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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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 an "emerging growth company" in Rule 12b-2 of the Exchange Act.

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock outstanding as of October 30, 2019:

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

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PART 1 – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	September 30, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 19,058**	$ 48,557
Investments	**43,766**	33,860
Receivables	**16,460**	15,743
Inventories	**4,651**	7,537
Other current assets	**6,042**	9,236
Total current assets	**89,977**	114,933
Property and equipment	**355,489**	274,716
Operating lease assets	**65,939**	-
Goodwill and other intangible assets	**67,227**	68,166
Investment partnerships	**561,479**	557,480
Other assets	**13,839**	14,198
Total assets	**$ 1,153,950**	$ 1,029,493
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**$ 138,822**	$ 117,265
Current portion of operating lease liabilities	**11,762**	-
Current portion of notes payable and other borrowings	**7,005**	5,720
Total current liabilities	**157,589**	122,985
Long-term notes payable and other borrowings	**264,857**	240,001
Operating lease liabilities	**59,668**	-
Deferred taxes	**56,562**	86,871
Other liabilities	**13,754**	9,181
Total liabilities	**552,430**	459,038
Shareholders' equity		
Common stock	**1,138**	1,138
Additional paid-in capital	**381,904**	381,904
Retained earnings	**597,434**	564,160
Accumulated other comprehensive loss	**(3,252)**	(2,516)
Treasury stock, at cost	**(375,704)**	(374,231)
Biglari Holdings Inc. shareholders' equity	**601,520**	570,455
Total liabilities and shareholders' equity	**$ 1,153,950**	$ 1,029,493

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands except per share amounts)

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
	(Unaudited)		(Unaudited)	
Revenues				
Restaurant operations	**$ 145,111**	$ 195,041	**$ 478,947**	$ 589,569
Insurance premiums and other	**7,681**	7,038	**22,305**	20,330
Oil and gas	**6,500**	-	**6,500**	-
Media and licensing	**924**	1,503	**2,666**	4,647
	160,216	203,582	**510,418**	614,546
Cost and expenses				
Restaurant cost of sales	**113,398**	161,218	**397,597**	480,127
Insurance losses and underwriting expenses	**5,242**	5,146	**16,400**	15,547
Oil and gas production costs	**2,595**	-	**2,595**	-
Media and licensing costs	**514**	1,065	**2,103**	3,562
Selling, general and administrative	**22,930**	31,966	**81,871**	97,241
Impairments	**5,079**	345	**7,417**	670
Depreciation, depletion and amortization	**7,514**	4,778	**18,191**	14,540
	157,272	204,518	**526,174**	611,687
Other income (expenses)				
Interest expense	**(3,090)**	(2,967)	**(9,298)**	(8,619)
Interest on finance leases and obligations	**(1,934)**	(1,991)	**(5,946)**	(6,328)
Investment partnership gains (losses)	**1,449**	(19,008)	**69,801**	(23,854)
Total other income (expenses)	**(3,575)**	(23,966)	**54,557**	(38,801)
Earnings (loss) before income taxes	**(631)**	(24,902)	**38,801**	(35,942)
Income tax expense (benefit)	**(614)**	(11,199)	**7,026**	(12,886)
Net earnings (loss)	**$ (17)**	$ (13,703)	**$ 31,775**	$ (23,056)
Earnings per share				
Net earnings (loss) per equivalent Class A share *	**$ (0.05)**	$ (39.50)	**$ 92.04**	$ (66.12)

*Net earnings (loss) per equivalent Class B share outstanding are one-fifth of the equivalent Class A share or $(0.01) and $18.41 for the third quarter and first nine months of 2019, respectively, and $(7.90) and $(13.22) for the third quarter and first nine months of 2018, respectively.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
	(Unaudited)		(Unaudited)	
Net earnings (loss)	**$ (17)**	$ (13,703)	**$ 31,775**	$ (23,056)
Other comprehensive income:				
Reclassification to earnings	-	-	-	(73)
Applicable income taxes	-	-	-	15
Foreign currency translation	**(628)**	(138)	**(736)**	(783)
Other comprehensive income (loss), net	**(628)**	(138)	**(736)**	(841)
Total comprehensive income (loss)	**$ (645)**	$ (13,841)	**$ 31,039**	$ (23,897)

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	First Nine Months	
	2019	2018
	(Unaudited)	
Operating activities		
Net earnings (loss)	**$ 31,775**	$ (23,056)
Adjustments to reconcile net earnings (loss) to operating cash flows:		
Depreciation, depletion and amortization	**18,191**	14,540
Provision for deferred income taxes	**(35,902)**	(12,327)
Asset impairments and other non-cash expenses	**8,105**	1,246
(Gains) losses on disposal of assets	**200**	434
Investment partnership (gains) losses	**(69,801)**	23,854
Distributions from investment partnerships	**64,329**	7,700
Changes in receivables and inventories	**8,817**	3,008
Changes in other assets	**(1,241)**	583
Changes in accounts payable and accrued expenses	**15,386**	(21,566)
Net cash provided by (used in) operating activities	**39,859**	(5,584)
Investing activities		
Capital expenditures	**(8,357)**	(10,400)
Proceeds from property and equipment disposals	**815**	2,510
Acquisition of business, net of cash acquired	**(51,057)**	-
Distributions from investment partnerships	**40,000**	26,000
Purchases of limited partner interests	**(40,000)**	(7,340)
Purchases of investments	**(91,927)**	(50,140)
Redemptions of fixed maturity securities	**87,250**	41,591
Net cash provided by (used in) investing activities	**(63,276)**	2,221
Financing activities		
Payments on revolving credit facility	**-**	(175)
Principal payments on long-term debt	**(1,650)**	(1,650)
Principal payments on direct financing lease obligations	**(4,353)**	(4,021)
Proceeds for exercise of stock options	**-**	49
Net cash used in financing activities	**(6,003)**	(5,797)
Effect of exchange rate changes on cash	**(29)**	(63)
Decrease in cash, cash equivalents and restricted cash	**(29,449)**	(9,223)
Cash, cash equivalents and restricted cash at beginning of year	**55,010**	67,230
Cash, cash equivalents and restricted cash at end of third quarter	**$ 25,561**	$ 58,007

