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 March 31, 2021

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 May 4, 2021:

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

BIGLARI HOLDINGS INC.
INDEX

		Page No.
Part I – Financial Information		
Item 1.	**Financial Statements**	
	Consolidated Balance Sheets — March 31, 2021 and December 31, 2020	1
	Consolidated Statements of Earnings — First Quarter 2021 and 2020	2
	Consolidated Statements of Comprehensive Income — First Quarter 2021 and 2020	2
	Consolidated Statements of Cash Flows — First Quarter 2021 and 2020	3
	Consolidated Statements of Changes in Shareholders' Equity — First Quarter 2021 and 2020	4
	Notes to Consolidated Financial Statements	5
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	14
Item 3.	**Quantitative and Qualitative Disclosures about Market Risk**	21
Item 4.	**Controls and Procedures**	21
Part II – Other Information		
Item 1.	**Legal Proceedings**	21
Item 1A.	**Risk Factors**	21
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	22
Item 3.	**Defaults Upon Senior Securities**	22
Item 4.	**Mine Safety Disclosures**	22
Item 5.	**Other Information**	22
Item 6.	**Exhibits**	22
Signatures		23

PART 1 – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	March 31, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 28,438	$ 24,503
Investments	99,427	94,861
Receivables	16,438	19,185
Inventories	2,590	2,737
Other current assets	6,763	6,492
Total current assets	153,656	147,778
Property and equipment	317,432	316,122
Operating lease assets	41,015	42,832
Goodwill and other intangible assets	77,273	77,661
Investment partnerships	356,795	419,550
Other assets	13,715	14,025
Total assets	$ 959,886	$ 1,017,968
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 120,304	$ 118,821
Current portion of lease obligations	14,850	17,365
Current portion of notes payable	-	152,261
Total current liabilities	135,154	288,447
Lease obligations	109,063	111,645
Deferred taxes	64,649	41,346
Asset retirement obligations	10,147	10,022
Other liabilities	1,733	1,680
Total liabilities	320,746	453,140
Shareholders' equity		
Common stock	1,138	1,138
Additional paid-in capital	381,788	381,788
Retained earnings	644,757	573,050
Accumulated other comprehensive loss	(1,975)	(1,531)
Treasury stock, at cost	(386,568)	(389,617)
Biglari Holdings Inc. shareholders' equity	639,140	564,828
Total liabilities and shareholders' equity	$ 959,886	$ 1,017,968

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(dollars in thousands except per share amounts)

	First Quarter 2021	First Quarter 2020
	(Unaudited)	
Revenues		
Restaurant operations	$ 69,954	$ 114,144
Insurance premiums and other	14,619	9,674
Oil and gas	8,592	11,374
Media and licensing	1,123	508
	94,288	135,700
Cost and expenses		
Restaurant cost of sales	45,616	89,916
Insurance losses and underwriting expenses	11,146	6,312
Oil and gas production costs	2,413	3,076
Media and licensing costs	480	506
Selling, general and administrative	15,540	17,227
Impairments	298	10,300
Depreciation and amortization	7,178	10,062
Interest expense	2,741	4,274
	85,412	141,673
Other income		
Investment gains	3,081	-
Investment partnership gains (losses)	81,766	(175,742)
	84,847	(175,742)
Earnings (loss) before income taxes	93,723	(181,715)
Income tax expense (benefit)	22,016	(43,830)
Net earnings (loss)	$ 71,707	$ (137,885)
Earnings per share		
Net earnings (loss) per equivalent Class A share *	$ 223.29	$ (400.37)

*Net earnings (loss) per equivalent Class B share outstanding are one-fifth of the equivalent Class A share or $44.66 for the first quarter of 2021 and $(80.07) for the first quarter of 2020.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	First Quarter 2021	First Quarter 2020
	(Unaudited)	
Net earnings (loss)	$ 71,707	$ (137,885)
Foreign currency translation	(444)	(312)
Total comprehensive income (loss)	$ 71,263	$ (138,197)

