the same information simultaneously. One-on-one meetings are neither productive nor practicable.

We remain attentive to long-term owners who think for themselves and make long-term investments based on their own assessment. It is this constituency to whom I write the Chairman's Letters, covering the business in reasonable detail, and for whom we hold annual meetings covering matters of substance. We undertake these unorthodox practices because we care about the kind of shareholders who own our stock. Since our decisions are based on rationality, not optics, we frequently depart from the zeitgeist regarding corporate governance. Those seeking a conventional firm to invest in have thousands of publicly owned companies from which to choose. But those who find our *modus operandi* appealing are welcome to join our club, admission to which is available through the New York Stock Exchange, where our stock is listed. We believe in treating you the way we would wish to be treated if our roles were reversed.

Past Chairman's Letters are also essential to help you gain more knowledge of our business. These letters can be easily accessed on our website, biglariholdings.com. To keep you abreast of the company, we will issue press releases concerning 2021 quarterly results after the market closes on May 7, August 6, and November 5. The 2021 annual report will be posted on our website on Saturday, February 26, 2022.

Last year's annual meeting was unusual because of the pandemic, which caused us to hold it for the first time in our hometown of San Antonio instead of New York City, a hotspot for the coronavirus at the time. Some loyal, long-term shareholders applauded the move and proposed that we routinely hold the meeting in San Antonio, an idea that also appeals to Phil and me. Thanks to their suggestion we will return to San Antonio's Majestic Theatre, a venue that lives up to its name. This year, staff from the City of San Antonio will be present at a booth to inform you of various attractions you can visit while you are in the country's seventh largest city. We hope you are able to turn the trip into a revelatory weekend of enjoyable activities. And of course, we will try to give you our best performance.

The annual meeting will be held at 1:00 pm on Thursday, May 27, 2021. The meeting is just for our owners; to attend, you must own shares and show proof thereof. As an owner, you may bring up to two pre-registered guests with you. The bulk of the gathering is a question-and-answer session that usually lasts several hours, covering myriad topics on shareholders' minds. Phil and I look forward to spending that time answering your questions. We find the annual meeting to be an effective channel to communicate with you.

* * *

Biglari Holdings was created from scratch. In organizing the corporation, we equipped it with a solid financial position that can not only handle adversity but also turn it into an advantage. When others are mired in apprehension — financially or emotionally — we can advance aggressively. Our sound structure permits the opportunistic expansion into sound investments and acquisitions.

As an entrepreneurial enterprise, Biglari Holdings is intent upon growing its collection of businesses with just a modicum of personnel at headquarters. Our small team at the holding company does the work of a group many times its size. My deepest gratitude goes to them.

Phil and I are excited about the prospects of Biglari Holdings, and our pursuit of building the enterprise is a source of immeasurable satisfaction. We are fully committed to making your journey a prosperous one.

Sardar Biglari
Chairman of the Board

February 26, 2021

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

FORM 10-K

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from ____ to ____

Commission file number 001-38477

BIGLARI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

INDIANA	**82-3784946**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
17802 IH 10 West, Suite 400 **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	Trading Symbols	Name of each exchange on which registered
Class A Common Stock, no par value	BH.A	New York Stock Exchange
Class B Common Stock, no par value	BH	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 ☐ No ☒

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 ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☒

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2020 was approximately $88,264,442.

Number of shares of common stock outstanding as of February 22, 2021:

Class A common stock –	206,864
Class B common stock –	2,068,640

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be filed for its 2021 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 property and casualty insurance, media and licensing, restaurants, and oil and gas. The Company's largest operating subsidiaries are involved in the franchising and operating of restaurants. Biglari Holdings is founded and led by Sardar Biglari, Chairman and Chief Executive Officer of the Company. The Company's long-term objective is to maximize per-share intrinsic value. All major investment and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari.

As of December 31, 2020, Mr. Biglari's beneficial ownership was approximately 67.2% of the Company's outstanding Class A common stock and 60.6% of the Company's outstanding Class B common stock.

Overview of the Impact of COVID-19

The novel coronavirus ("COVID-19"), declared a pandemic by the World Health Organization in March 2020, caused governments to impose restrictive measures to contain its spread. Those shutdowns significantly affected our operating businesses to varying degrees. The risks and uncertainties resulting from the pandemic may continue to affect our future earnings, cash flows, and financial condition. Accordingly, estimates used in the preparation of our financial statements, including those associated with the evaluation of certain long-lived assets, goodwill, and other intangible assets for impairment, may be subject to significant adjustments in future periods.

Restaurant Operations

The Company's restaurant operations are conducted through two subsidiaries: Steak n Shake Inc. ("Steak n Shake") and Western Sizzlin Corporation ("Western Sizzlin"). As of December 31, 2020, Steak n Shake had 276 company-operated restaurants, 86 franchise partner units, and 194 traditional franchise units. Of the 276 company-operated units, 57 are currently closed but Steak n Shake intends to reopen most of them. Western Sizzlin had 3 company-operated restaurants and 39 franchise units.

Steak n Shake franchises and operates its restaurants. Founded in 1934 in Normal, Illinois, on Route 66, Steak n Shake is a classic American brand serving premium burgers and milkshakes. Steak n Shake is headquartered in Indianapolis, Indiana.

Western Sizzlin primarily franchises its restaurants. Founded in 1962 in Augusta, Georgia, Western Sizzlin offers signature steak dishes as well as other classic American menu items. Western Sizzlin also operates two other concepts: Great American Steak & Buffet, and Wood Grill Buffet. Western Sizzlin is headquartered in Roanoke, Virginia.

In response to COVID-19, our restaurants were required to close their dining rooms during the first quarter of 2020, and the majority of those dining rooms remained closed for the remainder of the year. We follow the guidance of health officials in determining the appropriate restrictions to put in place for each restaurant. We intend to reopen dining rooms after converting Steak n Shake's full-service model into a self-service one. We are unable to predict the impact of COVID-19 on our operations.

Company-Operated Restaurants

A typical company-operated restaurant 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.

Franchise Partner Restaurants

Steak n Shake offers a franchise partner program to transition company-operated restaurants to franchise partnerships. The franchise agreement stipulates that the franchisee make an upfront investment totaling $10,000. Steak n Shake, as the franchisor, assesses a fee of up to 15% of sales as well as 50% of profits. Potential franchise partners are screened based on entrepreneurial attitude and ability, but they become franchise partners based on achievement. Each must meet the gold standard in service. Franchise partners are required to be hands-on operators, limited to a single location.

Traditional Franchise Restaurants
Restaurant operations' traditional 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 franchise restaurant management and associates.

International
We have a corporate office in Monaco and an international organization with personnel in various functions to support our international business. As of December 31, 2020, we operated four company locations in Europe to promote the Steak n Shake brand to prospective franchisees. Similar to our traditional domestic franchise agreements, a typical international franchise development agreement includes development and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant. As of December 31, 2020, there were a total of 39 units in Europe and the Middle East.

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. Restaurant businesses compete on the basis of price, convenience, service, experience, menu variety and product quality. 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, weather conditions, and competing restaurants.

Because of government actions to contain the spread of COVID-19, our restaurants were required to close their dining rooms during the first quarter of 2020. Many of our competitors reopened their dining rooms in 2020, whereas the majority of our dining rooms remained closed as of December 31, 2020.

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, i.e., health, sanitation, safety and fire agencies in the jurisdiction in which the restaurant is located.

Various federal and state labor laws govern our relationship with our employees, e.g., minimum wage, overtime pay, unemployment tax, health insurance, and workers' compensation. Federal, state and local government agencies have established regulations requiring that we disclose nutritional information.

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.

Insurance Business
Biglari Holdings' insurance activities are conducted through two insurance entities. Our insurance businesses provide insurance of property and casualty.

On March 9, 2020, Biglari Holdings acquired the stock of Southern Pioneer Property & Casualty Insurance Company, and its agency, Southern Pioneer Insurance Agency, Inc. (collectively "Southern Pioneer"). Our insurance business is composed of First Guard Insurance Company and its agency, 1st Guard Corporation (collectively "First Guard"), and Southern Pioneer.

The insurance business is stringently regulated by state insurance departments. Insurers based in the United States are subject to regulation by their states of domicile and by those states in which they are licensed to write policies on an admitted basis. First Guard and Southern Pioneer operate under licenses issued by various state insurance authorities. The primary focus of regulation is to assure that insurers are financially solvent and that policyholder interests are otherwise protected. States establish minimum capital levels for insurance companies and establish guidelines for permissible business and investment activities. States have the authority to suspend or revoke a company's authority to do business as conditions warrant. States regulate the payment of dividends by insurance companies to their shareholders and other transactions with affiliates. Dividends, capital distributions and other transactions of extraordinary amounts are subject to prior regulatory approval. Insurers may market, sell and service insurance policies in the states where they are licensed. These insurers are referred to as admitted insurers. Admitted insurers are generally required to obtain regulatory approval of their policy forms and premium rates. Except for regulatory considerations, there are virtually no barriers to entry into the insurance industry.

First Guard is a direct underwriter of commercial truck insurance, selling physical damage and nontrucking liability insurance to truckers. First Guard competes for truck insurance with other companies. The commercial truck 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 insurance products are marketed primarily through direct response methods via the Internet or by telephone. First Guard's cost-efficient direct response marketing methods enable it to be a low-cost insurer. 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. First Guard is headquartered in Venice, Florida.

Southern Pioneer underwrites garage liability and commercial property as well as homeowners and dwelling fire insurance on an admitted basis. Insurance coverages are offered nationwide, primarily through insurance agents. Southern Pioneer competes with large companies and local insurers. Southern Pioneer is headquartered in Jonesboro, Arkansas.

Biglari Holdings' insurance operations may be affected by extraordinary weather conditions or other factors may have a significant effect upon the frequency or severity of claims.

Oil and Gas Business
On September 9, 2019, a wholly-owned subsidiary of the Company, Southern Oil Company, acquired the stock of Southern Oil of Louisiana Inc. (collectively "Southern Oil"). Southern Oil primarily operates oil and natural gas properties offshore in the shallow waters of the Gulf of Mexico. Southern Oil is headquartered in Madisonville, Louisiana.

The oil and gas industry is fundamentally a commodity business. Southern Oil's operations and earnings, therefore, may be significantly affected by changes in oil and natural gas prices. The COVID-19 pandemic caused oil demand to decrease significantly during the second and third quarters of 2020, which created oversupplied markets and lower commodity prices and margins. In response, the Company cut production and expenses in its oil and natural gas business. Southern Oil competes with fully integrated, major global petroleum companies, as well as independent and national petroleum companies. In addition, the Company is subject to a variety of risks inherent in the oil and gas businesses, including a wide range of local, state, and federal regulations.

Media and Licensing Business
Maxim's business lies principally in media and licensing. Maxim is headquartered in New York City, New York.

Maxim competes for licensing business with other companies. The nature of the licensing business is predicated on projects that materialize with irregularity. In addition, publishing is a highly competitive business. The Company's magazines and related publishing products and services compete with other mass media, including the Internet.

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

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 December 31, 2020, the fair value of the investments was $590.9 million. These investments are subject to a rolling five-year lock-up period under the terms of the respective partnership agreements.

Employees
As of December 31, 2020, the Company employed 3,862 persons. When hiring personnel, we do not consider circumstances of birth, race, gender, ethnicity, religion, or any other factor unrelated to talent. The factor of prime importance to us, talent, is invariably found across a wide spectrum of humanity. We seek to associate with people of high character and competence.

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, Compensation 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.

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 its 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 investment and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari. If for any reason the services of Mr. Biglari were to become unavailable, a material adverse effect on our business could occur.

Sardar Biglari, Chairman and CEO, beneficially owns over 50% of our outstanding shares of common stock, enabling Mr. Biglari to exert control over matters requiring shareholder approval.
Mr. Biglari has the ability to control the outcome of matters submitted to our shareholders for approval, including the election or removal of directors, the amendment of our certificate of incorporation or bylaws, along with other significant transactions. In addition, Mr. Biglari has the ability to control the management and affairs of the Company. This control position may conflict with the interests of some or all of the Company's passive shareholders, and reduce the possibility of a merger proposal, tender offer or proxy contest for the removal of directors.

We are a "controlled company" within the meaning of the New York Stock Exchange rules and thus can rely on exemptions from certain corporate governance requirements.
Because Mr. Biglari beneficially owns more than 50% of the Company's outstanding voting stock, we are considered a "controlled company" pursuant to New York Stock Exchange rules. As a result, we are not required to comply with certain director independence and board committee requirements. The Company does not have a governance and nominating committee.

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 constant our mix of business has changed and will continue to change. Our business model makes it difficult to assess our prospects 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. 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.

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. 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.

Deterioration of general economic conditions may significantly reduce our operating earnings.
Our operating businesses are subject to normal economic cycles, which affect the general economy or the specific industries in which they operate. Significant deteriorations of economic conditions over a prolonged period could produce a material adverse effect on one or more of our significant operations.