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2018	$ 1,138	$ 381,904	$ 564,160	$ (2,516)	$ (374,231)	$ 570,455
Net earnings			**9,818**			**9,818**
Adoption of accounting standards			**1,499**			**1,499**
Other comprehensive income, net				**(304)**		**(304)**
Adjustment to treasury stock for holdings in investment partnerships					**(114)**	**(114)**
Balance at March 31, 2019	**$ 1,138**	**$ 381,904**	**$ 575,477**	**$ (2,820)**	**$ (374,345)**	**$ 581,354**
Net earnings			**21,974**			**21,974**
Other comprehensive income, net				**196**		**196**
Adjustment to treasury stock for holdings in investment partnerships					**(1,162)**	**(1,162)**
Balance at June 30, 2019	**$ 1,138**	**$ 381,904**	**$ 597,451**	**$ (2,624)**	**$ (375,507)**	**$ 602,362**
Net earnings			**(17)**			**(17)**
Other comprehensive income, net				**(628)**		**(628)**
Adjustment to treasury stock for holdings in investment partnerships					**(197)**	**(197)**
Balance at September 30, 2019	**$ 1,138**	**$ 381,904**	**$ 597,434**	**$ (3,252)**	**$ (375,704)**	**$ 601,520**

	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 (loss)			(1,814)			(1,814)
Adoption of accounting standards			90			90
Other comprehensive income, net				438		438
Adjustment to treasury stock for holdings in investment partnerships					(18,377)	(18,377)
Exercise of stock options		(39)			81	42
Balance at March 31, 2018	$ 1,071	$ 381,975	$ 563,780	$ (966)	$ (394,153)	$ 551,707
Net earnings (loss)			(7,539)			(7,539)
Other comprehensive income, net				(1,141)		(1,141)
Conversion of common stock	67	(67)	(20,826)		20,826	-
Adjustment to treasury stock for holdings in investment partnerships					(304)	(304)
Exercise of stock options		(4)			11	7
Balance at June 30, 2018	$ 1,138	$ 381,904	$ 535,415	$ (2,107)	$ (373,620)	$ 542,730
Net earnings (loss)			(13,703)			(13,703)
Other comprehensive income, net				(138)		(138)
Adjustment to treasury stock for holdings in investment partnerships					(471)	(471)
Balance at September 30, 2018	$ 1,138	$ 381,904	$ 521,712	$ (2,245)	$ (374,091)	$ 528,418

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019
(dollars in thousands, except share and per share data)

Note 1. Summary of Significant Accounting Policies

Description of Business

The accompanying unaudited consolidated financial statements of Biglari Holdings Inc. ("Biglari Holdings" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In our opinion, all adjustments considered necessary to present fairly the results of the interim periods have been included and consist only of normal recurring adjustments. The results for the interim periods shown are not necessarily indicative of results for the entire fiscal year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2018.

Biglari Holdings 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 operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari.

As of September 30, 2019, Mr. Biglari's beneficial ownership was approximately 60.7% of the Company's outstanding Class A common stock and 55.4% of the Company's outstanding Class B common stock.

Business 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") for $51,500 in cash. Southern Oil is engaged in the exploration, development, and production of oil and natural gas properties primarily offshore in the Gulf of Mexico. The Company's financial results include the results of Southern Oil from the acquisition date to the end of the third quarter. The revenues and operating results for Southern Oil were not significant to the Company for the third quarter.

The following table sets forth certain unaudited pro forma consolidated earnings data for the third quarter and first nine months of 2019 as if the acquisition of Southern Oil consummated on the same terms at the beginning of 2018.

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Revenues	**$ 172,187**	$ 215,794	**$ 562,315**	$ 646,359
Earnings before income taxes	**$ 2,538**	$ (20,617)	**$ 59,212**	$ (26,604)

The acquisition date fair values of certain assets and liabilities of Southern Oil are provisional and subject to revision as the related valuations are completed. Acquisition related expenses, which consists of external costs directly related to the acquisition of Southern Oil, such as advisory, legal and other professional fees are expensed as incurred.

Principles of Consolidation

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

Oil and Gas Producing Activities

Revenues are derived from the sale of produced oil and natural gas. The Company recognizes oil and gas revenue from its interests in wells using the sales method wherein revenues are recognized based on actual volumes of oil and gas delivered to purchasers. Payments for product sales are received one to three months after delivery.

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

The Company follows the successful efforts method of accounting for its oil and gas properties. Costs of drilling exploratory wells are initially capitalized but are charged to expense if the well is determined to be unsuccessful. The Company assesses its proved oil and gas properties for impairment whenever events or circumstances indicate that the carrying value of the assets may not be recoverable.

All property acquisition costs and development costs are capitalized when incurred and depleted on a unit-of-production basis over the remaining life of proved reserves. Support equipment and other property and equipment are depreciated over their estimated useful lives.

Acquisition costs of unproved properties are periodically assessed for impairment and are transferred to proved properties to the extent the costs are associated with the successful exploration activities. Significant undeveloped leases are assessed individually for impairment, based on the Company's current exploration plans, and a valuation allowance is provided if impairment is indicated.

Asset retirement obligations relate to future costs associated with the plugging and abandonment of oil and gas wells, removal of equipment and facilities from leased acreage and returning 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.

Note 2. New Accounting Standards

In June 2016, the 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 will require 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, and interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on its consolidated financial statements and related disclosures.

In February 2016, the 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.

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 3. 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 Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, 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.

Note 3. Earnings Per Share *(continued)*

The following table presents shares authorized, issued and outstanding on September 30, 2019 and December 31, 2018.

	September 30, 2019		December 31, 2018	
	Class A	**Class B**	Class A	Class B
Common stock authorized	**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

The Company has applied the "two-class method" of computing earnings per share as prescribed in ASC 260, "Earnings Per Share."

On an equivalent Class A common stock basis, there were 620,592 shares outstanding as of September 30, 2019 and December 31, 2018. There are no dilutive securities outstanding.

For financial reporting purposes, the proportional ownership of the Company's common stock owned by the investment partnerships is excluded in the earnings per share calculation. After giving effect for the investment partnerships' proportional ownership of common stock, the equivalent Class A weighted average number of common shares during the third quarters of 2019 and 2018 were 343,519 and 346,912, respectively. The equivalent Class A weighted average number of common shares during the first nine months of 2019 and 2018 were 345,249 and 348,678, respectively.