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	First Quarter 2021	First Quarter 2020
	(Unaudited)	
Operating activities		
Net earnings (loss)	$ 71,707	$ (137,885)
Adjustments to reconcile net earnings (loss) to operating cash flows:		
Depreciation and amortization	7,178	10,062
Provision for deferred income taxes	23,350	(38,132)
Asset impairments and other non-cash expenses	435	10,548
Gains on disposal of assets	(958)	(1,272)
Investment gains	(3,247)	-
Investment partnership (gains) losses	(81,766)	175,742
Distributions from investment partnerships	150,570	42,300
Changes in receivables and inventories	2,827	7,465
Changes in other assets	(903)	1,891
Changes in accounts payable and accrued expenses	(3,895)	(20,242)
Net cash provided by operating activities	165,298	50,477
Investing activities		
Capital expenditures	(7,447)	(6,473)
Proceeds from property and equipment disposals	2,749	1,824
Acquisition of business, net of cash acquired	-	(34,240)
Purchases of limited partner interests	(3,000)	(30,100)
Purchases of investments	(16,724)	(105,430)
Redemptions of fixed maturity securities	15,642	108,845
Net cash used in investing activities	(8,780)	(65,574)
Financing activities		
Proceeds from revolving credit facility	-	50
Principal payments on long-term debt	(149,952)	(17,933)
Principal payments on direct financing lease obligations	(2,609)	(1,525)
Net cash used in financing activities	(152,561)	(19,408)
Effect of exchange rate changes on cash	(22)	14
Increase (decrease) in cash, cash equivalents and restricted cash	3,935	(34,491)
Cash, cash equivalents and restricted cash at beginning of year	29,666	70,696
Cash, cash equivalents and restricted cash at end of first quarter	$ 33,601	$ 36,205

	First Quarter 2021	First Quarter 2020
	(Unaudited)	
Cash and cash equivalents	$ 28,438	$ 33,281
Restricted cash in other long-term assets	5,163	2,924
Cash, cash equivalents and restricted cash at end of first quarter	$ 33,601	$ 36,205

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, 2020	$ 1,138	$ 381,788	$ 573,050	$ (1,531)	$ (389,617)	$ 564,828
Net earnings			71,707			71,707
Other comprehensive loss				(444)		(444)
Adjustment to treasury stock for holdings in investment partnerships					3,049	3,049
Balance at March 31, 2021	$ 1,138	$ 381,788	$ 644,757	$ (1,975)	$ (386,568)	$ 639,140

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2019	$ 1,138	$ 381,788	$ 611,039	$ (2,810)	$ (374,857)	$ 616,298
Net earnings (loss)			(137,885)			(137,885)
Other comprehensive loss				(312)		(312)
Adjustment to treasury stock for holdings in investment partnerships					1,089	1,089
Balance at March 31, 2020	$ 1,138	$ 381,788	$ 473,154	$ (3,122)	$ (373,768)	$ 479,190

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(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. 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, 2020.

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 was founded and is 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 March 31, 2021, Mr. Biglari beneficially owns shares of the Company that represent approximately 63.0% of the economic interest and 67.5% of the voting interest.

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 of 2020 and adversely affecting nearly all of our operations during 2020. Our restaurants were required to close their dining rooms during the first quarter of 2020 and the majority of our dining rooms remain closed. During 2020, the pandemic also caused oil demand to decrease significantly, which created oversupplied markets and lowered commodity prices and margins. The risks and uncertainties resulting from the pandemic may continue to affect our future earnings, cash flows and financial condition.

Business Acquisition

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, as well as homeowners and dwelling fire insurance. The financial results for Southern Pioneer are included from the date of acquisition. Pro-forma financial information of Southern Pioneer 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

The first quarter of 2020 has been adjusted to conform to the following changes in presentation. Interest expense on finance leases was combined with interest expense and reclassified as a component of cost and expenses. Gain on debt extinguishment of $4,346 has been reclassified from other income to selling, general and administrative expenses.