Our operating businesses face a variety of risks associated with doing business in foreign markets.
There is no assurance that our international operations will remain 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.

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.

Epidemics, pandemics or other outbreaks, including COVID-19, could hurt our operating businesses.
The outbreak of COVID-19 has adversely affected, and in the future it or other epidemics, pandemics or outbreaks may adversely affect, our operations, including our investments. This is or may be due to closures or restrictions requested or mandated by governmental authorities, disruption to supply chains and workforce, reduction of demand for our products and services, credit losses when customers and other counterparties fail to satisfy their obligations to us, and volatility in global equity securities markets, among other factors.

Potential changes in law or regulations may have a negative impact on our Class A common stock and Class B common stock.
In prior years, bills have been introduced in Congress that, if enacted, would have prohibited the listing of common stock on a national securities exchange if such common stock was part of a class of securities that has no voting rights or carries disproportionate voting rights. Although these bills have not been acted upon by Congress, there can be no assurance that such a bill (or a modified version thereof) will not be introduced in Congress in the future. Legislation or other regulatory developments could make the shares of Class A common stock and Class B common stock ineligible for trading on the NYSE or other national securities exchanges.

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.

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 intensely competitive industries. As there are virtually no barriers to entry into the restaurant business, competitors may include national, regional and local establishments. Restaurant businesses compete on the basis of price, convenience, service, experience, menu variety and product quality. 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, 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.

The COVID-19 pandemic caused our restaurants to close their dining rooms in 2020. Many of Steak n Shake's competitors have reopened their dining rooms. Steak n Shake will reopen dining rooms only in restaurants it believes will provide excellent customer service.

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. Declines in consumer restaurant spending 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.

Fluctuations in commodity and energy prices and the availability of commodities, including beef 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 and dairy products, which can be subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand, changes in 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.

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 Sizzlin's restaurants are located in the Midwest and Southeast portions of the United States. During the first and fourth quarters, restaurants in the Midwest may face harsh winter weather conditions. During the third and fourth 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, cause physical damage, or lead to a shortage of employees.

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 increased legislative, regulatory, and consumer focus on nutrition and advertising practices in the food industry. As a result, restaurant operations have 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. The operation of the Steak n Shake and Western Sizzlin 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, or proposed increases in minimum wage rates could adversely affect our business.

Risks Relating to Our Investment Activities

The majority of our investment activities are conducted through outside investment partnerships, The Lion Fund, L.P. and The Lion Fund II, L.P., which are controlled by Mr. Biglari.
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.

We also have a services agreement with Biglari Capital Corp., the general partner of the investment partnerships ("Biglari Capital"), and Biglari Enterprises LLC (collectively, the "Biglari Entities"), in which the Company pays a fixed fee to the Biglari Entities for business and administrative-related services. The Biglari Entities are owned by Mr. Biglari. There can be no assurance that the fees paid will be commensurate with the benefits received.

The incentive allocation to which Mr. Biglari, as Chairman and Chief Executive Officer of Biglari Capital, 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 a 6% hurdle rate over the previous high-water mark.

Our investments may be concentrated and fair values are subject to a loss in value.
The majority of our investments are held through the investment partnerships, which generally invest in common stocks. These investments may be largely concentrated in the common stocks of a few investees. 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.
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 operate as an ongoing enterprise, with approximately 4,000 employees, along with an asset base from which to pursue acquisitions. Furthermore, Section 3(c)(3) of the Investment Company Act excludes insurance companies from the definition of "investment company". Because we monitor the value of our investments and structure transactions accordingly, 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, adverse developments with respect to our ownership of certain of our operating subsidiaries, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings, 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 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.

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.

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 and Licensing Business

Our media business faces significant competition from other magazine publishers and other 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 proliferation of mobile devices and the shift in consumer preference from print media to digital media for the delivery and consumption of content.

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 and the rates it can command.

Our pursuit of licensing opportunities for the Maxim brand may prove to be unsuccessful.
Maxim's success depends to a significant degree upon its ability to develop new licensing agreements to expand its 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.

Risks Relating to Our Oil and Gas Business

Our oil and gas business is exposed to the effects of volatile commodity prices.
The single largest variable that affects Southern Oil's results of operations is the price of crude oil and natural gas. The price we receive for our oil and natural gas production heavily influences Southern Oil's revenue and profitability. Extended periods of low prices for crude oil or natural gas can have a material adverse impact on our results of operations.

Our scope of business is concentrated in the shallow waters of the Gulf of Mexico.
Any disruption of its extractive business would adversely affect Southern Oil's revenues and profitability. Southern Oil's operations are therefore subject to disruption from natural or human causes beyond its control, including physical risks from hurricanes, severe storms, and other forms of system failures, any of which could result in suspension of operations or harm to people or the natural environment.

Our oil and gas business can be adversely affected by political or regulatory developments affecting our operations.
Southern Oil's operations can be affected by changing economic, regulatory and political environments. Litigation or changes in national, state, or local environmental regulations or laws, including those designed to stop or impede the development or production of oil and natural gas, could adversely affect Southern Oil's operations and profitability.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Restaurant Properties

As of December 31, 2020, restaurant operations included 598 company-operated and franchise locations. Restaurant operations own the land and building for 150 restaurants. The following table lists the locations of the restaurants, as of December 31, 2020.

	Steak n Shake			Western Sizzlin		
	Company Operated	Franchise Partner	Traditional Franchise	Company Operated	Franchise	Total
Domestic:						
Alabama	2	-	6	-	6	14
Arizona	-	-	1	-	-	1
Arkansas	-	-	6	-	9	15
California	-	-	4	-	-	4
Colorado	1	-	1	-	-	2
Delaware	-	-	1	-	-	1
Florida	45	32	5	-	-	82
Georgia	16	5	12	-	4	37
Illinois	47	8	11	-	-	66
Indiana	50	11	3	-	-	64
Iowa	2	1	-	-	-	3
Kansas	-	-	4	-	-	4
Kentucky	9	4	11	-	-	24
Louisiana	-	-	2	-	-	2
Maryland	-	-	1	-	1	2
Michigan	18	-	-	-	-	18
Mississippi	-	-	6	-	1	7
Missouri	18	4	23	-	-	45
Nebraska	-	-	1	-	-	1
Nevada	-	-	6	-	-	6
North Carolina	4	2	8	-	6	20
Ohio	40	11	3	-	1	55
Oklahoma	-	-	3	-	2	5
Pennsylvania	6	-	2	-	-	8
South Carolina	1	-	2	-	2	5
Tennessee	3	5	18	-	3	29
Texas	10	3	13	-	1	27
Virginia	-	-	3	2	3	8
Washington DC	-	-	1	-	-	1
West Virginia	-	-	2	1	-	3
International:						
France	2	-	28	-	-	30
Italy	-	-	1	-	-	1
Monaco	1	-	-	-	-	1
Portugal	-	-	4	-	-	4
Qatar	-	-	1	-	-	1
Spain	1	-	1	-	-	2
Total	276	86	194	3	39	598

As of December 31, 2020, 57 of the 276 Steak n Shake company-operated stores were closed. The Company intends to reopen most of its 57 closed stores.

Oil and Gas Properties

Southern Oil primarily operates oil and natural gas wells in Louisiana. Its operations are primarily offshore in the shallow waters of the Gulf of Mexico.

Item 3. Legal Proceedings

Refer to Commitments and Contingencies – Note 14 to Consolidated Financial Statements included in Item 8 for a discussion of legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Market Information
Biglari Holdings' Class A common stock and Class B common stock are listed for trading on the NYSE, trading symbol: BH.A and BH, respectively.

Shareholders
Biglari Holdings had 2,154 beneficial shareholders of its Class A common stock and 3,843 beneficial shareholders of its Class B common stock as of February 17, 2021.

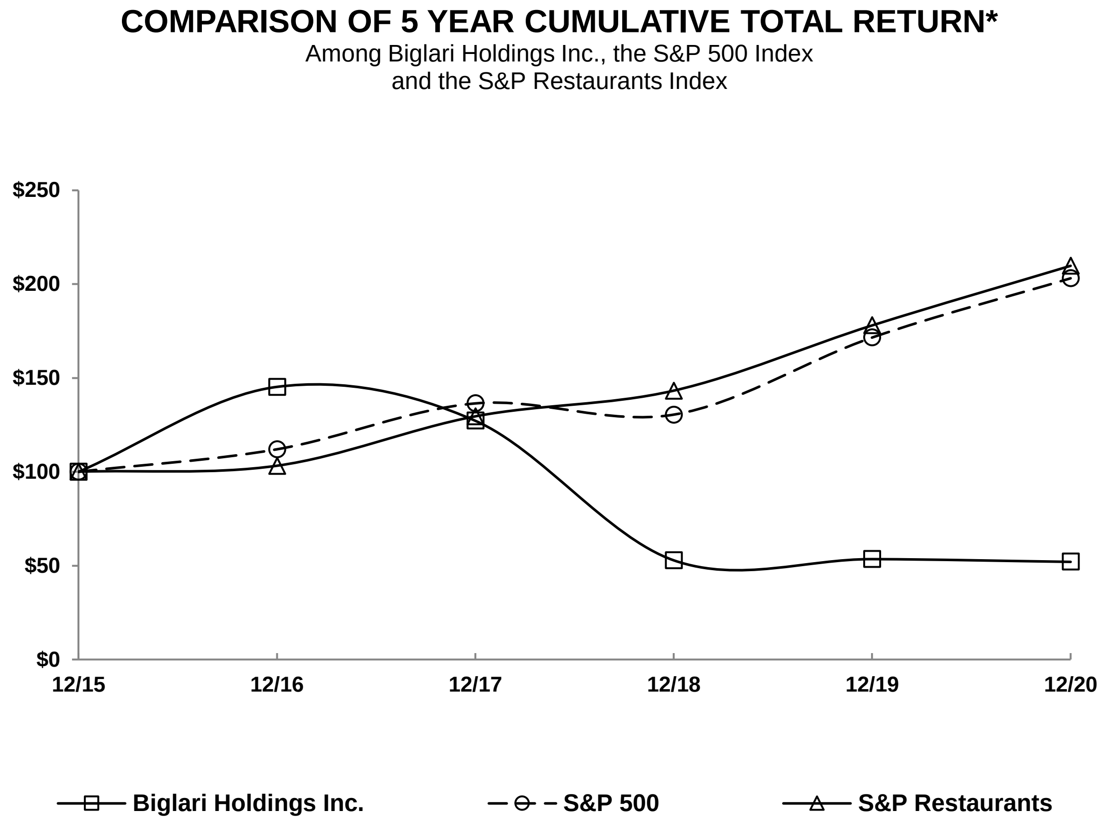
Dividends
Biglari Holdings has never declared a dividend.

Issuer Purchases of Equity Securities
From November 13, 2020 through December 17, 2020, The Lion Fund II, L.P. purchased 1,864 shares of Class A common stock and 84,017 shares of Class B common stock. The Lion Fund II, L.P. 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. The purchases were made through open market transactions.

	Total Number of Class A Shares Purchased	Average Price Paid per Class A Share	Total Number of Class B Shares Purchased	Average Price Paid per Class B Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
October 1, 2020 – October 31, 2020	-	$ -	-	$ -	-	-
November 1, 2020 – November 30, 2020	351	$ 558.46	65,623	$ 103.63	-	-
December 1, 2020 – December 31, 2020	1,513	$ 608.95	18,394	$ 116.72	-	-
Total	1,864		84,017		-	

Performance Graph

The graph below matches Biglari Holdings Inc.'s cumulative 5-year total shareholder return on its Class A common stock and Class B common stock (on an equivalent Class A common stock basis) with the cumulative total returns of the S&P 500 Index and the S&P Restaurants Index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2015 to December 31, 2020.



*$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

The preceding stock price performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, 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

Biglari Holdings does not have any equity compensation plans.

Item 6. Selected Financial Data

(dollars in thousands except per share data)

	2020	2019	2018	2017	2016
Revenue:					
Total revenues	$ 433,683	$ 668,838	$ 809,894	$ 839,804	$ 850,076
Earnings:					
Net earnings (loss)	$ (37,989)	$ 45,380	$ 19,392	$ 50,071	$ 99,451
Net earnings (loss) per equivalent Class A share	$ (110.05)	$ 131.64	$ 55.71	$ 136.01	$ 271.22
Year-end data:					
Total assets	$1,017,968	$1,139,309	$1,029,493	$1,063,584	$1,096,967
Long-term notes payable and other borrowings	$ 75,182	$ 263,182	$ 240,001	$ 256,994	$ 281,555
Biglari Holdings Inc. shareholders' equity	$ 564,828	$ 616,298	$ 570,455	$ 571,328	$ 531,940

Earnings per share of common stock is based on the weighted average number of shares outstanding during the period. The issuance of dual class common stock on April 30, 2018 is applied to years 2016 and 2017 on a retrospective basis for the calculation of earnings per share. The Company has applied the "two-class method" of computing earnings per share as prescribed in Accounting Standards Codification 260, "Earnings Per Share."