Each Class A common share is entitled to one vote. Class B common stock possesses economic rights equal to one-fifth (1/5th) of such rights of Class A common stock; however, Class B common stock has no voting rights.

Note 4. Investments

Available for sale investments were $39,303 and $33,860 as of September 30, 2019 and December 31, 2018, respectively. Investments in equity securities and a related derivative position of $4,463 are included in investments as of September 30, 2019 and in other current assets as of December 31, 2018. The investments are recorded at fair value.

Note 5. 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 Corp. is the general partner of the investment partnerships and is an entity solely owned by Mr. Biglari.

Note 5. Investment Partnerships *(continued)*

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

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2018	$ 715,102	$ 157,622	$ 557,480
Investment partnership gains (losses)	**63,419**	**(6,382)**	**69,801**
Contributions (net of distributions) to investment partnerhips	**(64,329)**		**(64,329)**
Increase in proportionate share of Company stock held		**1,473**	**(1,473)**
Partnership interest at September 30, 2019	**$ 714,192**	**$ 152,713**	**$ 561,479**

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2017	$ 925,279	$ 359,258	$ 566,021
Investment partnership gains (losses)	(152,261)	(128,407)	(23,854)
Contributions (net of distributions) to investment partnerships	(26,360)		(26,360)
Increase in proportionate share of Company stock held		19,152	(19,152)
Partnership interest at September 30, 2018	$ 746,658	$ 250,003	$ 496,655

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

	September 30, 2019	December 31, 2018
Carrying value of investment partnerships	**$ 561,479**	$ 557,480
Deferred tax liability related to investment partnerships	**(58,193)**	(92,703)
Carrying value of investment partnerships net of deferred taxes	**$ 503,286**	$ 464,777

The Company's proportionate share of Company stock held by investment partnerships at cost is $375,704 and $374,231 at September 30, 2019 and December 31, 2018, respectively, and is recorded as treasury stock.

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.

	Third Quarter		**First Nine Months**	
	2019	2018	**2019**	2018
Gains (losses) on investment partnership	**$ 1,449**	$ (19,008)	**$ 69,801**	$ (23,854)
Tax expense (benefit)	**49**	(6,119)	**15,910**	(8,163)
Net earnings (loss)	**$ 1,400**	$ (12,889)	**$ 53,891**	$ (15,691)

On December 31 of each year, the general partner of the investment partnerships 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. Our policy is to accrue an estimated incentive fee throughout the year. The Company did not accrue an incentive fee during the first nine months of 2019 or 2018. Our investments in these partnerships are committed on a rolling 5-year basis.

Note 5. Investment Partnerships *(continued)*

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 September 30, 2019	**$ 109,895**	**$ 803,338**
Total liabilities as of September 30, 2019	**$ 112**	**$ 116,280**
Revenue for the first nine months of 2019	**$ 3,332**	**$ 71,578**
Earnings for the first nine months of 2019	**$ 3,278**	**$ 65,637**
Biglari Holdings' ownership interest as of September 30, 2019	**66.1%**	**93.5%**
Total assets as of December 31, 2018	$ 107,207	$ 901,750
Total liabilities as of December 31, 2018	$ 447	$ 202,770
Revenue for the first nine months of 2018	$ (49,895)	$ (122,622)
Earnings (loss) for the first nine months of 2018	$ (49,944)	$ (129,691)
Biglari Holdings' ownership interest as of September 30, 2018	65.8%	92.2%

Revenue in the above summarized financial information of the investment partnerships includes investment income and unrealized gains and losses on investments. The investments held by the investment partnerships are largely concentrated in the common stock of one investee, Cracker Barrel Old Country Store, Inc.

Transactions with The Lion Fund II, L.P. were as follows.

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Contributions	**$ -**	$ 7,340	**$ 40,000**	$ 7,340
Distributions	**(61,839)**	(26,000)	**(104,329)**	(33,700)
	$ (61,839)	$ (18,660)	**$ (64,329)**	$ (26,360)

Note 6. Property and Equipment

Property and equipment is composed of the following.

	September 30, 2019	December 31, 2018
Land	**$ 151,670**	$ 146,015
Buildings	**146,985**	142,658
Land and leasehold improvements	**160,292**	158,938
Equipment	**268,304**	201,738
Construction in progress	**3,144**	1,703
	730,395	651,052
Less accumulated depreciation, depletion and amortization	**(374,906)**	(376,336)
Property and equipment, net	**$ 355,489**	$ 274,716

The Company recorded an impairment to long-lived assets of $5,079 and $7,417 in the third quarter and first nine months of 2019, respectively, and $345 and $670 in the third quarter and first nine months of 2018, respectively. The impairments are primarily attributable to closed stores. As of September 30, 2019, a total of 106 Steak n Shake restaurants have been temporarily closed. The Company is actively working to identify franchise partners for these stores. Although the Company is committed to the franchise partnership model, future impairments are possible. The fair value of the long-lived assets was determined based on Level 2 inputs using a discounted cash flow model and quoted prices for the properties.

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.

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

	Restaurants	Other	Total
Goodwill at December 31, 2018	$ 28,139	$ 11,913	$ 40,052
Change in foreign exchange rates during the first nine months of 2019	**(28)**	**-**	**(28)**
Goodwill at September 30, 2019	**$ 28,111**	**$ 11,913**	**$ 40,024**

We are required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. Goodwill impairment occurs when the estimated fair value of goodwill is less than its carrying value. The valuation methodology and underlying financial information included in our determination of fair value require significant management judgments. We use both market and income approaches to derive fair value. The judgments in these two approaches include, but are not limited to, comparable market multiples, long-term projections of future financial performance, and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results. No impairment charges for goodwill were recorded in the first nine months of 2019 or 2018.

Other Intangible Assets

Other intangible assets are composed of the following.