Note 2. 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.

The following table presents shares authorized, issued and outstanding on March 31, 2021 and December 31, 2020.

	March 31, 2021		December 31, 2020	
	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

On an equivalent Class A common stock basis, there were 620,592 shares outstanding as of March 31, 2021 and December 31, 2020. There are no dilutive securities 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 during the first quarter of 2021 and 2020 was 321,139 and 344,391, respectively.

Note 3. Investments

Investments were $99,427 and $94,861 as of March 31, 2021 and December 31, 2020, respectively. All investments are classified as available-for-sale and recorded at fair value.

Note 4. 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. ("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 the carrying value of our partnership interest is presented below.

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2020	$ 590,926	$ 171,376	$ 419,550
Investment partnership gains (losses)	110,918	29,152	81,766
Distributions (net of contributions)	(147,570)		(147,570)
Decrease in proportionate share of Company stock held		(3,049)	3,049
Partnership interest at March 31, 2021	$ 554,274	$ 197,479	$ 356,795

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2019	$ 666,123	$ 160,581	$ 505,542
Investment partnership gains (losses)	(261,708)	(85,966)	(175,742)
Distributions (net of contributions)	(12,200)		(12,200)
Decrease in proportionate share of Company stock held		(1,089)	1,089
Partnership interest at March 31, 2020	$ 392,215	$ 73,526	$ 318,689

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

	March 31, 2021	December 31, 2020
Carrying value of investment partnerships	$ 356,795	$ 419,550
Deferred tax liability related to investment partnerships	(68,060)	(44,805)
Carrying value of investment partnerships net of deferred taxes	$ 288,735	$ 374,745

The Company's proportionate share of Company stock held by investment partnerships at cost is $386,568 and $389,617 at March 31, 2021 and December 31, 2020, 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.

	First Quarter	
	2021	2020
Gains (losses) on investment partnership	$ 81,766	$ (175,742)
Tax expense (benefit)	19,117	(41,383)
Contribution to net earnings	$ 62,649	$ (134,359)

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 no incentive reallocations from Biglari Holdings to Biglari Capital during the first quarters of 2021 and 2020.

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 March 31, 2021	$ 115,563	$ 577,151
Total liabilities as of March 31, 2021	$ 113	$ 65,943
Revenue for the first quarter of 2021	$ 18,016	$ 105,347
Earnings for the first quarter of 2021	$ 17,998	$ 105,274
Biglari Holdings' ownership interest as of March 31, 2021	61.3%	94.0%
Total assets as of December 31, 2020	$ 112,970	$ 566,663
Total liabilities as of December 31, 2020	$ 189	$ 25,453
Revenue for the first quarter of 2020	$ (45,894)	$ (248,460)
Earnings for the first quarter of 2020	$ (45,910)	$ (249,573)
Biglari Holdings' ownership interest as of March 31, 2020	66.1%	93.1%

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

Note 5. Property and Equipment

Property and equipment is composed of the following.

	March 31, 2021	December 31, 2020
Land	$ 143,382	$ 142,601
Buildings	140,992	138,734
Land and leasehold improvements	142,003	141,351
Equipment	195,090	192,735
Oil and gas properties	73,268	75,900
Construction in progress	1,242	1,032
	695,977	692,353
Less accumulated depreciation and amortization	(378,545)	(376,231)
Property and equipment, net	$ 317,432	$ 316,122

Depletion expense related to oil and gas properties was $2,244 and $4,737 during the first quarter of 2021 and 2020, respectively, and is included in depreciation and amortization within the consolidated statement of earnings.

During the first quarter of 2021, the Company recorded impairment charges of $298 related to closed stores. The Company recorded impairment charges of $10,300 in the first quarter of 2020 mainly because of the adverse effect the COVID-19 pandemic had on our restaurant operations. 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.

Note 6. 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.