As of January 1, 2018, franchise royalties and fees are composed of royalties and fees from Steak n Shake and Western Sizzlin franchisees. Royalties are based upon a percentage of sales of the franchise restaurant and are recognized as earned. Franchise royalties are billed on a monthly basis. Initial franchise fees when a new restaurant opens or at the start of a new franchise term are recorded as deferred revenue when received and recognized as revenue over the term of the franchise agreement. This represents a change in methodology under the January 1, 2018 adoption of Accounting Standards Codification 606 for we have historically recognized initial franchise fees upon the opening of a franchise restaurant. Comparative prior periods have not been adjusted.

As of December 31, 2020, long-term notes payable and other borrowings of $75,182 were financial lease obligations. The Company's note payable on December 31, 2020, was classified as current and was repaid in full on February 19, 2020.

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

(dollars in thousands except per share data)

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

As of December 31, 2020, Mr. Biglari's beneficial ownership was approximately 67.2% of the Company's outstanding Class A common stock and 60.6% of the Company's outstanding Class B common stock.

Overview of the Impact of COVID-19

The novel coronavirus ("COVID-19"), declared a pandemic by the World Health Organization in March 2020, caused governments to impose restrictive measures to contain its spread. Those shutdowns significantly affected our operating businesses to varying degrees. The risks and uncertainties resulting from the pandemic may continue to affect our future earnings, cash flows, and financial condition. Accordingly, estimates used in the preparation of our financial statements, including those associated with the evaluation of certain long-lived assets, goodwill, and other intangible assets for impairment, may be subject to significant adjustments in future periods.

Business Acquisitions

On March 9, 2020, Biglari Holdings acquired the stock of Southern Pioneer Property & Casualty Insurance Company, and its agency, Southern Pioneer Insurance Agency, Inc. (collectively "Southern Pioneer"). Southern Pioneer underwrites garage liability and commercial property as well as homeowners and dwelling fire insurance coverages. The Company's financial results include the results of Southern Pioneer from the date of acquisition.

On September 9, 2019, a wholly-owned subsidiary of the Company, Southern Oil Company, acquired the stock of Southern Oil of Louisiana Inc. (collectively "Southern Oil"). Southern Oil primarily operates oil and natural gas properties offshore in the shallow waters of the Gulf of Mexico.

Net earnings attributable to Biglari Holdings shareholders are disaggregated in the table that follows. Amounts are recorded after deducting income taxes.

	2020	2019	2018
Operating businesses:			
Restaurant	$ (4,961)	$ (10,734)	$ (2,613)
Insurance	9,840	5,584	4,915
Oil and gas	1,890	5,921	-
Media	1,374	572	796
Interest expense	(6,940)	(8,817)	(8,757)
Total operating businesses	1,203	(7,474)	(5,659)
Corporate and other	(9,563)	(7,919)	(8,189)
Investment partnership gains	(32,506)	60,773	33,240
Investment gains	2,877	-	-
	$ (37,989)	$ 45,380	$ 19,392

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.

Our Management Discussion and Analysis generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 24, 2020.

Management's Discussion and Analysis *(continued)*

Restaurants

Our restaurant businesses, which include Steak n Shake and Western Sizzlin, comprise 598 company-operated and franchise restaurants as of December 31, 2020.

	Steak n Shake			Western Sizzlin		
	Company-operated	Franchise Partner	Traditional Franchise	Company-operated	Franchise	Total
Total stores as of December 31, 2017	415	-	200	4	58	677
Net restaurants opened (closed)	(2)	-	13	-	(3)	8
Stores open on December 31, 2018	413	-	213	4	55	685
Corporate stores transitioned	(29)	29	-	-	-	-
Net restaurants opened (closed)	(16)	-	-	-	(7)	(23)
Stores open on December 31, 2019	368	29	213	4	48	662
Corporate stores transitioned	(58)	57	1	-	-	-
Net restaurants opened (closed)	(34)	-	(20)	(1)	(9)	(64)
Stores open on December 31, 2020	276	86	194	3	39	598

As of December 31, 2020, 57 of the 276 company-operated Steak n Shake stores were closed. Throughout 2020, it became increasingly clear that the problems leading to operational shortfalls of certain restaurants could be fixed, thereby enabling those restaurants to produce a satisfactory return on investment. Steak n Shake reopened 33 locations which were previously closed. In addition, we plan to reopen most of our closed company-operated restaurants. As of December 31, 2019, 107 of the 368 company-operated Steak n Shake stores were closed.

Restaurant operations for 2020, 2019 and 2018 are summarized below.

	2020		2019		2018	
Revenue						
Net sales	$ 306,577		$ 578,164		$ 740,922	
Franchise partner fees	22,213		3,829		33	
Franchise royalties and fees	18,794		23,360		30,965	
Other revenue	3,082		4,867		3,770	
Total revenue	350,666		610,220		775,690	
Restaurant cost of sales						
Cost of food	88,698	28.9%	176,346	30.5%	223,273	30.1%
Restaurant operating costs	137,574	44.9%	307,337	53.2%	393,348	53.1%
Rent	20,383	6.6%	17,266	3.0%	19,835	2.7%
Total cost of sales	246,655		500,949		636,456	
Selling, general and administrative						
General and administrative	35,922	10.2%	47,685	7.8%	57,684	7.4%
Marketing	21,507	6.1%	39,476	6.5%	55,063	7.1%
Other expenses	2,972	0.8%	1,753	0.3%	2,383	0.3%
Total selling, general and administrative	60,401	17.2%	88,914	14.6%	115,130	14.8%
Impairments	23,646	6.7%	8,186	1.3%	5,677	0.7%
Depreciation and amortization	19,042	5.4%	21,174	3.5%	18,831	2.4%
Interest on finance leases and obligations	6,274		7,816		8,207	
Earnings (loss) before income taxes	(5,352)		(16,819)		(8,611)	
Income tax benefit	(391)		(6,085)		(5,998)	
Contributions to net earnings	$ (4,961)		$ (10,734)		$ (2,613)	

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

The COVID-19 pandemic has adversely affected our restaurant operations and financial results. Our restaurants were required to close their dining rooms during the first quarter of 2020, and the majority of our dining rooms remained closed through the end of 2020. To mitigate high labor costs associated with full service, Steak n Shake is seeking to reopen dining rooms with a self-service model, which will require an investment of between $100 and $200 per restaurant.

Net sales during 2020 were $306,577, representing a decrease of $271,587, as compared to 2019. The decreased performance of our restaurant operations in 2020 was primarily due to the closing of dining rooms and stores over the course of the year.

Franchise partner fees were $22,213 during 2020, as compared to $3,829 during 2019. As of December 31, 2020, there were 86 franchise partner units, as compared to 29 franchise partner units as of December 31, 2019. We continue to transition from company-operated units to franchise-operated ones. For a franchise partner to be awarded a restaurant, he or she must demonstrate the gold standard in service.

The traditional franchising business generates franchise royalties and fees, which decreased by $4,566, or 19.5% during 2020, as compared to 2019. The decrease in franchise royalties and fees was primarily due to franchise stores that closed during the pandemic.

The cost of food in 2020 was $88,698, or 28.9% of net sales, as compared to $176,346, or 30.5% of net sales in 2019. Restaurant operating costs during 2020 were $137,574, or 44.9% of net sales, as compared to $307,337, or 53.2% of net sales in 2019. The decrease in the cost of food and restaurant operating costs during 2020 as compared to 2019 was attributable to lower net sales resulting from store closures as well as dining room closures. Throughout 2020, our business was mainly off-premises — drive-through, delivery, and takeout.

Selling, general and administrative expenses during 2020 were $60,401, or 17.2% of total revenues compared to $88,914, or 14.6% of total revenues during 2019. General and administrative expenses decreased by $11,763 during 2020, as compared to 2019, primarily because of decreased personnel costs. Marketing expenses decreased by $17,969 in 2020 as compared to 2019, primarily by shifting to a digital strategy.

Asset impairments increased $15,460 during 2020 compared to 2019 primarily due to the impact of COVID-19. The pandemic caused dining room closures and had a negative impact on store level cash flows.

Interest on obligations under leases was $6,274 during 2020, versus $7,816 during 2019. The year-over-year decrease in interest expense is primarily attributable to the maturity and retirement of lease obligations.

Insurance

We view our insurance businesses as possessing two activities: underwriting and investing. Underwriting decisions are the responsibility of the unit managers, whereas investing decisions are the responsibility of our Chairman and CEO, Sardar Biglari. Business units are operated under separate local management. Biglari Holdings' insurance operations consist of First Guard and Southern Pioneer.

Underwriting results of our insurance operations are summarized below.

	2020	2019	2018
Underwriting gain attributable to:			
First Guard	$ 9,379	$ 6,477	$ 5,634
Southern Pioneer	620	-	-
Pre-tax underwriting gain	9,999	6,477	5,634
Income tax expense	2,100	1,295	1,127
Net underwriting gain	$ 7,899	$ 5,182	$ 4,507

Management's Discussion and Analysis *(continued)*

Earnings of our insurance operations are summarized below.

	2020	2019	2018
Premiums written	$ 49,220	$ 28,746	$ 26,465
Insurance losses	24,828	16,924	15,457
Underwriting expenses	14,393	5,345	5,374
Pre-tax underwriting gain	9,999	6,477	5,634
Other income and expenses			
Investment income	1,212	790	579
Other income (expense)	1,220	(164)	2
Total other income	2,432	626	581
Earnings before income taxes	12,431	7,103	6,215
Income tax expense	2,591	1,519	1,300
Contribution to net earnings	$ 9,840	$ 5,584	$ 4,915

Insurance premiums and other on the consolidated statement of earnings includes premiums earned, investment income, other income and commissions. Commissions are in other income (expense) in the above table.

First Guard

First Guard is a direct underwriter of commercial truck insurance, selling physical damage and nontrucking liability insurance to truckers. First Guard's insurance products are marketed primarily through direct response methods via the Internet or by telephone. First Guard's cost-efficient direct response marketing methods enable it to be a low-cost insurer. A summary of First Guard's underwriting results follows.

	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Premiums written	$ 30,210	100.0%	$ 28,746	100.0%	$ 26,465	100.0%
Insurance losses	14,031	46.5%	16,924	58.9%	15,457	46.5%
Underwriting expenses	6,800	22.5%	5,345	18.6%	5,374	20.3%
Total losses and expenses	20,831	69.0%	22,269	77.5%	20,831	66.8%
Pre-tax underwriting gain	$ 9,379		$ 6,477		$ 5,634	

Southern Pioneer

Southern Pioneer underwrites garage liability insurance, commercial property, as well as homeowners and dwelling fire insurance. The financial results for Southern Pioneer are from the date of acquisition March 9, 2020. A summary of Southern Pioneer's underwriting results follows.

	2020	
	Amount	%
Premiums written	$ 19,010	100.0%
Insurance losses	10,797	56.8%
Underwriting expenses	7,593	39.9%
Total losses and expenses	18,390	96.7%
Pre-tax underwriting gain	$ 620	

Management’s Discussion and Analysis *(continued)*

Insurance – Investment Income

A summary of net investment income attributable to our insurance operations follows.

	2020	2019	2018
Interest, dividends and other investment income:			
First Guard	$ 285	$ 790	$ 579
Southern Pioneer	927	-	-
Pre-tax investment income	1,212	790	579
Income tax expense	255	166	122
Net investment income	$ 957	$ 624	$ 457

We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Oil and Gas

Southern Oil primarily operates oil and natural gas properties offshore in the shallow waters of the Gulf of Mexico. Southern Oil was acquired on September 9, 2019. Earnings for Southern Oil are summarized below.

	2020	2019
Oil and gas revenue	$ 26,255	$ 24,436
Oil and gas production costs	8,700	7,259
Depreciation, depletion and accretion	12,527	8,218
General and administrative expenses	3,010	927
Earnings before income taxes	2,018	8,032
Income tax expense	128	2,111
Contribution to net earnings	$ 1,890	$ 5,921

The COVID-19 pandemic has caused oil demand to significantly decrease, creating oversupplied markets that have resulted in lower commodity prices and margins. In response, the Company significantly cut its production and expenses during the first and second quarters of 2020. However, crude oil prices improved in mid-2020 in response to the lifting of COVID-19 restrictions, resulting in the increase of oil demand. As a consequence, Southern Oil began to restore the majority of its curtailed production. Southern Oil is a debt-free company.

Media and Licensing

Maxim’s business lies principally in media and licensing. Earnings of our media and licensing operations are summarized below.

	2020	2019	2018
Media and licensing revenue	$ 4,083	$ 4,099	$ 6,576
Media and licensing cost	2,156	3,181	4,152
General and administrative expenses	143	176	1,329
Depreciation and amortization	-	-	27
Earnings before income taxes	1,784	742	1,068
Income tax expense	410	170	272
Contribution to net earnings	$ 1,374	$ 572	$ 796

We acquired Maxim with the idea of transforming its business model. The magazine developed the Maxim brand, a franchise we are utilizing to generate nonmagazine revenue, notably through licensing, a cash-generating business related to consumer products, services, and events.