	September 30, 2019			December 31, 2018		
	Gross carrying amount	**Accumulated amortization**	**Total**	Gross carrying amount	Accumulated amortization	Total
Franchise agreement	**$ 5,310**	**$ (5,045)**	**$ 265**	$ 5,310	$ (4,647)	$ 663
Other	**810**	**(788)**	**22**	810	(774)	36
Total	**6,120**	**(5,833)**	**287**	6,120	(5,421)	699
Intangible assets with indefinite lives:						
Trade names	**15,876**	**-**	**15,876**	15,876	-	15,876
Other assets with indefinite lives	**11,040**	**-**	**11,040**	11,539	-	11,539
Total intangible assets	**$ 33,036**	**$ (5,833)**	**$ 27,203**	$ 33,535	$ (5,421)	$ 28,114

Intangible assets subject to amortization consist of franchise agreements connected with the purchase of Western Sizzlin as well as rights to favorable leases related to prior acquisitions. These intangible assets are being amortized over their estimated weighted average of useful lives ranging from eight to twelve years. Amortization expense for the first nine months of 2019 and 2018 was $412 and $422, respectively. The Company's intangible assets with definite lives will fully amortize in 2020. Intangible assets with indefinite lives consist of trade names, franchise rights as well as lease rights.

Note 8. Restaurant Operations Revenues

Restaurant operations revenues were as follows.

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Net sales	**$ 136,651**	$ 186,368	**$ 454,344**	$ 563,736
Franchise royalties and fees	**7,627**	7,762	**21,685**	22,637
Other	**833**	911	**2,918**	3,196
	$ 145,111	$ 195,041	**$ 478,947**	$ 589,569

Net sales

Net sales are composed of retail sales of food through Company-owned stores. Company-owned store revenues are recognized when control of the food items are transferred to our customers 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 royalties and fees

Franchise royalties and fees are composed of royalties and fees from Steak n Shake and Western Sizzlin franchisees. Royalty revenues are based on a percentage of franchise sales and are recognized when the retail food items are purchased by franchise customers. Initial franchise fees received are deferred when amounts are received and recognized as revenue on a straight-line basis over the term of each respective franchise agreement, which is typically 20 years.

Our advertising arrangements with franchisees are reported in franchise royalties and fees.

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.

Note 9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include the following.

	September 30, 2019	December 31, 2018
Accounts payable	**$ 25,108**	$ 41,967
Gift card liability	**18,472**	22,685
Salaries, wages, and vacation	**7,056**	13,107
Taxes payable	**54,447**	11,214
Insurance accruals	**13,443**	12,127
Deferred revenue	**12,446**	11,681
Other	**7,850**	4,484
Accounts payable and accrued expenses	**$ 138,822**	$ 117,265

Note 10. Notes Payable and Other Borrowings

Notes payable and other borrowings include the following.

Current portion of notes payable and other borrowings		**September 30, 2019**		December 31, 2018
Notes payable	**$**	**2,200**	$	2,200
Unamortized original issue discount and debt issuance costs		**(972)**		(943)
Finance obligations		**4,137**		4,463
Finance lease liabilities		**1,640**		-
Total current portion of notes payable and other borrowings	**$**	**7,005**	$	5,720
Long-term notes payable and other borrowings				
Notes payable	**$**	**179,848**	$	181,498
Unamortized original issue discount and debt issuance costs		**(501)**		(1,234)
Finance obligations		**75,467**		59,737
Finance leases liabilities		**10,043**		-
Total long-term notes payable and other borrowings	**$**	**264,857**	$	240,001

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

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

Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. The interest rate on the term loan was 5.80% as of September 30, 2019.

The credit agreement includes customary affirmative and negative covenants and events of default. Steak n Shake's credit facility contains restrictions on its ability to pay dividends to Biglari Holdings.

The term loan is secured by first priority security interests in substantially all the assets of Steak n Shake. Disruptions in debt capital markets that restrict access to funding when needed could adversely affect the results of operations, liquidity and capital resources of Steak n Shake. Biglari Holdings is not a guarantor under the credit facility. As of September 30, 2019, $182,048 was outstanding under the term loan.

Note 11. Leases

The Company adopted ASC 842 on January 1, 2019, as discussed in Note 2. 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 11. Leases *(continued)*

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

Total lease cost consists of the following.

	Third Quarter 2019	First Nine Months 2019
Finance lease costs:		
Amortization of right-of-use assets	$ 487	$ 1,466
Interest on lease liabilities	208	630
Operating lease costs *	4,445	12,305
Total lease costs	$ 5,140	$ 14,401

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

Supplemental cash flow information related to leases is as follows.

	First Nine Months 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Financing cash flows from finance leases	$ 1,201
Operating cash flows from finance leases	$ 630
Operating cash flows from operating leases	$ 12,558
Right-of-use assets obtained in exchange for lease obligations:	
Finance lease liabilities	$ 1,097
Operating lease liabilities	$ 11,069

Supplemental balance sheet information related to leases is as follows.

	September 30, 2019
Finance leases:	
Property and equipment, net	$ 11,267
Current portion of notes payable and other borrowings	$ 1,640
Long-term notes payable and other borrowings	10,043
Total finance lease liablities	$ 11,683

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

	September 30, 2019
Weighted-average remaining lease terms:	
Finance leases	8.5 years
Operating leases	7.3 years
Weighted-average discount rates:	
Finance leases	7.1%
Operating leases	6.9%

Note 11. Leases *(continued)*

Maturities of lease liabilities as of September 30, 2019 are as follows.

Year	Operating Leases	Finance Leases
2019	$ 4,637	$ 609
2020	15,774	2,377
2021	14,683	2,358
2022	12,630	1,869
2023	10,580	1,669
After 2023	32,428	6,803
Total lease payments	90,732	15,685
Less interest	19,315	4,002
Total lease liabilities	$ 71,417	$ 11,683

On December 31, 2018, obligations under non-cancelable finance obligations, capital leases, and operating leases (excluding real estate taxes, insurance and maintenance costs) require the following minimum future rental payments.

				Operating Leases	
Year	Finance Obligations	Capital Leases	Total	Operating Property	Non-Operating Property
2019	$ 11,114	$ 55	$ 11,169	$ 17,914	$ 483
2020	8,040	55	8,095	16,691	554
2021	5,925	55	5,980	16,787	578
2022	2,951	5	2,956	15,603	599
2023	1,587	-	1,587	14,071	539
After 2023	1,673	-	1,673	36,709	1,790
Total minimum future rental payments	31,290	170	31,460	$ 117,775	$ 4,543
Less amount representing interest	18,004	60	18,064		
Total principal obligations under leases	13,286	110	13,396		
Less current portion	4,433	30	4,463		
Non-current principal obligations under leases	8,853	80	8,933		
Residual value at end of lease term	50,744	60	50,804		
Obligations under leases	$ 59,597	$ 140	$ 59,737		

Note 12. Accumulated Other Comprehensive Income

During the first nine months of 2019 and 2018, the changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, were as follows.