		Goodwill
Goodwill at December 31, 2020	$	53,596
Change in foreign exchange rates during the first quarter of 2021		(29)
Goodwill at March 31, 2021	$	53,567

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. No impairment charges for goodwill were recorded in the first quarters of 2021 or 2020.

In response to the adverse effects of the COVID-19 pandemic, during 2020 we considered whether goodwill needed to be evaluated for impairment for certain restaurant reporting units. We considered the available facts and made qualitative assessments and judgments for what we believed represented reasonably possible outcomes. Another pandemic event could have a negative impact on restaurant operations, which may require the Company to record goodwill impairment charges in future periods.

Other Intangible Assets

Intangible assets with indefinite lives are composed of the following.

		Trade Names		Lease Rights		Total
Balance at December 31, 2020	$	15,876	$	8,189	$	24,065
Change in foreign exchange rates during the first quarter of 2021		-		(359)		(359)
Balance at March 31, 2021	$	15,876	$	7,830	$	23,706

Fair values were determined using Level 3 inputs and available market data.

Note 7. Restaurant Operations Revenues

Restaurant operations revenues were as follows.

	First Quarter			
		2021		2020
Net sales	$	54,950	$	104,728
Franchise partner fees		7,853		3,344
Franchise royalties and fees		5,135		5,211
Other		2,016		861
	$	69,954	$	114,144

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. The 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.

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 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include the following.

	March 31, 2021	December 31, 2020
Accounts payable	$ 31,347	$ 26,537
Gift card liability	20,122	21,822
Loss reserves	13,487	14,652
Unearned premiums	13,222	13,277
Other insurance accruals	5,012	6,559
Salaries, wages and vacation	8,407	8,285
Deferred revenue	10,259	9,324
Taxes payable	10,288	10,922
Other	8,160	7,443
Accounts payable and accrued expenses	$ 120,304	$ 118,821

Note 9. Notes Payable and Lease Obligations

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 ($152,261 net of deferred financing costs). The Company repaid Steak n Shake's outstanding balance in full on February 19, 2021.

Lease obligations include the following.

	March 31, 2021	December 31, 2020
Current portion of lease obligations		
Finance lease liabilities	$ 1,582	$ 1,897
Finance obligations	4,050	4,854
Operating lease liabilities	9,218	10,614
Total current portion of lease obligations	$ 14,850	$ 17,365
Long-term lease obligations		
Finance lease liabilities	$ 5,700	$ 7,034
Finance obligations	68,543	68,148
Operating lease liabilities	34,820	36,463
Total long-term lease obligations	$ 109,063	$ 111,645

Note 10. Leased Assets and Lease Commitments

A significant portion of our operating and finance lease portfolio includes restaurant locations. 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.

	First Quarter 2021		First Quarter 2020	
Finance lease costs:				
Amortization of right-of-use assets	$	419	$	479
Interest on lease liabilities		147		178
Operating lease costs *		1,110		3,736
Total lease costs	$	1,676	$	4,393

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

Supplemental cash flow information related to leases is as follows.

	First Quarter 2021		First Quarter 2020	
Cash paid for amounts included in the measurement of lease liabilities:				
Financing cash flows from finance leases	$	529	$	413
Operating cash flows from finance leases	$	132	$	171
Operating cash flows from operating leases	$	4,186	$	3,993
Right-of-use assets obtained in exchange for lease obligations:				
Operating lease liabilities	$	-	$	73

Supplemental balance sheet information related to leases is as follows.

	March 31, 2021		December 31, 2020	
Finance leases:				
Property and equipment, net	$	6,175	$	6,501

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

	March 31, 2021
Weighted-average remaining lease terms:	
Finance leases	5.4 years
Operating leases	5.4 years
Weighted-average discount rates:	
Finance leases	7.1%
Operating leases	6.9%

Maturities of lease liabilities as of March 31, 2021 are as follows.