Investment Gains

Investment gains were $3,644 ($2,877 net of tax) during 2020. The Company did not have investment gains/losses during 2019. Dividends earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Investment Partnership Gains

Earnings from our investments in partnerships are summarized below.

	2020	2019	2018
Investment partnership gains (losses)	$ (43,032)	$ 78,133	$ 40,411
Tax expense (benefit)	(10,526)	17,360	7,171
Contribution to net earnings	$ (32,506)	$ 60,773	$ 33,240

Investment partnership gains include gains/losses from changes in market values of underlying investments and dividends earned by the partnerships. Dividend income has a lower effective tax rate than income from capital gains. Changes in the market values of investments can be highly volatile.

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 even though these shares are legally outstanding. Gains and losses on Company common stock included in the earnings of the partnerships are eliminated.

Interest Expense

The Company's interest expense is summarized below.

	2020	2019	2018
Interest expense on notes payable and other borrowings	$ (9,262)	$ (12,442)	$ (11,677)
Tax benefit	(2,322)	(3,625)	(2,920)
Interest expense net of tax	$ (6,940)	$ (8,817)	$ (8,757)

Interest expense during 2020 decreased by $3,180 compared to 2019 due to lower debt balances and lower average interest rates during 2020.

Income Taxes

Consolidated income tax benefit was $12,212 in 2020 versus an expense of $9,761 in 2019. Income tax expense decreased during 2020 compared to 2019, primarily due to a tax benefit of $10,526 for investment partnership losses of $43,032.

Corporate and Other

Corporate expenses exclude the activities in the restaurant, insurance, media and licensing, and oil and gas businesses. Corporate and other net losses of $9,563 during 2020 increased compared to 2019 due to higher legal expenses.

Management's Discussion and Analysis *(continued)*

Financial Condition

Our consolidated shareholders' equity on December 31, 2020 was $564,828, a decrease of $51,470 compared to the December 31, 2019 balance. The decrease was primarily due to net loss of $37,989 and an increase in treasury stock of $14,760.

Consolidated cash and investments are summarized below.

	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 24,503	$ 67,772
Investments	94,861	44,856
Fair value of interest in investment partnerships	590,926	666,123
Total cash and investments	710,290	778,751
Less: portion of Company stock held by investment partnerships	(171,376)	(160,581)
Carrying value of cash and investments on balance sheet	$ 538,914	$ 618,170

Unrealized gains/losses of Biglari Holdings' stock held by the investment partnerships are eliminated in the Company's consolidated financial results.

Liquidity
Our balance sheet continues to maintain significant liquidity. Consolidated cash flow activities are summarized below.

	2020	2019	2018
Net cash provided by operating activities	$ 117,556	$ 93,683	$ 20,678
Net cash used in investing activities	(129,487)	(69,982)	(25,290)
Net cash used in financing activities	(29,109)	(8,010)	(7,530)
Effect of exchange rate changes on cash	10	(5)	(78)
Increase (decrease) in cash, cash equivalents and restricted cash	$ (41,030)	$ 15,686	$ (12,220)

In 2020, cash from operating activities increased by $23,873, as compared to 2019. The increase was primarily due to increased operating income (excluding impairments and depreciation) of $30,283, as compared to 2019.

Net cash used in investing activities increased during 2020 by $59,505, as compared to 2019. The increase was primarily due to purchases of investment partnership interests in the amount of $70,130 during 2020.

Net cash used in financing activities increased by $21,099 in 2020, as compared to 2019. The increase was primarily due to voluntary prepayments of Steak n Shake term debt during 2020.

We intend to meet the working capital needs of our operating subsidiaries principally through anticipated cash flows generated from operations and cash on hand. We continually review available financing alternatives.

Steak n Shake Credit Facility
On March 19, 2014, Steak n Shake and its subsidiaries entered into a credit agreement which provided for a senior secured term loan facility in an aggregate principal amount of $220,000. The term loan was scheduled to mature on March 19, 2021. As of December 31, 2020, $152,506 was outstanding. The Company repaid Steak n Shake's outstanding balance in full on February 19, 2021.

Western Sizzlin Revolver
As of December 31, 2020 and 2019, Western Sizzlin had no debt outstanding under its revolver.

Critical Accounting Policies

Certain accounting policies require us to make estimates and judgments in determining the amounts reflected in the consolidated financial statements. Such estimates and judgments necessarily involve varying, and possibly significant, degrees of uncertainty. Accordingly, certain amounts currently recorded in the financial statements will likely be adjusted in the future based on new available information and changes in other facts and circumstances. A discussion of our principal accounting policies that required the application of significant judgments as of December 31, 2020 follows.

Consolidation
The consolidated financial statements include the accounts of Biglari Holdings Inc. and the wholly owned subsidiaries of Biglari Holdings Inc. We consolidate limited partnership 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. All intercompany accounts and transactions are eliminated in consolidation.

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 Restaurant Long-lived Assets
We review company-operated restaurants for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment. Assets included in the impairment assessment generally consist of property, equipment and leasehold improvements directly associated with an individual restaurant as well as any related finance or operating lease assets. 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.

Oil and Natural Gas Reserves
The estimation of proved reserves, which is based on the requirement of reasonable certainty, is an ongoing process based on rigorous technical evaluations, commercial and market assessments and detailed analysis of well and reservoir information such as flow rates and reservoir pressures. Although we are reasonably confident that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors including, reservoir performance, government policies, and significant changes in long-term oil and natural gas price levels. In addition, proved reserves could be affected by an extended period of low prices which could reduce the level of our partners' capacity to fund their share of joint projects. Accordingly, reserve estimates are generally different from the quantities of natural gas and oil that are ultimately recovered. We cannot predict the amounts or timing of future reserve revisions.

Income Taxes
We record deferred tax assets or liabilities based on differences between financial reporting and the 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.

Goodwill and Other Intangible Assets
We evaluate goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. 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.

Leases

We determine whether a contract is or contains a lease at contract inception based on the presence of identified assets and our right to obtain substantially all of the economic benefit from or to direct the use of such assets. When we determine a lease exists, we record a right-of-use asset and corresponding lease liability on our consolidated balance sheets. Right-of-use assets represent our right to use an underlying asset for the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets are recognized at commencement date at the value of the lease liability and are adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term. As the discount rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We do not record lease contracts with a term of 12 months or less on our consolidated balance sheets. We recognize fixed lease expense for operating leases on a straight-line basis over the lease term. For finance leases, we recognize amortization expense on the right-of-use asset and interest expense on the lease liability over the lease term.

Contractual Obligations

Our significant contractual obligations and commitments as of December 31, 2020 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
Short-term debt (1)	$ 153,512	$ -	$ -	$ -	$ 153,512
Finance obligations and finance lease liabilities (2)	12,642	20,728	14,034	9,582	56,986
Operating leases (3)	13,521	20,553	13,548	9,447	57,069
Purchase commitments (4)	7,044	1,755	-	-	8,799
Other long-term liabilities (5)	-	-	-	1,368	1,368
Total	$ 186,719	$ 43,036	$ 27,582	$ 20,397	$ 277,734

(1) *Steak n Shake's term debt was paid in full on February 19, 2021.*

(2) *Includes principal and interest.*

(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 $204 as of December 31, 2020 because we cannot make a reliable estimate of the timing of cash payments.*

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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 report on 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," and 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.

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 concentrated positions. 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 $51,441 along with a corresponding change in shareholders' equity of approximately 7%.

We have had minimal exposure to foreign currency exchange rate fluctuations in 2020, 2019 and 2018.

Southern Oil's business is fundamentally a commodity business. This means Southern Oil's operations and earnings may be significantly affected by changes in oil and gas prices. Such commodity prices depend on local, regional and global events or conditions that affect supply and demand for oil and gas. Any material decline in crude oil or natural gas prices could have a material adverse effect on Southern Oil's operations.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Biglari Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Biglari Holdings Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2021 expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 and Note 12 to the financial statements, the Company adopted the provisions of Accounting Standards Codification Topic 842, Leases, effective January 1, 2019 using the Comparatives Under ASC 840 approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note 3 and Note 13 to the consolidated financial statements, the Company and its subsidiaries have invested in investment partnerships in the form of limited partnership interests. These investment partnerships represent related parties, and such investments are subject to a rolling five-year lock up period under the terms of the respective partnership agreements for the investment partnerships. The value of these investments reported in the Company’s consolidated balance sheets as of December 31, 2020 and 2019 totals $419,550,000 and $505,542,000, respectively. Our opinion is not modified with respect to this matter.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Property and Equipment — Refer to Note 5 to the financial statements

Critical Audit Matter Description

Company-operated restaurants and associated long-lived assets are evaluated for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment may have occurred. The Company's evaluation of potential impairment of long-lived assets involves the comparison of undiscounted future cash flows expected to be generated by the asset group, generally an individual restaurant, over the expected remaining useful life of that asset group, to the respective carrying amount. The Company also applied a market analysis for certain properties. The Company's undiscounted future cash flows analysis requires management to make significant estimates and assumptions related to future revenues, labor costs and planned operating periods. To the extent that the undiscounted cash flows are not sufficient to recover the related assets, the Company estimates the fair value of the related assets using a discounted cash flow model to assess the amount of any impairment.

We identified the impairment of company-operated restaurant long-lived assets as a critical audit matter because of the significant estimates and assumptions required by management to evaluate the potential impairment of these asset groups. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of certain assumptions, in management's undiscounted and discounted future cash flows analyses, including revenue growth, labor costs and planned operating periods of restaurants.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the undiscounted and discounted future cash flows analysis and the assessment of the expected remaining holding period included the following, among others:

- We tested the effectiveness of controls over management's evaluation of the recoverability of long-lived assets, including those over revenue, labor costs and the planned operating period for the store.
- We evaluated the undiscounted future cash flows analysis, including estimates of revenue growth, labor costs and planned operating periods of restaurants by (1) evaluating the underlying source information and assumptions used by management (2) performing sensitivity analyses and (3) testing the mathematical accuracy of the undiscounted future cash flows analysis.
- We evaluated the reasonableness of management's undiscounted future cash flows analysis by comparing management's projections to the Company's historical results and available market data.
- We evaluated the discount rates used by management in the performance of discounted cash flow analyses by testing management's calculation, performing sensitivity analyses, comparing components to external market information as applicable, and assessed the mathematical accuracy of the Company's calculations of potential impairment.

/s/ DELOITTE & TOUCHE LLP
Indianapolis, Indiana
February 27, 2021

We have served as the Company's auditor since 2003.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Biglari Holdings Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Biglari Holdings Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 27, 2021, expressed an unqualified opinion on those financial statements and included an emphasis of a matter paragraph relating to the Company's investment in related party investment partnerships.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Southern Pioneer Property & Casualty Insurance Company, and its agency, Southern Pioneer Insurance Agency, Inc. (collectively "Southern Pioneer"), which was acquired on March 9, 2020, and whose financial statements constitute approximately 7.3% of total assets and 5.0% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting at Southern Pioneer.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

/s/ DELOITTE & TOUCHE LLP
Indianapolis, Indiana
February 27, 2021

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 24,503	$ 67,772
Investments	94,861	44,856
Receivables	19,185	21,640
Inventories	2,737	4,674
Other current assets	6,492	6,449
Total current assets	147,778	145,391
Property and equipment	316,122	350,627
Operating lease assets	42,832	59,719
Goodwill	53,596	40,040
Other intangible assets	24,065	27,349
Investment partnerships	419,550	505,542
Other assets	14,025	10,641
Total assets	$ 1,017,968	$ 1,139,309
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 118,821	$ 121,079
Current portion of operating lease liabilities	10,614	11,635
Current portion of notes payable and other borrowings	159,012	7,103
Total current liabilities	288,447	139,817
Long-term notes payable and other borrowings	75,182	263,182
Operating lease liabilities	36,463	53,271
Deferred taxes	41,346	54,230
Asset retirement obligations	10,022	10,447
Other liabilities	1,680	2,064
Total liabilities	453,140	523,011
Shareholders' equity		
Common stock	1,138	1,138
Additional paid-in capital	381,788	381,788
Retained earnings	573,050	611,039
Accumulated other comprehensive loss	(1,531)	(2,810)
Treasury stock, at cost	(389,617)	(374,857)
Biglari Holdings Inc. shareholders' equity	564,828	616,298
Total liabilities and shareholders' equity	$ 1,017,968	$ 1,139,309

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands except per-share amounts)