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Foreign currency translation adjustments	**Investment gain (loss)**	**Accumulated other comprehensive income (loss)**	Foreign currency translation adjustments	Investment gain (loss)	Accumulated other comprehensive income (loss)
Beginning Balance	**$ (2,516)**	**$ -**	**$ (2,516)**	$ (1,462)	$ 58	$ (1,404)
Reclassification to (earnings) loss		**-**	**-**		(58)	(58)
Foreign currency translation	**(736)**		**(736)**	(783)		(783)
Ending Balance	**$ (3,252)**	**$ -**	**$ (3,252)**	$ (2,245)	$ -	$ (2,245)

During the third quarter of 2019 and 2018, the changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, were as follows.

	Third Quarter 2019			Third Quarter 2018		
	Foreign currency translation adjustments	**Investment gain (loss)**	**Accumulated other comprehensive income (loss)**	Foreign currency translation adjustments	Investment gain (loss)	Accumulated other comprehensive income (loss)
Beginning Balance	**$ (2,624)**	**$ -**	**$ (2,624)**	$ (2,107)	$ -	$ (2,107)
Reclassification to (earnings) loss		**-**	**-**		-	-
Foreign currency translation	**(628)**		**(628)**	(138)		(138)
Ending Balance	**$ (3,252)**	**$ -**	**$ (3,252)**	$ (2,245)	$ -	$ (2,245)

There were no reclassifications from accumulated other comprehensive income to earnings during the third quarters of 2019 and 2018 and first nine months of 2019. Reclassifications made from accumulated other comprehensive income to earnings during the first nine months of 2018 were $58.

Note 13. Income Taxes

In determining the quarterly provision for income taxes, the Company used a discrete effective tax rate method based on statutory tax rates for 2019 and an estimated annual effective tax rate for 2018. Our periodic effective income tax rate is affected by the relative mix of pre-tax earnings or losses and underlying income tax rates applicable to the various taxing jurisdictions.

Income tax benefit for the third quarter of 2019 was $614 compared to $11,199 for the third quarter of 2018. Income tax expense for the first nine months of 2019 was $7,026 compared to an income tax benefit of $12,886 for the first nine months of 2018. The variance in income taxes between 2019 and 2018 is attributable to taxes on income generated by the investment partnerships.

As of September 30, 2019 and December 31, 2018, we had approximately $356 and $341, respectively, of unrecognized tax benefits, which are included in other liabilities in the consolidated balance sheets.

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 alleges 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.

Note 14. Commitments and Contingencies *(continued)*

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 alleges claims of breach of fiduciary duty by the members of our Board of Directors. This shareholder sought to enjoin the shareholder vote on April 26, 2018 to approve the dual class structure. On April 16, 2018, the shareholders withdrew their motions to enjoin the shareholder vote on April 26, 2018.

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 allege 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. The shareholders seek, for themselves and on behalf of all other shareholders as a class, a declaration that the defendants breached their duty to the shareholders and the class, and to recover unspecified damages, pre-judgment and post-judgment interest, and an award of their attorneys' fees and other costs.

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. The appeal was argued on October 7, 2019, and we await a decision.

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 February 28, 2019, a jury returned a verdict in the Drake case against Steak n Shake. The Company agreed to settle both cases for $8,350 and the Court approved the terms of the settlement on July 26, 2019. The settlement is reflected in selling, general and administrative expenses in the 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.

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

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 Level 1 of the fair value hierarchy.

Bonds: The Company's investments in bonds are classified within Level 1 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 Levels 1 and 2 of the fair value hierarchy depending on the instrument.

As of September 30, 2019 and December 31, 2018, the fair values of financial assets were as follows.

	September 30, 2019				December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	**$ 126**	**$ -**	**$ -**	**$ 126**	$ 21,448	$ -	$ -	$ 21,448
Equity securities:								
Consumer goods	**-**	**6,413**	**-**	**6,413**	1,708	4,100	-	5,808
Bonds	**37,631**	**-**	**-**	**37,631**	32,404	-	-	32,404
Derivatives	**202**	**2,150**	**-**	**2,352**	-	2,755	-	2,755
Non-qualified deferred compensation plan investments	**2,022**	**-**	**-**	**2,022**	2,149	-	-	2,149
Total assets at fair value	**$ 39,981**	**$ 8,563**	**$ -**	**$ 48,544**	$ 57,709	$ 6,855	$ -	$ 64,564

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

Note 16. 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 will remain at $700 during 2019. The Company paid Biglari Enterprises $6,300 in service fees during the first nine months of 2019 and 2018. The services agreement does not alter the hurdle rate connected with the incentive reallocation paid to Biglari Capital Corp. by the Company.

License Agreement

During 2013, the Company entered into a Trademark License Agreement (the "License Agreement") with Mr. Biglari. The Company and its subsidiaries paid no royalties to Mr. Biglari under the License Agreement during its term. The License Agreement was terminated on March 26, 2019.

Incentive Agreement Amendment

The Incentive Agreement was amended on March 26, 2019 to remove the annual limitation on Mr. Biglari's incentive compensation, as well as the requirement of Mr. Biglari to use 30% of his incentive payments to purchase shares of the Company. In connection with the amendment, the change of control and severance provisions contained in the Incentive Agreement were eliminated and the License Agreement was terminated. The amendment is effective in 2019.

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. The Company also reports segment information for First Guard, Maxim and Southern Oil. Other business activities not specifically identified with reportable business segments are presented in "other" within total operating businesses. 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.

Revenue for the third quarters and first nine months of 2019 and 2018 were as follows.

	Revenue			
	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	**$ 141,354**	$ 191,240	**$ 467,471**	$ 578,111
Western Sizzlin	**3,757**	3,801	**11,476**	11,458
Total Restaurant Operations	**145,111**	195,041	**478,947**	589,569
First Guard	**7,681**	7,038	**22,305**	20,330
Southern Oil	**6,500**	-	**6,500**	-
Maxim	**924**	1,503	**2,666**	4,647
	$ 160,216	$ 203,582	**$ 510,418**	$ 614,546

Earnings (losses) before income taxes for the third quarters and first nine months of 2019 and 2018 were as follows.