Year	Operating Leases		Finance Leases	
2021	$	9,162	$	1,533
2022		11,092		1,706
2023		9,817		1,401
2024		7,844		1,384
2025		6,087		1,148
After 2025		9,279		1,605
Total lease payments		53,281		8,777
Less interest		9,243		1,495
Total lease liabilities	$	44,038	$	7,282

Note 11. Accumulated Other Comprehensive Income

During the first quarters of 2021 and 2020, accumulated other comprehensive losses increased by $444 and $312, respectively. As of March 31, 2021 and 2020, the balances in accumulated other comprehensive loss were $1,975 and $3,122, respectively. There were no reclassifications from accumulated other comprehensive income to earnings during the first quarters of 2021 and 2020. All changes in accumulated other comprehensive income were due to foreign currency translation adjustments.

Note 12. 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 the first quarters of 2021 and 2020. 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 expense for the first quarter of 2021 was $22,016 compared to a tax benefit of $43,830 for the first quarter of 2020. The variance in income taxes between 2021 and 2020 is attributable to taxes on income generated by the investment partnerships. Investment partnership pretax earnings were $81,766 during the first quarter of 2021 compared to pretax losses of $175,742 during the first quarter of 2020.

Note 13. 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.

Note 14. 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 within Level l 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.

As of March 31, 2021 and December 31, 2020, the fair values of financial assets were as follows.

	March 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	$ 24,322	$ -	$ -	$ 24,322	$ 23,885	$ -	$ -	$ 23,885
Equity securities								
Consumer goods	9,533	5,983	-	15,516	7,274	5,652	-	12,926
Insurance	116	-	-	116	261	-	-	261
Bonds								
Government	54,350	-	-	54,350	39,472	14,043	-	53,515
Corporate	5,977	-	-	5,977	-	5,406	-	5,406
Options on equity securities	-	2,580	-	2,580	-	2,911	-	2,911
Non-qualified deferred compensation plan investments	1,504	-	-	1,504	1,368	-	-	1,368
Total assets at fair value	$ 95,802	$ 8,563	$ -	$ 104,365	$ 72,260	$ 28,012	$ -	$ 100,272

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

Note 15. Related Party Transactions

Service Agreement

The Company is party to a service agreement with Biglari Enterprises LLC and Biglari Capital Corp. (collectively, the "Biglari Entities") under which the Biglari Entities provide services to the Company. The service agreement has a five-year term, effective on October 1, 2017. The Company paid Biglari Enterprises $2,100 in service fees during the first quarters of 2021 and 2020. The service agreement does not alter the hurdle rate connected with the incentive reallocation paid to Biglari Capital Corp. The Biglari Entities are owned by Mr. Biglari.

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.

Note 16. 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 the first quarters of 2021 and 2020 is presented in the tables which follow.

	Revenue	
	First Quarter	
	2021	2020
Operating Businesses:		
Restaurant Operations:		
Steak n Shake	$ 68,301	$ 111,113
Western Sizzlin	1,653	3,031
Total Restaurant Operations	69,954	114,144
Insurance Operations:		
First Guard	8,219	7,884
Southern Pioneer	6,400	1,790
Total Insurance Operations	14,619	9,674
Southern Oil	8,592	11,374
Maxim	1,123	508
	$ 94,288	$ 135,700

	Earnings (Losses) Before Income Taxes	
	First Quarter	
	2021	2020
Operating Businesses:		
Restaurant Operations:		
Steak n Shake	$ 5,456	$ (6,591)
Western Sizzlin	92	37
Total Restaurant Operations	5,548	(6,554)
Insurance Operations:		
First Guard	2,193	2,441
Southern Pioneer	1,044	472
Total Insurance Operations	3,237	2,913
Southern Oil	3,039	2,470
Maxim	623	(32)
Interest expense not allocated to segments	(1,121)	(2,474)
Total Operating Businesses	11,326	(3,677)
Corporate and Investments:		
Corporate and other	(2,450)	(2,296)
Investment gains	3,081	-
Investment partnership gains (losses)	81,766	(175,742)
Total Corporate and Investments	82,397	(178,038)
	$ 93,723	$ (181,715)

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 was founded and is 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 March 31, 2021, Mr. Biglari beneficially owns shares of the Company that represent approximately 63.0% of the economic interest and 67.5% of the voting interest.