	Year Ended December 31, 2020		2019		2018
Revenues					
Restaurant operations	$	350,666	$ 610,220	$	775,690
Insurance premiums and other		52,679	30,083		27,628
Oil and gas		26,255	24,436		-
Media and licensing		4,083	4,099		6,576
		433,683	668,838		809,894
Cost and expenses					
Restaurant cost of sales		246,655	500,949		636,456
Insurance losses and underwriting expenses		39,221	22,269		20,831
Oil and gas production costs		8,700	7,259		-
Media and licensing cost		2,156	3,181		4,152
Selling, general and administrative		76,360	100,150		127,232
Impairments		23,646	8,186		5,677
Depreciation, depletion and amortization		32,222	29,578		19,318
Interest expense		15,536	20,258		19,884
		444,496	691,830		833,550
Other income (expenses)					
Investment gains		3,644	-		-
Investment partnership gains (losses)		(43,032)	78,133		40,411
Total other income (expenses)		(39,388)	78,133		40,411
Earnings (loss) before income taxes		(50,201)	55,141		16,755
Income tax expense (benefit)		(12,212)	9,761		(2,637)
Net earnings (loss)	$	(37,989)	$ 45,380	$	19,392
Earnings per share					
Net earnings per equivalent Class A share *	$	(110.05)	$ 131.64	$	55.71

* Net earnings per equivalent Class B share outstanding are one-fifth of the equivalent Class A share or ($22.01) for 2020, $26.33 for 2019 and $11.14 for 2018.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

	Year Ended December 31, 2020		2019		2018
Net earnings (loss)	$	(37,989)	$ 45,380	$	19,392
Other comprehensive income:					
Reclassification to earnings		-	-		(73)
Applicable income taxes		-	-		15
Foreign currency translation		1,279	(294)		(1,054)
Other comprehensive income (loss), net		1,279	(294)		(1,112)
Total comprehensive income (loss)	$	(36,710)	$ 45,086	$	18,280

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31,		
	2020	2019	2018
Operating activities			
Net earnings (loss)	$ (37,989)	$ 45,380	$ 19,392
Adjustments to reconcile net earnings to operating cash flows:			
Depreciation and amortization	32,222	29,578	19,318
Provision for deferred income taxes	(12,216)	(38,545)	(2,153)
Asset impairments and other non-cash expenses	24,636	9,113	6,481
(Gains) losses on disposal of assets	(868)	264	993
Investment (gains) losses	(4,856)	(1,172)	(559)
Investment partnership (gains) losses	43,032	(78,133)	(40,411)
Distributions from investment partnerships	98,330	129,329	29,660
Changes in receivables and inventories	7,014	3,669	(359)
Changes in other assets	733	10,450	536
Changes in accounts payable and accrued expenses	(32,482)	(16,250)	(12,220)
Net cash provided by operating activities	117,556	93,683	20,678
Investing activities			
Capital expenditures	(20,702)	(17,679)	(15,293)
Purchases of perpetual lease rights	-	-	(2,503)
Proceeds from property and equipment disposals	4,415	4,577	2,590
Acquisition of business, net of cash acquired	(36,187)	(51,062)	-
Distributions from investment partnerships	-	40,000	39,040
Purchases of limited partner interests	(70,130)	(40,000)	(39,040)
Purchases of investments	(299,950)	(154,848)	(58,642)
Redemptions of fixed maturity securities	293,067	149,030	48,558
Net cash used in investing activities	(129,487)	(69,982)	(25,290)
Financing activities			
Payments on revolving credit facility	(500)	-	(175)
Proceeds from revolving credit facility	500	-	-
Principal payments on long-term debt	(23,279)	(2,200)	(2,200)
Principal payments on direct financing lease obligations	(5,830)	(5,810)	(5,204)
Proceeds for exercise of stock options	-	-	49
Net cash used in financing activities	(29,109)	(8,010)	(7,530)
Effect of exchange rate changes on cash	10	(5)	(78)
Increase (decrease) in cash, cash equivalents and restricted cash	(41,030)	15,686	(12,220)
Cash, cash equivalents and restricted cash at beginning of period	70,696	55,010	67,230
Cash, cash equivalents and restricted cash at end of period	$ 29,666	$ 70,696	$ 55,010

	Year Ended December 31,		
	2020	2019	2018
Cash and cash equivalents	$ 24,503	$ 67,772	$ 48,557
Restricted cash included in other long-term assets	5,163	2,924	6,453
Cash, cash equivalents and restricted cash at end of period	$ 29,666	$ 70,696	$ 55,010

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2017	$ 1,071	$ 382,014	$ 565,504	$ (1,404)	$ (375,857)	$ 571,328
Net earnings			19,392			19,392
Adoption of accounting standards			90			90
Other comprehensive income, net				(1,112)		(1,112)
Conversion of common stock	67	(67)	(20,826)		20,826	-
Adjustment to treasury stock for holdings in investment partnerships					(19,292)	(19,292)
Exercise of stock options		(43)			92	49
Balance at December 31, 2018	$ 1,138	$ 381,904	$ 564,160	$ (2,516)	$ (374,231)	$ 570,455
Net earnings			45,380			45,380
Adoption of accounting standards			1,499			1,499
Other comprehensive income, net				(294)		(294)
Adjustment to treasury stock for holdings in investment partnerships		(116)			(626)	(742)
Balance at December 31, 2019	$ 1,138	$ 381,788	$ 611,039	$ (2,810)	$ (374,857)	$ 616,298
Net earnings (loss)			(37,989)			(37,989)
Other comprehensive income, net				1,279		1,279
Adjustment to treasury stock for holdings in investment partnerships					(14,760)	(14,760)
Balance at December 31, 2020	$ 1,138	$ 381,788	$ 573,050	$ (1,531)	$ (389,617)	$ 564,828

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Years Ended December 31, 2020, 2019 and 2018)
(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 property and casualty insurance, media and licensing, restaurants, and oil and gas. The Company's largest operating subsidiaries are involved in the franchising and operating of restaurants. Biglari Holdings is founded and led by Sardar Biglari, Chairman and Chief Executive Officer of the Company. The Company's long-term objective is to maximize per-share intrinsic value. All major investment and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari.

As of December 31, 2020, Mr. Biglari's beneficial ownership was approximately 67.2% of the Company's outstanding Class A common stock and 60.6% of the Company's outstanding Class B common stock.

Overview of the Impact of COVID-19
The novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization, which caused governments to contain its spread, thereby significantly affecting our operating businesses beginning in March and adversely affecting nearly all of our operations during 2020. The COVID-19 pandemic has adversely affected our restaurant operations and financial results. Our restaurants were required to close their dining rooms during the first quarter and the majority of our dining rooms remained closed during the remainder of 2020. To mitigate high labor costs associated with table service, Steak n Shake is seeking to reopen dining rooms with a self-service model. The pandemic also caused oil demand to decrease significantly, creating oversupplied markets that have resulted in lower commodity prices and margins. In response, the Company significantly cut production and expenses in its oil and gas business during the second and third quarters of 2020. The risks and uncertainties resulting from the pandemic may continue to affect our future earnings, cash flows and financial condition.

Business Acquisitions
On March 9, 2020, Biglari Holdings acquired the stock of Southern Pioneer Property & Casualty Insurance Company, and its agency, Southern Pioneer Insurance Agency, Inc. (collectively "Southern Pioneer"). Southern Pioneer underwrites garage liability insurance, commercial property coverage, as well as homeowners and dwelling fire insurance coverages. The financial results for Southern Pioneer are included from the date of acquisition. Pro-forma financial information of Southern Pioneer is not material.

On September 9, 2019, a wholly-owned subsidiary of the Company, Southern Oil Company, acquired the stock of Southern Oil of Louisiana Inc. (collectively "Southern Oil"). Southern Oil primarily operates oil and natural gas properties offshore in the shallow waters of the Gulf of Mexico. Pro-forma financial information of Southern Oil is not material.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries including Steak n Shake Inc., Western Sizzlin Corporation, First Guard Insurance Company, Maxim Inc., Southern Pioneer, and Southern Oil. Intercompany accounts and transactions have been eliminated in consolidation.

Change in Presentation
Interest expense on finance leases and obligations has been combined with interest expense in 2020 and reclassified as a component of cost and expenses in the consolidated statement of earnings. Prior period balances have been adjusted to conform to the change in presentation.

Cash, Cash Equivalents and Restricted Cash
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. The statement of cash flows includes restricted cash with cash and cash equivalents.

Note 1. Summary of Significant Accounting Policies *(continued)*

Investments

We classify investments in fixed maturity securities at the acquisition date as either available-for-sale or held-to-maturity and re-evaluate the classification at each balance sheet date. Securities classified as held-to-maturity are carried at amortized cost, reflecting the ability and intent to hold the securities to maturity. As of December 31, 2020 and 2019, all investments were classified as available-for-sale and carried at fair value with net unrealized gains or losses reported in the statements of earnings. Realized gains and losses on disposals of investments are determined by the specific identification of cost of investments sold. Dividends earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Investment Partnerships

The Company holds a limited interest in The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively the "investment partnerships"). Biglari Capital Corp. ("Biglari Capital"), an entity solely owned by Mr. Biglari, is the general partner of the 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 generally accepted accounting principles ("GAAP"), investment companies under the AICPA Audit and Accounting Guide *Investment Companies.*

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. We concentrate a high percentage of the investments in a small number of equity securities. 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 $6,859 and $4,857 at December 31, 2020 and 2019, respectively.

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 restaurant 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 which is generally at the individual restaurant level. Assets included in the impairment assessment generally consist of property, equipment and leasehold improvements directly associated with an individual restaurant as well as any related finance or operating lease assets. 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.

Note 1. Summary of Significant Accounting Policies *(continued)*

Oil and Gas Properties

The successful efforts method is used for crude oil and natural gas exploration and production activities. All costs for development wells, related plant and equipment, proved mineral interests in crude oil and natural gas properties, and related asset retirement obligation assets are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. Costs also are capitalized for exploratory wells that have found crude oil and natural gas reserves even if the reserves cannot be classified as proved when the drilling is completed, provided the exploratory well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. All other exploratory wells and costs are expensed. There were no capitalized costs for exploratory activities during 2020.

The Company continues to capitalize exploratory well costs after the completion of drilling when (a) the well has found a sufficient quantity of reserves to justify completion as a producing well, and (b) sufficient progress has been made in assessing the reserves and the economic and operating viability of the project. If either condition is not met or if the Company obtains information that raises substantial doubt about the economic or operational viability of the project, the exploratory well would be assumed to be impaired, and its costs, net of any salvage value, would be charged to expense.

Asset retirement obligations

Asset retirement obligations relate to future costs associated with the plugging and abandonment of oil and gas wells, the removal of equipment and facilities from leased acreage, and the return of such land to its original condition. The Company determines its asset retirement obligation amounts by calculating the present value of the estimated future cash outflows associated with its plug and abandonment obligations. The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred, and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to depreciation, depletion and amortization expense, and the capitalized cost is depleted on a unit-of-production basis over the proved developed reserves of the related asset. If an asset retirement obligation is settled for an amount other than the recorded amount, a gain or loss is recognized.

Goodwill and Other Intangible Assets

Goodwill and indefinite life intangible assets 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 intangible assets 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. During 2020, we recorded an impairment to goodwill of $300 and to indefinite life intangible assets of $3,728. No impairments were recorded on goodwill and other intangible assets during 2019 and 2018. Refer to Note 7 for information regarding our goodwill and other intangible assets.

Dual Class Common Stock

The Company has two classes of common stock, designated Class A common stock and Class B common stock. Each Class A common share is entitled to one vote. Class B common stock possesses economic rights equal to one-fifth ($1/5^{th}$) of such rights of Class A common stock; however, Class B common stock has no voting rights.

The following table presents shares authorized, issued and outstanding.

	December 31, 2020		December 31, 2019		December 31, 2018	
	Class A	Class B	Class A	Class B	Class A	Class B
Common stock authorized	500,000	10,000,000	500,000	10,000,000	500,000	10,000,000
Common stock issued and outstanding ...	206,864	2,068,640	206,864	2,068,640	206,864	2,068,640

On an equivalent Class A common stock basis, there were 620,592 shares outstanding as of December 31, 2020, 2019 and 2018.

Note 1. Summary of Significant Accounting Policies *(continued)*

Earnings Per Share

Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. The shares of Company stock attributable to our limited partner interest in the investment partnerships — 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. However, these shares are legally outstanding.

The Company has applied the "two-class method" of computing earnings per share as prescribed in Accounting Standards Codification ("ASC") 260, "*Earnings Per Share*." The equivalent Class A common stock applied for computing earnings per share excludes the proportional shares of Biglari Holdings' stock held by the investment partnerships. The equivalent Class A common stock for the earnings per share calculation was 345,192, 344,736 and 348,108 for 2020, 2019 and 2018, respectively. There are no dilutive securities outstanding.

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Codification Topic 606 Revenue From Contracts With Customers ("ASC 606"). In accordance with ASC 606, we changed certain characteristics of our revenue recognition accounting policy as described below. ASC 606 was applied using the modified retrospective method, where the cumulative effect of the initial application is recognized as an adjustment to opening retained earnings at January 1, 2018. Comparative prior periods have not been adjusted.