	Earnings (Losses) Before Income Taxes			
	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	**$ (861)**	$ (3,172)	**$ (22,776)**	$ (1,505)
Western Sizzlin	**544**	516	**1,433**	1,564
Total Restaurant Operations	**(317)**	(2,656)	**(21,343)**	59
First Guard	**2,279**	1,813	**5,673**	4,624
Southern Oil	**1,448**	-	**1,448**	-
Maxim	**364**	111	**428**	(90)
Other	**109**	171	**362**	474
Total Operating Businesses	**3,883**	(561)	**(13,432)**	5,067
Corporate and Investments:				
Corporate	**(2,873)**	(2,366)	**(8,270)**	(8,536)
Investment partnership gains (losses)	**1,449**	(19,008)	**69,801**	(23,854)
Total Corporate and Investments	**(1,424)**	(21,374)	**61,531**	(32,390)
Interest expense on notes payable and other borrowings	**(3,090)**	(2,967)	**(9,298)**	(8,619)
	$ (631)	$ (24,902)	**$ 38,801**	$ (35,942)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands except per share data)

Overview

Biglari Holdings 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 operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari.

As of September 30, 2019, Mr. Biglari's beneficial ownership was approximately 60.7% of the Company's outstanding Class A common stock and 55.4% of the Company's outstanding Class B common stock.

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") for $51,500 in cash. Southern Oil is engaged in the exploration, development, and production of oil and natural gas properties primarily offshore in the Gulf of Mexico. The Company's financial results include the results of Southern Oil from the acquisition date to the end of the third quarter. The revenues and operating results for Southern Oil were not significant to the Company for the third quarter.

Since 2017, Steak n Shake has experienced sales declines, which is the primary reason for Steak n Shake's lower profitability. To mitigate the sales declines and increase profitability, Steak n Shake is emphasizing its franchise partnership program. As of September 30, 2019, a total of 106 Steak n Shake restaurants have been temporarily closed. Steak n Shake is actively working to identify franchise partners for these closed stores. However, no assurances can be given that Steak n Shake will be able to secure suitable franchise partners or that its strategy will restore profitability.

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

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Operating businesses:				
Restaurant	**$ (121)**	$ 354	**$ (14,888)**	$ 1,914
Insurance	**1,790**	1,425	**4,465**	3,629
Oil and gas	**1,060**	-	**1,060**	-
Media and licensing	**281**	86	**329**	(69)
Other	**80**	127	**268**	351
Total operating businesses	**3,090**	1,992	**(8,766)**	5,825
Corporate	**(2,197)**	(581)	**(6,384)**	(6,726)
Investment partnership gains (losses)	**1,400**	(12,889)	**53,891**	(15,691)
Interest expense on notes payable and other borrowings	**(2,310)**	(2,225)	**(6,966)**	(6,464)
	$ (17)	$ (13,703)	**$ 31,775**	$ (23,056)

Our restaurant businesses include Steak n Shake Inc. ("Steak n Shake") and Western Sizzlin Corporation ("Western Sizzlin"). As of September 30, 2019, Steak n Shake comprised 302 company-operated restaurants and 217 franchise units. Western Sizzlin comprised 4 company-operated restaurants and 50 franchise units.

Our insurance business is composed of First Guard Insurance Company ("First Guard"). First Guard is a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers.

Our media and licensing business is composed of Maxim Inc. ("Maxim").

Our oil and gas business is composed of Southern Oil Company ("Southern Oil"). Southern Oil is engaged in the exploration, development, and production of oil and natural gas properties primarily offshore in the Gulf of Mexico.

Restaurants

Steak n Shake and Western Sizzlin comprise 573 company-operated and franchise restaurants as of September 30, 2019.

	Steak n Shake		Western Sizzlin		
	Company-operated	Franchise	Company-operated	Franchise	Total
Total stores as of December 31, 2018	413	213	4	55	685
Restaurants temporarily (closed)	**(106)**	-	-	-	**(106)**
Net restaurants opened (closed)	**(5)**	**4**	-	**(5)**	**(6)**
Total stores as of September 30, 2019	**302**	**217**	**4**	**50**	**573**
Total stores as of December 31, 2017	415	200	4	58	677
Net restaurants opened (closed)	(1)	14	-	-	13
Total stores as of September 30, 2018	414	214	4	58	690

A total of 106 Steak n Shake restaurants were temporarily closed until such time that a franchise partner is identified.

Earnings of our restaurant operations are summarized below.

	Third Quarter				First Nine Months			
	2019		2018		**2019**		2018	
Revenue								
Net sales	**$ 136,651**		$ 186,368		**$ 454,344**		$ 563,736	
Franchise royalties and fees	**7,627**		7,762		**21,685**		22,637	
Other revenue	**833**		911		**2,918**		3,196	
Total revenue	**145,111**		195,041		**478,947**		589,569	
Restaurant cost of sales								
Cost of food	**40,464**	**29.6%**	55,977	30.0%	**142,757**	**31.4%**	169,022	30.0%
Restaurant operating costs	**69,222**	**50.7%**	100,393	53.9%	**242,884**	**53.5%**	297,061	52.7%
Rent	**3,712**	**2.7%**	4,848	2.6%	**11,956**	**2.6%**	14,044	2.5%
Total cost of sales	**113,398**		161,218		**397,597**		480,127	
Selling, general and administrative								
General and administrative	**10,907**	**7.5%**	14,985	7.7%	**40,029**	**8.4%**	46,949	8.0%
Marketing	**7,565**	**5.2%**	13,757	7.1%	**30,811**	**6.4%**	39,436	6.7%
Other expenses	**1,359**	**0.9%**	722	0.4%	**2,831**	**0.6%**	1,820	0.3%
Total selling, general and administrative	**19,831**	**13.7%**	29,464	15.1%	**73,671**	**15.4%**	88,205	15.0%
Impairments	**5,079**	**3.5%**	345	0.2%	**7,417**	**1.5%**	670	0.1%
Depreciation and amortization	**5,186**	**3.6%**	4,679	2.4%	**15,659**	**3.3%**	14,180	2.4%
Interest on finance leases and obligations	**1,934**		1,991		**5,946**		6,328	
Earnings (loss) before income taxes	**(317)**		(2,656)		**(21,343)**		59	
Income tax expense (benefit)	**(196)**		(3,010)		**(6,455)**		(1,855)	
Contribution to net earnings	**$ (121)**		$ 354		**$ (14,888)**		$ 1,914	

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.