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"). The Company's financial results include the results of Southern Pioneer from the date of acquisition.

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

	First Quarter	
	2021	2020
Operating businesses:		
Restaurant	$ 4,118	$ (4,682)
Insurance	2,531	2,316
Oil and gas	2,355	2,201
Media and licensing	480	(25)
Interest expense	(841)	(1,846)
Total operating businesses	8,643	(2,036)
Corporate and other	(1,999)	(1,490)
Investment gains	2,414	-
Investment partnership gains (losses)	62,649	(134,359)
	$ 71,707	$ (137,885)

Restaurant businesses include Steak n Shake Inc. and Western Sizzlin Corporation. Steak n Shake and Western Sizzlin are engaged in the ownership, operation, and franchising of restaurants.

Insurance businesses are composed of First Guard Insurance Company ("First Guard") and Southern Pioneer. First Guard is a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers. Southern Pioneer underwrites garage liability insurance, commercial property, as well as homeowners and dwelling fire insurance.

Oil and gas business is composed of Southern Oil.

Media and licensing business is composed of Maxim Inc.

Restaurants

Steak n Shake and Western Sizzlin comprise 591 company-operated and franchise restaurants as of March 31, 2021.

	Steak n Shake			Western Sizzlin		
	Company-operated	Franchise Partner	Traditional Franchise	Company-operated	Franchise	Total
Total stores as of December 31, 2020	276	86	194	3	39	598
Corporate stores transitioned	(22)	22	-	-	-	-
Net restaurants opened (closed)	(1)	-	(5)	-	(1)	(7)
Total stores as of March 31, 2021	253	108	189	3	38	591
Total stores as of December 31, 2019	368	29	213	4	48	662
Corporate stores transitioned	(11)	10	1	-	-	-
Net restaurants opened (closed)	(51)	-	(6)	-	-	(57)
Total stores as of March 31, 2020	306	39	208	4	48	605

As of March 31, 2021, 50 of the 253 company-operated Steak n Shake stores were temporarily closed.

Earnings of our restaurant operations are summarized below.

	First Quarter			
	2021		2020	
Revenue				
Net sales	$ 54,950		$ 104,728	
Franchise partner fees	7,853		3,344	
Franchise royalties and fees	5,135		5,211	
Other revenue	2,016		861	
Total revenue	69,954		114,144	
Restaurant cost of sales				
Cost of food	15,554	28.3%	31,443	30.0%
Restaurant operating costs	25,197	45.9%	53,497	51.1%
Occupancy costs	4,865	8.9%	4,976	4.8%
Total cost of sales	45,616		89,916	
Selling, general and administrative				
General and administrative	7,680	11.0%	8,898	7.8%
Marketing	4,623	6.6%	8,820	7.7%
Other expenses	(141)	-0.2%	284	0.2%
Total selling, general and administrative	12,162	17.4%	18,002	15.8%
Impairments	(298)		(10,300)	
Depreciation and amortization	(4,710)		(5,026)	
Gain on debt extinguishment	-		4,346	
Interest on finance leases and obligations	(1,620)		(1,800)	
Earnings (loss) before income taxes	5,548		(6,554)	
Income tax expense (benefit)	1,430		(1,872)	
Contribution to net earnings	$ 4,118		$ (4,682)	

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

The COVID-19 pandemic 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 remain closed. Steak n Shake is reopening its dining rooms but with a self-service model.

Net sales for the first quarter of 2021 were $54,950, representing a decrease of $49,778 or 47.5% compared to the first quarter of 2020. The decreased performance of our restaurant operations in 2021 was primarily due to the closing of dining rooms.