The impact of ASC 606 on the Company's balance sheet as of December 31, 2018 was not material. The cumulative change in retained earnings as of January 1, 2018 was $90. Upon adoption of ASC 606, the Company changed its restaurant operations accounting policies for the recognition of franchise fees, recording of advertising arrangements, and recognition of gift card revenue. The adoption of ASC 606 did not have any significant impact on our insurance or media/licensing businesses.

Restaurant operations

Restaurant operations revenues were disaggregated as follows.

	2020	2019	2018
Net sales	$ 306,577	$ 578,164	$ 740,922
Franchise partner fees	22,213	3,829	33
Franchise royalties and fees	18,794	23,360	30,965
Other	3,082	4,867	3,770
	$ 350,666	$ 610,220	$ 775,690

Net sales

Net sales are composed of retail sales of food through company-operated stores. Company-operated store revenues are recognized, net of discounts and sales taxes, when our obligation to perform is satisfied at the point of sale. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Company's consolidated statements of earnings as revenue.

Franchise partner fees

Franchise partner fees are composed of up to 15% of sales as well as 50% of profits. We are therefore fully affected by the operating results of the business, unlike in a traditional franchising arrangement, where the franchisor obtains a royalty fee based on sales only. Therefore, we generate most of our revenue from our share of the franchise partners' profits. Initial franchise fee of ten thousand dollars is recognized when the operator becomes a franchise partner.

Franchise royalties and fees

Franchise royalties and fees from Steak n Shake and Western Sizzlin franchisees are based upon a percentage of sales of the franchise restaurant and are recognized as earned. Franchise royalties are billed on a monthly basis. Initial franchise fees when a new restaurant opens or at the start of a new franchise term are recorded as deferred revenue when received and recognized as revenue over the term of the franchise agreement.

Note 1. Summary of Significant Accounting Policies *(continued)*

During the years ended December 31, 2020, 2019 and 2018, restaurant operations recognized $1,879, $1,725 and $3,096, respectively, in revenue related to initial franchise fees. As of December 31, 2020 and 2019, restaurant operations had deferred revenue recorded in accrued expenses related to franchise fees of $6,928 and $7,976, respectively. Restaurant operations expects to recognize approximately $1,071 in 2021 and the balance in the years 2022 through 2040.

Our advertising arrangements with franchisees are reported in franchise royalties and fees. During the years ended December 31, 2020 and 2019, restaurant operations recognized $5,193 and $7,815, respectively, in revenue related to franchisee advertising fees. As of December 31, 2020 and 2019, restaurant operations had deferred revenue recorded in accrued expenses related to franchisee advertising fees of $4,391 and $3,043, respectively. Restaurant operations expects to recognize approximately $2,196 of deferred revenue during 2021.

Gift card revenue
Restaurant operations sells gift cards to customers which can be redeemed for retail food sales within our stores. Gift cards are recorded as deferred revenue when issued and are subsequently recorded as net sales upon redemption. Restaurant operations estimates breakage related to gift cards when the likelihood of redemption is remote. This estimate utilizes historical trends based on the vintage of the gift card. Breakage on gift cards is recorded as other revenue in proportion to the rate of gift card redemptions by vintage.

For the years ended December 31, 2020 and 2019, restaurant operations recognized $9,201 and $22,869, respectively, of revenue from gift card redemptions. As of December 31, 2020 and 2019, restaurant operations had deferred revenue recorded in accrued expenses related to unredeemed gift cards of $17,431 and $20,730, respectively. The Company expects to recognize approximately $13,392 in 2021 and the balance in the years 2022 through 2023.

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.

Oil and gas
Revenues are derived from the sale of produced oil and natural gas. Revenue is recognized when the performance obligation is satisfied, which typically occurs at the point in time when control of the product transfers to the customer. Payment is due within 30 days of delivery.

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. License revenue is recognized when earned. We derive value and revenues from intellectual property assets through a range of licensing and business activities, including licensing and syndication of our trademarks and copyrights in the United States and internationally.

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.

Insurance Losses and Underwriting Expenses
Liabilities for estimated unpaid losses and loss adjustment expenses with respect to claims occurring on or before the balance sheet date are established under insurance contracts issued by our insurance subsidiaries. Such estimates include provisions for reported claims or case estimates, provisions for incurred but not reported claims and legal and administrative costs to settle claims. The estimates of unpaid losses and amounts recoverable under reinsurance are established and continually reviewed by using a variety of actuarial, statistical and analytical techniques. 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 $14,652 and $3,211 are included in accrued expenses in the consolidated balance sheet as of December 31, 2020 and 2019, respectively.

Note 1. Summary of Significant Accounting Policies *(continued)*

Oil and Gas Production Costs
Oil and gas production costs are composed of lease operating expenses and production taxes.

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 in the consolidated statement of earnings.

Insurance Reserves
We self-insure a significant portion of expected losses under our workers' compensation, general liability, auto, directors and officers liability, 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 not material.

Foreign Currency Translation
The Company has certain subsidiaries located in foreign jurisdictions. For subsidiaries whose functional currency is other than the U.S. dollar, the translation of functional currency statements to U.S. dollar statements uses end-of-period exchange rates for assets and liabilities, weighted average exchange rates for revenue and expenses, and historical rates for equity. The resulting currency translation adjustment is recorded in accumulated other comprehensive income, as a component of equity.

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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, ASU 2016-13 requires that credit losses be presented as an allowance rather than as a write-down. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2019. The Company adopted ASU 2016-13 effective January 1, 2020. The impact of this standard is not material to the Company's financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases*. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842). We adopted ASC 842 "*Leases*" on January 1, 2019. Most significantly, ASC 842 requires a lessee to recognize a liability to make lease payments and an asset with respect to its right to use the underlying asset for the lease term. We applied ASC 840 to all comparative periods which included a cumulative-effect adjustment of $1,499 to retained earnings on January 1, 2019. Adoption of ASC 842 also resulted in an increase to total assets and liabilities due to the recording of operating lease assets of $63,261 and operating lease liabilities of $69,671 as of January 1, 2019 and due to the recording of finance lease assets of $11,638 and finance lease liabilities of $11,784. The difference between the asset and liability amounts primarily relates to previously recorded deferred/prepaid rent. The standard had a material impact on our consolidated balance sheets but did not have a material impact on our consolidated statements of earnings and statements of cash flow. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases.

Note 1. Summary of Significant Accounting Policies *(continued)*

In adopting and applying ASC 842, we elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allows us to carry forward the historical lease classification. In addition, we elected certain practical expedients and accounting policies, including an accounting policy election to keep leases with an initial term of 12 months or less from the balance sheet. We recognize those lease payments in the consolidated statements of earnings on a straight-line basis over the lease term.

Note 2. Investments

Investments were $94,861 and $44,856 as of December 31, 2020 and 2019, respectively. All investments are classified as available-for-sale and recorded at fair value.

Note 3. Investment Partnerships

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 even though they are legally outstanding. 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.

Biglari Capital is the general partner of the investment partnerships and is an entity solely owned by Mr. Biglari.

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 December 31, 2017	$ 925,279	$ 359,258	$ 566,021
Investment partnership gains (losses)	(180,517)	(220,928)	40,411
Distributions (net of contributions)	(29,660)		(29,660)
Increase in proportionate share of Company stock held		19,292	(19,292)
Partnership interest at December 31, 2018	$ 715,102	$ 157,622	$ 557,480
Investment partnership gains (losses)	80,350	2,217	78,133
Distributions (net of contributions)	(129,329)		(129,329)
Increase in proportionate share of Company stock held		742	(742)
Partnership interest at December 31, 2019	$ 666,123	$ 160,581	$ 505,542
Investment partnership gains (losses)	(46,997)	(3,965)	(43,032)
Distributions (net of contributions)	(28,200)		(28,200)
Increase in proportionate share of Company stock held		14,760	(14,760)
Partnership interest at December 31, 2020	$ 590,926	$ 171,376	$ 419,550

The carrying value of the investment partnerships net of deferred taxes is presented below.

	December 31, 2020	December 31, 2019
Carrying value of investment partnerships	$ 419,550	$ 505,542
Deferred tax liability related to investment partnerships	(44,805)	(56,518)
Carrying value of investment partnerships net of deferred taxes	$ 374,745	$ 449,024

The Company's proportionate share of Company stock held by investment partnerships at cost is $389,617 and $374,857 at December 31, 2020 and 2019, respectively, and is recorded as treasury stock.

Note 3. Investment Partnerships *(continued)*

The carrying value of the partnership interest approximates fair value adjusted by 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.

Gains/losses from investment partnerships recorded in the Company's consolidated statements of earnings are presented below.

	2020		2019		2018	
Gains (losses) from investment partnerships	$	(43,032)	$	78,133	$	40,411
Tax expense (benefit)		(10,526)		17,360		7,171
Contribution to net earnings	$	(32,506)	$	60,773	$	33,240

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% over the previous high-water mark. Our policy is to accrue an estimated incentive fee throughout the year. The total incentive reallocation from Biglari Holdings to Biglari Capital includes gains on the Company's common stock. Gains and losses on the Company's common stock and the related incentive reallocations are eliminated in our financial statements. Our investments in these partnerships are committed on a rolling 5-year basis.

There were $987 of incentive reallocations from Biglari Holdings to Biglari Capital during 2020, including $253 associated with gains on the Company's common stock. Gains on the Company's common stock and the related incentive reallocations are eliminated in our financial statements. There were no incentive reallocations from Biglari Holdings to Biglari Capital during 2019 and 2018.

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	
Total assets as of December 31, 2020	$	112,970	$	566,663
Total liabilities as of December 31, 2020	$	189	$	25,453
Revenue for the year ended December 31, 2020	$	(4,052)	$	(48,544)
Earnings for the year ended December 31, 2020	$	(4,120)	$	(49,832)
Biglari Holdings' ownership interest		66.2%		95.4%
Total assets as of December 31, 2019	$	117,135	$	758,663
Total liabilities as of December 31, 2019	$	158	$	114,639
Revenue for the year ended December 31, 2019	$	10,637	$	85,831
Earnings for the year ended December 31, 2019	$	10,567	$	78,604
Biglari Holdings' ownership interest		66.1%		92.9%
Total assets as of December 31, 2018	$	107,207	$	901,750
Total liabilities as of December 31, 2018	$	447	$	202,770
Revenue for the year ended December 31, 2018	$	(92,093)	$	(120,431)
Earnings for the year ended December 31, 2018	$	(92,159)	$	(130,193)
Biglari Holdings' ownership interest		65.9%		92.2%

Revenue in the above summarized financial information of the investment partnerships includes investment income and unrealized gains and losses on investments.

Note 4. Other Current Assets

Other current assets include the following.

	December 31,			
	2020		2019	
Deferred commissions on gift cards sold by third parties	$	3,491	$	3,379
Prepaid contractual obligations		3,001		3,070
Other current assets	$	6,492	$	6,449

Note 5. Property and Equipment

Property and equipment is composed of the following.

	December 31,			
	2020		2019	
Land	$	142,601	$	150,147
Buildings		138,734		144,243
Land and leasehold improvements		141,351		157,141
Equipment		192,735		196,264
Oil and gas properties		75,900		77,475
Construction in progress		1,032		3,789
		692,353		729,059
Less accumulated depreciation and amortization		(376,231)		(378,432)
Property and equipment, net	$	316,122	$	350,627

Depreciation and amortization expense for property and equipment for 2020, 2019 and 2018 was $19,586, $18,881 and $18,646, respectively. Depletion expense related to oil and gas properties was $11,989 and $8,077 during 2020 and 2019, respectively. Accretion expense of the Company's asset retirement obligations was $497 and $177 during 2020 and 2019, respectively. Depletion and accretion expense are included in depreciation and amortization within the consolidated statement of earnings.

The Company recorded an impairment to restaurant long-lived assets of $19,618, $8,186 and $5,677 during 2020, 2019 and 2018, respectively. The fair value of the long-lived assets was determined based on Level 3 inputs using a discounted cash flow model and quoted prices for the properties.

The property and equipment cost related to finance obligations as of December 31, 2020 is as follows: $54,531 of buildings, $48,015 of land, $25,682 of land and leasehold improvements, and $54,976 of accumulated depreciation.

Note 6. Asset Retirement Obligations

A reconciliation of the ending aggregate carrying amount of asset retirement obligations is as follows.

	December 31,			
	2020		2019	
Beginning balance	$	10,631	$	10,542
Liabilities settled		(870)		(88)
Accretion expense		497		177
Asset retirement obligation	$	10,258	$	10,631

As of December 31, 2020 and 2019, $236 and $184, respectively, is classified as current and is included in accounts payable and accrued expenses in the consolidated balance sheets.

Notes to Consolidated Financial Statements *(continued)*

Note 7. Goodwill and Other Intangible Assets

Goodwill

Goodwill consists of the excess of the purchase price over the fair value of the net assets acquired in connection with business acquisitions. No goodwill was recorded with the acquisition of Southern Oil.