Net sales during the third quarter and first nine months of 2019 were $136,651 and $454,344, respectively, representing a decrease of $49,717 and $109,392 over the third quarter and first nine months of 2018, respectively. The decreases in net sales during 2019 were primarily attributable to temporary store closures. Steak n Shake's same-store sales decreased 6.5% whereas customer traffic decreased 13.3% during the third quarter. Steak n Shake's same-store sales decreased 6.4% whereas customer traffic decreased 9.7% during the first nine months. The term "same-store sales" refers to the sales of company-operated units open at least 18 months at the beginning of the current period and have remained open through the end of the period.

In the third quarter and first nine months of 2019 franchise royalties and fees were relatively flat compared to those in 2018. Steak n Shake opened eight franchise units and closed four franchise units during the third quarter of 2019. There were 217 Steak n Shake franchise units as of September 30, 2019 compared to 214 franchise units as of September 30, 2018.

Cost of food in the third quarter and first nine months of 2019 was $40,464 or 29.6% of net sales and $142,757 or 31.4% of net sales, respectively, compared to the third quarter and first nine months in 2018 of $55,977 or 30.0% of net sales and $169,022 or 30.0% of net sales, respectively. Costs as a percentage of net sales decreased 0.4% during the third quarter of 2019 and increased 1.4% during the first nine months of 2019 compared to 2018. The increase as a percentage of net sales during the first nine months of 2019 was attributable to a promotion that increased food costs.

Restaurant operating costs during the third quarter of 2019 were $69,222 or 50.7% of net sales compared to $100,393 or 53.9% of net sales in 2018. Restaurant operating costs for the first nine months of 2019 were $242,884 or 53.5% of net sales compared to $297,061 or 52.7% of net sales in 2018. Costs as a percentage of net sales decreased 3.2% during the third quarter of 2019 and increased 0.8% during the first nine months of 2019 compared to 2018. The decrease during the third quarter was because of improved efficiency in labor.

General and administrative expenses during the third quarter and first nine months of 2019 were $10,907 or 7.5% and $40,029 or 8.4% of total revenues, respectively, compared to expenses in the third quarter and first nine months of 2018, which were $14,985 or 7.7% and $46,949 or 8.0% of total revenues, respectively. General and administrative expenses decreased during the third quarter of 2019 compared to 2018 primarily because of reduction in personnel. General and administrative expenses decreased during the first nine months of 2019 compared to 2018 due to lower personnel expenses of $14,549 offset by $8,350 in legal settlements.

Marketing expenses during the third quarter and first nine months of 2019 were $7,565 or 5.2% and $30,811 or 6.4% of total revenues, respectively, compared to expenses in the third quarter and first nine months of 2018, which were $13,757 or 7.1% and $39,436 or 6.7% of total revenues, respectively. The decrease was primarily driven by a reduction in television and print advertising.

Asset impairments during the third quarter and first nine months of 2019 of $5,079 and $7,417, respectively, were primarily related to store closures.

Insurance

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

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Premiums written	**$ 7,376**	$ 6,743	**$ 21,302**	$ 19,576
Insurance losses	**3,898**	3,824	**12,133**	11,238
Underwriting expenses	**1,344**	1,322	**4,267**	4,309
Pre-tax underwriting gain	**2,134**	1,597	**4,902**	4,029
Other income and expenses				
Investment income and commissions	**305**	295	**1,003**	754
Other income (expenses)	**(160)**	(79)	**(232)**	(159)
Total other income	**145**	216	**771**	595
Earnings before income taxes	**2,279**	1,813	**5,673**	4,624
Income tax expense	**489**	388	**1,208**	995
Contribution to net earnings	**$ 1,790**	$ 1,425	**$ 4,465**	$ 3,629

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 trucking insurer.

Premiums earned during the third quarter of 2019 were $7,376, an increase of $633 or 9.4% compared to 2018. Premiums earned during the first nine months of 2019 were $21,302, an increase of $1,726 or 8.8% compared to 2018. Pre-tax underwriting gain during the third quarter of 2019 was $2,134, an increase of $537 or 33.6% compared to 2018. Pre-tax underwriting gain during the first nine months of 2019 was $4,902, an increase of $873 or 21.7% compared to 2018.

Insurance premiums and other on the consolidated statement of earnings includes premiums earned, investment income and commissions. In the preceding table, investment income and commissions are included in other income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Oil and Gas

Southern Oil is an exploration and production company which holds oil and gas interests. The financial results for Southern Oil from the acquisition date to the end of the third quarter are summarized below.

	Third Quarter 2019
Oil and gas revenue	**$ 6,500**
Oil and gas production costs	**2,595**
Depreciation, depletion and accretion	**2,226**
General and administrative expenses	**231**
Earnings before income taxes	**1,448**
Income tax expense	**388**
Contribution to net earnings	**$ 1,060**

Media and Licensing

Earnings of our media and licensing operations are summarized below.

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Media and licensing revenue	**$ 924**	$ 1,503	**$ 2,666**	$ 4,647
Media and licensing costs	**514**	1,065	**2,103**	3,562
General and administrative expenses	**46**	321	**135**	1,155
Depreciation and amortization	**-**	6	**-**	20
Earnings (loss) before income taxes	**364**	111	**428**	(90)
Income tax expense (benefit)	**83**	25	**99**	(21)
Contribution to net earnings	**$ 281**	$ 86	**$ 329**	$ (69)

Investment Partnership Gains (Losses)

Earnings (loss) from our investments in partnerships are summarized below.

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Investment partnership gains (losses)	**$ 1,449**	$ (19,008)	**$ 69,801**	$ (23,854)
Tax expense (benefit)	**49**	(6,119)	**15,910**	(8,163)
Contribution to net earnings	**$ 1,400**	$ (12,889)	**$ 53,891**	$ (15,691)

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.

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

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.