Franchise partner fees were $7,853 during the first quarter of 2021 compared to $3,344 during 2020. As of March 31, 2021, there were 108 franchise partner units compared to 39 franchise partner units as of March 31, 2020. We continue to transition from company-operated units to franchise-operated. For a franchise partner to be awarded a restaurant, he or she must demonstrate the gold standard in service.

Cost of food during the first quarter of 2021 was $15,554 or 28.3% of net sales compared to the first quarter in 2020 of $31,443 or 30.0% of net sales. The decrease as a percentage of net sales is primarily attributable to changes in menu offerings implemented in the third and fourth quarters of 2020.

Restaurant operating costs during the first quarter of 2021 were $25,197 or 45.9% of net sales compared to $53,497 or 51.1% of net sales in 2020. The decrease is mainly attributable to transitioning to an off-premises business – drive-through, delivery and takeout.

General and administrative costs during the first quarter of 2021 were $7,680 compared to $8,898 during 2020. The decrease is primarily attributable to lower personnel costs.

Marketing expense during the first quarter of 2021 was $4,623 or 6.6% of total revenues compared to expenses during the first quarter of 2020 of $8,820 or 7.7% of total revenues.

Our restaurants recorded an impairment to long-lived assets of $298 and $10,300 in the first quarters of 2021 and 2020, respectively. The impairments are primarily attributable to the closure of Steak n Shake stores.

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.

	First Quarter	
	2021	2020
Underwriting gain attributable to:		
First Guard	$ 2,131	$ 2,323
Southern Pioneer	413	207
Pre-tax underwriting gain	2,544	2,530
Income tax expense	534	531
Net underwriting gain	$ 2,010	$ 1,999

Earnings of our insurance operations are summarized below.

	First Quarter	
	2021	2020
Premiums written	$ 13,690	$ 8,842
Insurance losses	7,021	4,174
Underwriting expenses	4,125	2,138
Pre-tax underwriting gain	2,544	2,530
Other income and expenses		
Investment income and commissions	745	832
Other income (expenses)	(52)	(449)
Total other income	693	383
Earnings before income taxes	3,237	2,913
Income tax expense	706	597
Contribution to net earnings	$ 2,531	$ 2,316

Insurance premiums and other on the consolidated statement of earnings includes premiums earned, investment income, other income and commissions.

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.

	First Quarter			
	2021		2020	
	Amount	%	Amount	%
Premiums written	$ 8,077	100.0%	$ 7,415	100.0%
Insurance losses	4,002	49.5%	3,558	48.0%
Underwriting expenses	1,944	24.1%	1,534	20.7%
Total losses and expenses	5,946	73.6%	5,092	68.7%
Pre-tax underwriting gain	$ 2,131		$ 2,323	

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.

	First Quarter			
	2021		2020	
	Amount	%	Amount	%
Premiums written	$ 5,613	100.0%	$ 1,427	100.0%
Insurance losses	3,019	53.8%	616	43.2%
Underwriting expenses	2,181	38.9%	604	42.3%
Total losses and expenses	5,200	92.7%	1,220	85.5%
Pre-tax underwriting gain	$ 413		$ 207	

Insurance – Investment Income

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

	First Quarter	
	2021	2020
Interest, dividends and other investment income:		
First Guard	$ 17	$ 149
Southern Pioneer	149	285
Pre-tax investment income	166	434
Income tax expense	35	91
Net investment income	$ 131	$ 343

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. Earnings for Southern Oil are summarized below.

	First Quarter	
	2021	2020
Oil and gas revenue	$ 8,592	$ 11,374
Oil and gas production costs	2,413	3,076
Depreciation, depletion and accretion	2,378	4,868
General and administrative expenses	762	960
Earnings before income taxes	3,039	2,470
Income tax expense	684	269
Contribution to net earnings	$ 2,355	$ 2,201

The COVID-19 pandemic caused oil demand to significantly decrease, creating oversupplied markets that resulted in lower commodity prices and margins. However, crude oil prices improved in mid-2020 in response to the lifting of COVID-19 restrictions, resulting in the increase of oil demand.