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

	Restaurants	Insurance	Total
Goodwill at December 31, 2017	$ 28,168	$ 11,913	$ 40,081
Change in foreign exchange rates during 2018	(29)	-	(29)
Goodwill at December 31, 2018	$ 28,139	$ 11,913	$ 40,052
Change in foreign exchange rates during 2019	(12)	-	(12)
Goodwill at December 31, 2019	$ 28,127	$ 11,913	$ 40,040
Goodwill from acquisition	-	13,800	13,800
Impairments to goodwill	(300)	-	(300)
Change in foreign exchange rates during 2020	56	-	56
Goodwill at December 31, 2020	$ 27,883	$ 25,713	$ 53,596

We evaluate goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. 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.

In response to the adverse effects of the COVID-19 pandemic, we evaluated goodwill for impairment during 2020, specifically related to goodwill for certain restaurant reporting units. Making estimates of the fair value of reporting units at this time is significantly affected by assumptions of the severity, duration, and long-term effects of the pandemic on the reporting units' operations. We considered the available facts and made qualitative assessments and judgments for what we believed represented reasonably possible outcomes. The fair value of certain of Steak n Shake's reporting units declined, and an impairment to goodwill of $300 was recorded in 2020. In addition, as a result of our impairment assessment, the fair value of the Western Sizzlin reporting unit was within 10% of the carrying value. Further decline in Western Sizzlin's franchise base may result in recording future impairments of goodwill to reflect the depletion in value. COVID-19 pandemic events will continue to evolve, and the negative effects on our operations could prove to be worse than we currently estimate. The Company may record goodwill impairment charges in future periods. There were no impairment charges recorded in 2019 or 2018.

Other Intangible Assets

Other intangible assets are composed of the following.

	December 31,					
	2020			2019		
	Gross carrying amount	Accumulated amortization	Total	Gross carrying amount	Accumulated amortization	Total
Franchise agreement	$ 5,310	$ (5,310)	$ -	$ 5,310	$ (5,178)	$ 132
Other	810	(810)	-	810	(792)	18
Total	6,120	(6,120)	-	6,120	(5,970)	150
Intangible assets with indefinite lives:						
Trade names	15,876	-	15,876	15,876	-	15,876
Other assets with indefinite lives	8,189	-	8,189	11,323	-	11,323
Total intangible assets	$ 30,185	$ (6,120)	$ 24,065	$ 33,319	$ (5,970)	$ 27,349

Note 7. Goodwill and Other Intangible Assets *(continued)*

Intangible assets with indefinite lives consist of trade names, franchise rights as well as lease rights. During 2020, the Company recorded impairment charges of $3,728 on lease rights related to our international restaurant operations because of the adverse effects of the COVID-19 pandemic. The impairment and fair value were determined using Level 3 inputs and available market data. Amortization expense for 2020, 2019 and 2018 was $150, $549 and $562, respectively. The Company's intangible assets with definite lives fully amortized in 2020.

Note 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include the following.

	December 31,	
	2020	2019
Accounts payable	$ 26,537	$ 32,626
Gift card liability	21,822	20,745
Loss reserves	14,652	3,211
Unearned premiums	13,277	1,300
Other insurance accruals	6,559	6,559
Salaries, wages, and vacation	8,285	10,667
Deferred revenue	9,324	10,454
Taxes payable	10,922	29,275
Other	7,443	6,242
Accounts payable and accrued expenses	$ 118,821	$ 121,079

Note 9. Other Liabilities

Other liabilities include the following.

	December 31,	
	2020	2019
Non qualified deferred compensation	$ 1,368	$ 1,716
Other	312	348
Other liabilities	$ 1,680	$ 2,064

Note 10. Income Taxes

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

	2020	2019	2018
Current:			
Federal	$ (472)	$ 41,005	$ (1,688)
State	476	7,301	1,204
Deferred	(12,216)	(38,545)	(2,153)
Inome tax expense (benefit)	$ (12,212)	$ 9,761	$ (2,637)
Reconciliation of effective income tax:			
Tax at U.S. statutory rates	$ (10,542)	$ 11,579	$ 3,519
State income taxes, net of federal benefit	(1,750)	1,573	741
Tax rate changes	-	-	(1,342)
Federal income tax credits	(424)	(3,004)	(4,587)
Dividends received deduction	(233)	(955)	(2,142)
Valuation allowance	733	441	658
Foreign tax rate differences	240	116	349
Other	(236)	11	167
Inome tax expense (benefit)	$ (12,212)	$ 9,761	$ (2,637)

Note 10. Income Taxes *(continued)*

The Company did not have a net tax expense or benefit on income from international operations. Earnings (losses) before income taxes derived from domestic operations during 2020, 2019 and 2018 were $(40,989), $57,877 and $21,700, respectively. Losses before income taxes derived from international operations during 2020, 2019 and 2018 were $9,212, $2,736, and $4,945, respectively.

As of December 31, 2020, we had $204 of unrecognized tax benefits, including $59 of interest and penalties, which are included in other long-term liabilities in the consolidated balance sheet. As of December 31, 2019, we had $348 of unrecognized tax benefits, including $62 of interest and penalties, which are included in other long-term liabilities in the consolidated balance sheet. Our continuing practice is to recognize interest expense and penalties related to income tax matters in income tax expense. The unrecognized tax benefits of $204 would impact the effective income tax rate if recognized. Adjustments to the Company's unrecognized tax benefit for gross increases for the current period tax position, gross decreases for prior period tax positions and the lapse of statute of limitations during 2020, 2019 and 2018 were not significant.

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 2017. We believe we have certain state income tax exposures related to fiscal years 2016 through 2020. 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 $190 within 12 months.

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.

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Insurance reserves	$ 1,621	$ 1,304
Compensation accruals	1,439	438
Gift card accruals	2,387	3,280
Net operating loss credit carryforward	7,121	6,017
Valuation allowance on net operating losses	(6,152)	(5,419)
Fixed assets and depletable assets basis difference	8,234	6,300
Income tax credit carryforward	2,178	4,776
Other	2,516	(36)
Total deferred tax assets	19,344	16,660
Deferred tax liabilities:		
Investments	45,470	56,519
Goodwill and intangibles	15,220	14,371
Total deferred tax liabilities	60,690	70,890
Net deferred tax liability	$ (41,346)	$ (54,230)

Accrued expenses on the balance sheet include income taxes payable of $2,436 and $17,767 as of December 31, 2020 and 2019, respectively. Income taxes paid during 2020, 2019 and 2018 were $15,402, $30,375 and $810, respectively. Income tax refunds during 2020, 2019 and 2018 were $68, $1,546 and $8, respectively.

Note 11. Notes Payable and Other Borrowings

Notes payable and other borrowings include the following.

	December 31, 2020	December 31, 2019
Current portion of notes payable and other borrowings		
Notes payable	$ 152,506	$ 2,200
Unamortized original issue discount	(87)	(348)
Unamortized debt issuance costs	(158)	(634)
Finance obligations	4,854	4,252
Finance lease liabilities	1,897	1,633
Total current portion of notes payable and other borrowings	$ 159,012	$ 7,103
Long-term notes payable and other borrowings		
Notes payable	$ -	$ 179,298
Unamortized original issue discount	-	(89)
Unamortized debt issuance costs	-	(163)
Finance obligations	68,148	74,497
Finance lease liabilities	7,034	9,639
Total long-term notes payable and other borrowings	$ 75,182	$ 263,182

Steak n Shake Credit Facility
On March 19, 2014, Steak n Shake and its subsidiaries entered into a credit agreement which provided for a senior secured term loan facility in an aggregate principal amount of $220,000. The term loan was scheduled to mature on March 19, 2021. As of December 31, 2020, $152,506 was outstanding. The Company repaid Steak n Shake's outstanding balance in full on February 19, 2021.

Western Sizzlin Revolver
As of December 31, 2020 and 2019, Western Sizzlin had no debt outstanding under its revolver.

Interest
Interest paid on debt and obligations under leases are as follows.

	2020	2019	2018
Interest paid on debt	$ 9,397	$ 11,273	$ 10,655
Interest paid on obligations under leases	$ 6,274	$ 7,816	$ 8,207

Note 12. Leased Assets and Lease Commitments

The Company adopted ASC 842 on January 1, 2019, as discussed in Note 1. Under ASC 842, leases are generally classified as either operating right-of-use assets or finance lease assets. Right-of-use assets represent the Company's right to use an underlying asset during the lease term. Right-of-use liabilities represent the Company's obligation to make lease payments arising from the lease. These assets and liabilities are calculated by using the net present value of fixed lease payments over the lease term. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Company applied an incremental borrowing rate to determine the present value of lease payments. Finance lease agreements include an interest rate that is used to determine the present value of future lease payments.

A significant portion of our operating and finance lease portfolio includes restaurant locations. The Company's operating leases with a term of 12 months or greater were recognized as operating right-of-use assets and liabilities and recorded as operating lease assets and operating lease liabilities. Historical capital leases and certain historical build-to-suit leases were reclassified from obligations under leases to finance lease assets and liabilities. Finance lease assets are recorded in property and equipment and finance lease liabilities are recorded in notes payable and other borrowings. Historical sale-and-leaseback transactions in which the Company is deemed to have a continued interest in the leased asset are recorded as property and equipment and as finance obligations. Finance obligations are recorded in notes payable and other borrowings.

Note 12. Leased Assets and Lease Commitments *(continued)*

Operating lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term.

During 2020, the Company negotiated lease concessions on certain lease arrangements related to the COVID-19 pandemic and has accounted for these under the ASC 842 COVID-19 Election.

Total lease cost consists of the following.

	2020	2019
Finance lease costs:		
Amortization of right-of-use assets	$ 1,404	$ 1,952
Interest on lease liabilities	582	828
Operating lease costs *	9,995	16,483
Total lease costs	$ 11,981	$ 19,263

**Includes short-term leases, variable lease costs and sublease income.*

Supplemental cash flow information related to leases is as follows.

	Year Ended December, 31	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 1,512	$ 1,610
Operating cash flows from finance leases	$ 632	$ 828
Operating cash flows from operating leases	$ 13,627	$ 16,863
Right-of-use assets obtained in exchange for lease obligations:		
Finance lease liabilities	$ -	$ 1,097
Operating lease liabilities	$ 73	$ 11,069

Supplemental balance sheet information related to leases is as follows.

	December 31,	
	2020	2019
Finance leases:		
Property and equipment, net	$ 6,501	$ 10,783
Current portion of notes payable and other borrowings	$ 1,897	$ 1,633
Long-term notes payable and other borrowings	7,034	9,639
Total finance lease liabilities	$ 8,931	$ 11,272

Weighted-average lease terms and discount rates are as follows.

	2020
Weighted-average remaining lease terms:	
Finance leases	5.7 years
Operating leases	5.6 years
Weighted-average discount rates:	
Finance leases	7.1%
Operating leases	6.9%

Note 12. Leased Assets and Lease Commitments *(continued)*

Maturities of lease liabilities as of December 31, 2020 are as follows.

Year	Operating Leases	Finance Leases
2021	$ 13,521	$ 2,452
2022	10,949	1,864
2023	9,604	1,669
2024	7,678	1,633
2025	5,870	1,292
After 2025	9,447	1,906
Total lease payments	57,069	10,816
Less interest	9,992	1,885
Total lease liabilities	$ 47,077	$ 8,931

Rent expense is presented below.

	2020	2019	2018
Minimum rent	$ 15,672	$ 17,968	$ 20,158
Contingent rent	137	1,050	1,470
Rent expense	$ 15,809	$ 19,018	$ 21,628

Note 13. Related Party Transactions

Services Agreement

During 2017, the Company entered into a services agreement with Biglari Enterprises LLC and Biglari Capital Corp. (collectively, the "Biglari Entities") under which the Biglari Entities provide business and administrative related services to the Company. The Biglari Entities are owned by Mr. Biglari. The services agreement has a five-year term, effective on October 1, 2017. The fixed fee is $700 per month for the first year with adjustments in years two through five. The monthly fee remained at $700 during 2020.

The Company paid Biglari Enterprises $8,400 in service fees during 2020 and 2019. The services agreement does not alter the hurdle rate connected with the incentive reallocation paid to Biglari Capital Corp. by the Company.

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

As of December 31, 2020, the Company's investments in The Lion Fund, L.P. and The Lion Fund II, L.P. had a fair value of $590,926.

Contributions to and distributions from The Lion Fund, L.P. and The Lion Fund II, L.P. were as follows.

	2020	2019	2018
Contributions of cash	$ 70,130	$ 40,000	$ 39,040
Distributions of cash	(98,330)	(169,329)	(68,700)
	$ (28,200)	$ (129,329)	$ (29,660)

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 a hurdle rate of 6% over the previous high-water mark. There were $987 of incentive reallocations from Biglari Holdings to Biglari Capital during 2020, including $253 associated with gains on the Company's common stock. Gains on the Company's common stock and the related incentive reallocations are eliminated in our financial statements. There were no incentive reallocations from Biglari Holdings to Biglari Capital during 2019 and 2018.