	Third Quarter		First Nine Months	
	2019	2018	**2019**	2018
Interest expense on notes payable and other borrowings	**$ 3,090**	$ 2,967	**$ 9,298**	$ 8,619
Tax benefit	**780**	742	**2,332**	2,155
Interest expense net of tax	**$ 2,310**	$ 2,225	**$ 6,966**	$ 6,464

The outstanding balance on Steak n Shake's credit facility on September 30, 2019 was $182,048 compared to $184,248 on September 30, 2018. The interest rate was 5.80% as of September 30, 2019 and 6.00% as of September 30, 2018.

Corporate

Corporate expenses exclude the activities in the restaurant, insurance, media and licensing, oil and gas and other companies. Corporate net losses during the first nine months of 2019 were relatively flat compared to the same period during 2018.

Income Taxes

Income tax benefit for the third quarter of 2019 was $614 compared to $11,199 for the third quarter of 2018. Income tax expense for the first nine months of 2019 was $7,026 compared to an income tax benefit of $12,886 for the first nine months of 2018. The variance in income taxes between 2019 and 2018 is attributable to taxes on income generated by the investment partnerships.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Financial Condition

Our consolidated shareholders' equity on September 30, 2019 was $601,520, an increase of $31,065 compared to the December 31, 2018 balance. The increase during the first nine months of 2019 was primarily attributable to net income of $31,775.

Consolidated cash and investments are summarized below.

	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 19,058	$ 48,557
Investments	43,766	33,860
Investments reported in other current assets	-	4,463
Fair value of interest in investment partnerships	714,192	715,102
Total cash and investments	777,016	801,982
Less portion of Company stock held by investment partnerships	(152,713)	(157,622)
Carrying value of cash and investments on balance sheet	$ 624,303	$ 644,360

Liquidity

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

	First Nine Months	
	2019	2018
Net cash provided by (used in) operating activities	$ 39,859	$ (5,584)
Net cash provided by (used in) investing activities	(63,276)	2,221
Net cash used in financing activities	(6,003)	(5,797)
Effect of exchange rate changes on cash	(29)	(63)
Decrease in cash, cash equivalents and restricted cash	$ (29,449)	$ (9,223)

Cash provided by operating activities was $39,859 during the first nine months of 2019 compared to cash used in operating activities of $5,584 during the first nine months of 2018. The cash provided by operations during 2019 was primarily due to distributions from investment partnerships. The decrease of cash from operating activities during 2018 was primarily due to a use of cash in working capital accounts of $17,975. The changes in the working capital accounts was primarily due to the payment of the 2017 incentive fee of $7,353 and $5,479 of gift cards redeemed net of gift cards sold.

Cash used in investing activities during the first nine months of 2019 was $63,276 compared to cash provided by investing activities of $2,221 during the first nine months of 2018. Cash used in investing activities included $51,057 for the acquisition of Southern Oil during the third quarter of 2019.

During the first nine months of 2019 and 2018 we incurred debt payments of $6,003 and $5,846, respectively.

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

Steak n Shake Credit Facility

On March 19, 2014, Steak n Shake and its subsidiaries entered into a credit agreement which provided for a senior secured term loan facility in an aggregate principal amount of $220,000. The term loan is scheduled to mature on March 19, 2021. It amortizes at an annual rate of 1.0% in equal quarterly installments, beginning June 30, 2014, at 0.25% of the original principal amount of the term loan, subject to mandatory prepayments from excess cash flow, asset sales and other events described in the credit agreement. The balance will be due at maturity.

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

Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. The interest rate on the term loan was 5.80% as of September 30, 2019.

The credit agreement includes customary affirmative and negative covenants and events of default. As of September 30, 2019, we were in compliance with all covenants. Steak n Shake's credit facility contains restrictions on its ability to pay dividends to Biglari Holdings.

The term loan is secured by first priority security interests in substantially all the assets of Steak n Shake. Disruptions in debt capital markets that restrict access to funding when needed could adversely affect the results of operations, liquidity and capital resources of Steak n Shake. Biglari Holdings is not a guarantor under the credit facility. As of September 30, 2019, $182,048 was outstanding under the term loan.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain accounting policies require management to make estimates and judgments concerning transactions that will be settled several years in the future. Amounts recognized in our consolidated financial statements from such estimates are necessarily based on numerous assumptions involving varying and potentially significant degrees of judgment and uncertainty. Accordingly, the amounts currently reflected in our consolidated financial statements will likely increase or decrease in the future as additional information becomes available. There have been no material changes to critical accounting policies previously disclosed in our annual report on Form 10-K for the year ended December 31, 2018.

Recently Issued Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our consolidated financial statements, see Note 2, "New Accounting Standards" in the accompanying notes to consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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 of our annual report on Form 10-K. We undertake no obligation to publicly update or revise them, except as may be required by law.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

We prefer to hold equity investments for very long periods of time so we are not troubled by short-term price volatility with respect to our investments. Our interests in the investment partnerships are committed on a rolling 5-year basis, and any distributions upon our withdrawal of funds will be paid out over two years (and may be paid in kind rather than in cash). Market prices for equity securities are subject to fluctuation. Consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. A hypothetical 10% increase or decrease in the market price of our investments would result in a respective increase or decrease in the carrying value of our investments of $60,525 along with a corresponding change in shareholders' equity of approximately 8%.

Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. At September 30, 2019, a hypothetical 100 basis point increase in short-term interest rates would have an impact of approximately $1,400 on our net earnings.

We have had minimal exposure to foreign currency exchange rate fluctuations in the first nine months of 2019 and 2018.

ITEM 4. Controls and Procedures

Based on an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), our Chief Executive Officer and Controller have concluded that our disclosure controls and procedures were effective as of September 30, 2019.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2019 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information in response to this Item is included in Note 14 to the Consolidated Financial Statements included in Part 1, Item 1 of this Form 10-Q and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in Item 1A to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.01	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data Files.

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 1, 2019

BIGLARI HOLDINGS INC.

By: /s/ BRUCE LEWIS

Bruce Lewis

Controller

EXHIBIT 31.01

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sardar Biglari, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biglari Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ Sardar Biglari
Sardar Biglari
Chairman and Chief Executive Officer

EXHIBIT 31.02

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce Lewis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biglari Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ Bruce Lewis
Bruce Lewis
Controller

EXHIBIT 32.01

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Biglari Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sardar Biglari
Sardar Biglari
Chairman and Chief Executive Officer
November 1, 2019

/s/ Bruce Lewis
Bruce Lewis
Controller
November 1, 2019