Media and Licensing

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

	First Quarter	
	2021	2020
Media and licensing revenue	$ 1,123	$ 508
Media and licensing costs	480	506
General and administrative expenses	20	34
Earnings before income taxes	623	(32)
Income tax expense	143	(7)
Contribution to net earnings	$ 480	$ (25)

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 net of tax were $2,414 during the first quarter of 2021. Dividends earned on investments are reported as other 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.

	First Quarter	
	2021	2020
Investment partnership gains (losses)	$ 81,766	$ (175,742)
Tax expense (benefit)	19,117	(41,383)
Contribution to net earnings	$ 62,649	$ (134,359)

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.

	First Quarter	
	2021	2020
Interest expense on notes payable	$ 1,121	$ 2,474
Tax benefit	280	628
Interest expense net of tax	$ 841	$ 1,846

Steak n Shake's 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.

Corporate and Other

Corporate expenses exclude the activities in the restaurant, media and licensing, insurance, and oil and gas businesses. Corporate net losses during the first quarter of 2021 were relatively flat compared to the same period during 2020.

Income Taxes

Income tax expense for the first quarter of 2021 was $22,016 compared to a tax benefit of $43,830 for the first quarter of 2020. The variance in income taxes between 2021 and 2020 is attributable to taxes on income generated by the investment partnerships. Investment partnership pretax earnings were $81,766 during the first quarter of 2021 compared to pretax losses of $175,742 during the first quarter of 2020.

Financial Condition

Consolidated cash and investments are summarized below.

	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 28,438	$ 24,503
Investments	99,427	94,861
Fair value of interest in investment partnerships	554,274	590,926
Total cash and investments	682,139	710,290
Less: portion of Company stock held by investment partnerships	(197,479)	(171,376)
Carrying value of cash and investments on balance sheet	$ 484,660	$ 538,914

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

	First Quarter	
	2021	2020
Net cash provided by operating activities	$ 165,298	$ 50,477
Net cash used in investing activities	(8,780)	(65,574)
Net cash used in financing activities	(152,561)	(19,408)
Effect of exchange rate changes on cash	(22)	14
Decrease in cash, cash equivalents and restricted cash	$ 3,935	$ (34,491)

Cash provided by operating activities was $165,298 during the first quarter of 2021 compared to cash provided by operating activities of $50,477 during the first quarter of 2020. The cash provided by operating activities is mainly attributable to distributions from investment partnerships of $150,570 for 2021 and $42,300 for 2020. The distributions during 2021 were primarily used to retire Steak n Shake's debt.

Cash used in investing activities during the first quarter of 2021 was $8,780 compared to $65,574 during the first quarter of 2020. Use of cash in investing activities was higher during 2020 primarily due to the acquisition of Southern Pioneer and purchases of limited partner interests.

During the first quarter of 2021, the Company retired the balance of the term loan under Steak n Shake's credit facility.

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.

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, 2020.

Recently Issued Accounting Pronouncements
No recently issued accounting pronouncements were applicable for 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 and Item 1A of this report. 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. 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 $45,622 along with a corresponding change in shareholders' equity of approximately 5%.

We have had minimal exposure to foreign currency exchange rate fluctuations in the first quarters of 2021 and 2020.

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 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 March 31, 2021.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2021 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 13 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, 2020.

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

From March 4, 2021 through March 11, 2021, The Lion Fund II, L.P. purchased 656 shares of Class A common stock and 1,888 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
January 1, 2021 – January 31, 2021	-	$ -	-	$ -	-	-
February 1, 2021 – February 28, 2021	-	$ -	-	$ -	-	-
March 1, 2021 – March 31, 2021	656	$ 743.65	1,888	$ 140.03	-	-
Total	656		1,888		-	

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.
104	Cover page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

* 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: May 7, 2021

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: May 7, 2021

/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: May 7, 2021

/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 March 31, 2021 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
May 7, 2021

/s/ Bruce Lewis
Bruce Lewis
Controller
May 7, 2021