Note 13. Related Party Transactions *(continued)*

Incentive Agreement

The Incentive Agreement establishes a performance-based annual incentive payment for Mr. Biglari contingent upon the growth in adjusted equity in each year attributable to our operating businesses. In order for Mr. Biglari to receive any incentive, our operating businesses must achieve an annual increase in shareholders' equity in excess of 6% (the "Hurdle Rate") above the previous highest level (the "High Water Mark"). Mr. Biglari will receive 25% of any incremental book value created above the High Water Mark plus the Hurdle Rate. In any year in which book value declines, our operating businesses must completely recover their deficit from the previous High Water Mark, along with attaining the Hurdle Rate, before Mr. Biglari becomes eligible to receive any further incentive payment. No incentive fees were earned during 2020, 2019 and 2018.

Note 14. 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 flow.

On January 29, 2018, a shareholder of the Company filed a purported class action complaint against the Company and the members of our Board of Directors in the Superior Court of Hamilton County, Indiana. The shareholder generally alleged claims of breach of fiduciary duty by the members of our Board of Directors and unjust enrichment to Mr. Biglari as a result of the dual class structure. On March 26, 2018, a shareholder of the Company filed a purported class action complaint against the Company and the members of our Board of Directors in the Superior Court of Hamilton County, Indiana. This shareholder generally alleged claims of breach of fiduciary duty by the members of our Board of Directors. On May 17, 2018, the shareholders who filed the January 29, 2018 complaint and the March 26, 2018 complaint filed a new, consolidated complaint against the Company and the members of our Board of Directors in the Superior Court of Hamilton County, Indiana. The shareholders generally alleged claims of breach of fiduciary duty by the members of our Board of Directors and unjust enrichment to Mr. Biglari arising out of the dual class structure, including the ability to vote the Company's shares that are eliminated for financial reporting purposes.

On December 14, 2018, the judge of the Superior Court of Hamilton County, Indiana issued an order granting the Company's motion to dismiss the shareholders' lawsuits. On January 11, 2019, the shareholders filed an appeal of the judge's order dismissing the lawsuits. On December 4, 2019, the Indiana Court of Appeals issued a unanimous decision affirming the trial court's decision to dismiss the shareholder litigation. On January 20, 2020, the shareholders filed a petition to transfer with the Indiana Supreme Court seeking review of the decision of the Court of Appeals. The Company opposed the petition. On April 7, 2020, the Indiana Supreme Court denied the petition to transfer.

All of the cases referenced above are completed and each case was concluded in the Company's favor.

On September 8, 2014, two former restaurant manager employees filed a purported class action lawsuit against Steak n Shake (Drake v. Steak n Shake). On January 30, 2017, a former restaurant manager employee filed a purported class action lawsuit against Steak n Shake (Clendenen v. Steak n Shake). The plaintiffs generally allege claims that Steak n Shake improperly classified its managerial employees as exempt. On July 26, 2019, the Company agreed to settle both cases for $8,350 and the Court approved the terms of the settlement. The settlement is reflected in selling, general and administrative expenses in the 2019 consolidated statement of earnings.

Note 15. Fair Value of Financial Assets

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.
- 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 recorded at fair value in the consolidated balance sheets:

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 Levels 1 and 2 of the fair value hierarchy.

Bonds: The Company's investments in bonds consist of both corporate and government debt. Bonds are classified as Level 1 or 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 publicly traded securities, each of which are classified within Level 1 of the fair value hierarchy.

Derivative instruments: Options related to equity securities are marked to market each reporting period and are classified within Level 2 of the fair value hierarchy depending on the instrument.

Note 15. Fair Value of Financial Assets *(continued)*

As of December 31, 2020 and 2019 the fair values of financial assets were as follows.

	December 31,							
	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	$ 23,885	$ -	$ -	$ 23,885	$ 43,095	$ -	$ -	$ 43,095
Equity securities:								
Consumer goods	7,274	5,652	-	12,926	-	6,397	-	6,397
Insurance	261	-	-	261	25	-	-	25
Bonds:								
Government	39,472	14,043	-	53,515	38,911	-	-	38,911
Corporate	-	5,406	-	5,406	-	-	-	-
Options on equity securities	-	2,911	-	2,911	-	2,166	-	2,166
Non-qualified deferred compensation plan investments	1,368	-	-	1,368	2,175	-	-	2,175
Total assets at fair value	$ 72,260	$ 28,012	$ -	$ 100,272	$ 84,206	$ 8,563	$ -	$ 92,769

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

Note 16. Accumulated Other Comprehensive Income

Changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, were as follows.

	2020			2019		
	Foreign Currency Translation Adjustments	Investment Gain (Loss)	Accumulated Other Comprehensive Loss	Foreign Currency Translation Adjustment	Investment Gain (Loss)	Accumulated Other Comprehensive Loss
Beginning Balance	$ (2,810)	$ -	$ (2,810)	$ (2,516)	$ -	$ (2,516)
Foreign currency translation	1,279		1,279	(294)		(294)
Ending Balance	$ (1,531)	$ -	$ (1,531)	$ (2,810)	$ -	$ (2,810)

	2018		
	Foreign Currency Translation Adjustments	Investment Gain (Loss)	Accumulated Other Comprehensive Loss
Beginning Balance	$ (1,462)	$ 58	$ (1,404)
Reclassification to (earnings) loss		(58)	(58)
Foreign currency translation	(1,054)		(1,054)
Ending Balance	$ (2,516)	$ -	$ (2,516)

There were no reclassifications from accumulated other comprehensive income to earnings during 2020 and 2019. Reclassifications made from accumulated other comprehensive income to the statement of earnings were $58 of income to earnings during 2018.

Note 17. Business Segment Reporting

Our reportable business segments are organized in a manner that reflects how management views those business activities. Our restaurant operations include Steak n Shake and Western Sizzlin. Our insurance operations include First Guard and Southern Pioneer. The Company also reports segment information for Maxim and Southern Oil. Other business activities not specifically identified with reportable business segments are presented in corporate. We report our earnings from investment partnerships separate from our corporate expenses. We assess and measure segment operating results based on segment earnings as disclosed below. Segment earnings from operations are neither necessarily indicative of cash available to fund cash requirements, nor 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.

A disaggregation of our consolidated data for each of the three most recent years is presented in the tables which follows.

	Revenue		
	2020	2019	2018
Operating Businesses:			
Restaurant Operations:			
Steak n Shake	$ 344,305	$ 595,004	$ 760,565
Western	6,361	15,216	15,125
Total Restaurant Operations	350,666	610,220	775,690
Insurance Operations:			
First Guard	30,958	30,083	27,628
Southern Pioneer	21,721	-	-
Total Insurance Operations	52,679	30,083	27,628
Southern Oil	26,255	24,436	-
Maxim	4,083	4,099	6,576
	$ 433,683	$ 668,838	$ 809,894

	Earnings (Loss) Before Income Taxes		
	2020	2019	2018
Operating Businesses:			
Restaurant Operations:			
Steak n Shake	$ (4,587)	$ (18,575)	$ (10,657)
Western	(765)	1,756	2,046
Total Restaurant Operations	(5,352)	(16,819)	(8,611)
Insurance Operations:			
First Guard	9,632	7,103	6,215
Southern Pioneer	2,799	-	-
Total Insurance Operations	12,431	7,103	6,215
Southern Oil	2,018	8,032	-
Maxim	1,784	742	1,068
Interest expense on notes payable and other borrowings	(9,262)	(12,442)	(11,677)
Total Operating Businesses	1,619	(13,384)	(13,005)
Corporate and investments:			
Corporate and other	(12,432)	(9,608)	(10,651)
Investment gains	3,644	-	-
Investment partnership gains (losses)	(43,032)	78,133	40,411
Total corporate	(51,820)	68,525	29,760
	$ (50,201)	$ 55,141	$ 16,755

Note 17. Business Segment Reporting *(continued)*

	Capital Expenditures		
	2020	2019	2018
Operating Businesses:			
Restaurant Operations:			
Steak n Shake	$ 17,852	$ 9,951	$ 14,982
Western	6	72	61
Total Restaurant Operations	17,858	10,023	15,043
Insurance Operations:			
First Guard	5	43	236
Southern Pioneer	-	-	-
Total Insurance Operations	5	43	236
Southern Oil	2,806	7,594	-
Maxim	-	-	-
Total Operating Businesses	20,669	17,660	15,279
Corporate and other	33	19	14
Consolidated results	$ 20,702	$ 17,679	$ 15,293

	Depreciation and Amortization		
	2020	2019	2018
Operating Businesses:			
Restaurant Operations:			
Steak n Shake	$ 18,811	$ 20,533	$ 18,180
Western	231	641	651
Total Restaurant Operations	19,042	21,174	18,831
Insurance Operations:			
First Guard	96	85	76
Southern Pioneer	318	-	-
Total Insurance Operations	414	85	76
Southern Oil:			
Depletion	11,989	7,900	-
Accretion	497	177	-
Deprecation	41	141	-
Total Southern Oil	12,527	8,218	-
Maxim	-	-	27
Total Operating Businesses	31,983	29,477	18,934
Corporate and other	239	101	384
Consolidated results	$ 32,222	$ 29,578	$ 19,318

Note 17. Business Segment Reporting *(continued)*

A disaggregation of our consolidated assets is presented in the table that follows.

	Identifiable Assets December 31, 2020	Identifiable Assets December 31, 2019
Reportable segments:		
Restaurant Operations:		
Steak n Shake	$ 341,190	$ 385,259
Western	16,512	18,322
Total Restaurant Operations	357,702	403,581
Insurance Operations:		
First Guard	64,764	58,808
Southern Pioneer	74,063	-
Total Insurance Business	138,827	58,808
Southern Oil	61,017	82,257
Maxim	16,485	16,549
Corporate and other	24,387	72,572
Investment partnerships	419,550	505,542
Total assets	$ 1,017,968	$ 1,139,309

Note 18. Quarterly Financial Data (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
For the year ended December 31, 2020				
Total revenues	$ 135,700	$ 96,502	$ 101,835	$ 99,646
Gross profit	35,890	32,719	33,764	34,578
Costs and expenses	146,019	101,396	102,689	94,392
Earnings (loss) before income taxes	(181,715)	57,230	26,718	47,566
Net earnings (loss)	(137,885)	42,466	21,101	36,329
Net earnings (loss) per equivalent Class A share	$ (400.37)	$ 121.51	$ 60.07	$ 108.23
For the year ended December 31, 2019				
Total revenues	$ 181,859	$ 168,343	$ 160,216	$ 158,420
Gross profit	22,837	30,454	38,467	43,307
Costs and expenses	204,451	174,671	162,296	150,412
Earnings (loss) before income taxes	11,562	27,870	(631)	16,340
Net earnings (loss)	9,818	21,974	(17)	13,605
Net earnings (loss) per equivalent Class A share	$ 28.36	$ 63.50	$ (0.05)	$ 39.64

We define gross profit as net revenue less restaurant cost of sales, media cost of sales, oil and natural gas production costs and insurance losses and underwriting expenses, which excludes depreciation and amortization.

Note 19. Supplemental Disclosures of Cash Flow Information

Capital expenditures in accounts payable at December 31, 2020, 2019 and 2018 were $2,399, $339 and $1,776, respectively.

In 2020, we had new finance lease obligations of $3,285 and lease retirements of $4,842. In 2019, we had new finance lease obligations of $5,026 and lease retirements of $940. During 2018, we had new capital lease obligations of $1,000 and lease retirements of $11,557.

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 December 31, 2020.

On March 9, 2020, we completed our acquisition of Southern Pioneer. We have excluded Southern Pioneer from management's assessment of the effectiveness of disclosure controls and procedures as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting. We excluded the evaluation of internal controls over financial reporting for Southern Pioneer during the quarter ended December 31, 2020.

Management's Report on Internal Control Over Financial Reporting

Management of Biglari Holdings Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision of our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control—Integrated Framework (2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

We are in the process of evaluating the existing controls and procedures of Southern Pioneer and integrating Southern Pioneer into our internal control over financial reporting. In accordance with Securities and Exchange Commission guidance, we have excluded Southern Pioneer from management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Biglari Holdings Inc.
February 27, 2021

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance
Item 11. Executive Compensation
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Item 13. Certain Relationships and Related Transactions, and Director Independence
Item 14. Principal Accountant Fees and Services

The information required by Part III Items 10, 11, 12, 13 and 14 will be contained in the Company's definitive proxy statement for its 2021 Annual Meeting of Shareholders, to be filed on or before April 29, 2021, and such information is incorporated herein by reference.

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 February 27, 2021.

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 February 27, 2021.

Signature	Title
/s/ SARDAR BIGLARI **Sardar Biglari**	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ BRUCE LEWIS **Bruce Lewis**	Controller (Principal Financial and Accounting Officer)
/s/ JOHN G. CARDWELL **John G. Cardwell**	Director
/s/ PHILIP COOLEY **Philip Cooley**	Director – Vice Chairman
/s/ KENNETH R. COOPER **Kenneth R. Cooper**	Director
/s/ RUTH J. PERSON **Ruth J. Person**	Director