Dear Shareholders of Biglari Holdings Inc.:

The metamorphosis of Biglari Holdings originally stemmed from a base of a nearly insolvent, money-losing restaurant company. We burrowed in where others feared to tread and turned a money loser into a launching pad for a dynamic enterprise. Biglari Holdings began fiscal 2014 with a highly profitable restaurant business and ended the year with ownership in two unrelated industries: insurance and media. I will discuss both acquisitions — First Guard Insurance Company and Maxim Inc. — later in the letter.

We founded Biglari Holdings with a multiplicity of advantages, which have allowed us to benefit from remunerative business and investment opportunities. As a result, we have grown our cash and investments from a meager $1.6 million when we commenced over six years ago to a total of $766.6 million at the end of fiscal 2014. Of course, two rights offerings in the last two years to existing shareholders accounted for $161.5 million of the increase. The remainder, about $600 million, was created through effective management of our operating units along with sensible, sound redeployment of capital. Phil Cooley, Vice Chairman of BH, and I believe we have shaped a concept that maximizes the per-share intrinsic value of the company.[1] So far, so good.

Our enterprise is structured as a holding company — a corporation with diverse, unrelated concerns — whose objective is to aggrandize its eventual net worth. Biglari Holdings is devoted to acquisitions that will continue to expand its ownership of other businesses. Although we expect moderate growth in cash earnings from our existing base of companies, we can develop more rapidly through acquisitions. Our cardinal idea is to assemble an outstanding collection of businesses under the aegis of Biglari Holdings. Think of Biglari Holdings as a museum — a museum for businesses. Some people like to collect art; Phil and I like to collect businesses. Although this concept is at its embryonic stage, you should note that we are accumulating businesses, such as Steak n Shake and First Guard, not to auction off later but as *permanent* holdings. Such a philosophy should bode well for us because there are numerous sellers who want and value a permanent place for their prized creations. We will continue to search for strong cash flow generators to add to our collection and thus to build an even more formidable holding company.

We are developing a multi-industry company designed to amalgamate multiple streams of cash. Along with permanent capital, significant holdings in investments, and maximum flexibility in capital allocation, we are positioning ourselves with a significant competitive advantage. In essence, we are building Biglari Holdings to endure. A strongly constructed enterprise at the top will empower maximum potential for its units to function far more efficaciously.

As we continue to add to our workforce through acquisitions, the parent company staff will remain small. We have a total of 23,130 employees on our payroll, of whom only 5 reside at headquarters. We heartily believe in simplicity because money is spent, not made at headquarters. We do not have a plethora of departments as other firms do, such as public relations, legal, human resources, investor relations, etc., etc., etc. Accordingly, our central costs

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

are sharply limited because of the concentration of decision-making power. Capital allocation responsibility is highly centralized and managed exclusively by myself rather than through a committee. We do not employ analysts or advisors. A bureaucracy suffocates decision-making acuity and agility. An enterprise's wealth is derived from the underlying businesses, minus unnecessary corporate overhead. By taking our approach, we sidestep diseconomies of scale resulting from a bloated bureaucracy.

The combination of cash earnings generated by operating businesses along with my capital allocation work will stoke our corporate performance, which according to our criterion must outdo our benchmark, the S&P 500 Index. Over the last six years, we believe BH's gain in per-share intrinsic value has *far* outstripped that of the S&P.

Two components — investments and operating businesses — remain critical to assessing BH's progress. We will present the dual segments as if BH were split into two parts.

Investments

By the end of fiscal 2014, total investments (cash, marketable securities, and BH's investments in The Lion Fund) amounted to $766.6 million, increasing from $635.4 million in the preceding year. Although 2014's investments grew by $131.2 million, this increment was largely propelled by adjusting the capital structure, but it was also partially offset by the acquisition of two companies.

Over the last six years BH's investments have climbed by $759.7 million. The following table displays the company's exponential rise in investments since fiscal 2008:

	Fiscal Year *(In Millions)*						
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Cash and Cash-Equivalents	$ 124.3	$ 94.6	$ 60.4	$ 99.0	$ 47.6	$ 51.4	$ 6.9
Marketable Securities	21.5	85.5	269.9	115.3	32.5	3.0	–
The Lion Fund [2]	620.8	455.3	48.3	38.5	38.6	–	–
Total Investments.......................	**$ 766.6**	**$ 635.4**	**$ 378.6**	**$ 252.8**	**$ 118.7**	**$ 54.4**	**$ 6.9**

Enjoy reading the above increases. Just do not become accustomed to them.

We have improved capital utilization by redeploying funds based on encountering unusual and worthwhile opportunities. As the capital deployer unconstrained by institutional limitations, I maintain enormous latitude in capital allocation. I appraise on the basis of value and allocate on the basis of opportunity. Our scope of investment activity is limited only by our scope of knowledge.

[2] These sums are BH's investments in The Lion Fund, L.P. and The Lion Fund II, L.P. The interests of the other limited partners are not included. Both partnerships throughout this letter will be referenced as The Lion Fund.

A vital advantage that has facilitated BH's results of the past six years has been the adoption of operating and capital allocation policies logical to us but unconventional in corporate America. For instance, most companies do not consider fractional ownership of businesses by means of the stock market. By refusing to restrict ourselves to the purchase of entire businesses in negotiated transactions, we magnify our investment domain.

In selecting stocks of businesses, we favor concentration. Our range may be limited, but our knowledge of selected companies must be supreme in order to achieve performance superiority. By our assuming a long-term perspective and concentrating on equities, we are accepting near-term volatility in exchange for higher long-term results. Our view, we caution, runs against convention. We believe a concentrated approach can be a highly profitable operation for those who possess the proper mental equipment. However, he who thinks he knows but actually does not know, he is, as Shakespeare wrote in *Hamlet*, "Hoist with his own petard" — or ruined by his own ignorance.

Our approach has enabled us to seize lucrative investments, substantially advancing BH's per-share intrinsic value. Our most significant noncontrolled holding is Cracker Barrel Old Country Store, Inc. in which we own 4,737,794 shares, or a 19.8% equity interest. BH holds Cracker Barrel shares through The Lion Fund.

We purchased the stake in Cracker Barrel for $241 million between May 2011 and December 2012. In 2014 our pro-rata share of Cracker Barrel's earnings amounted to $26.2 million or 10.9% of our cost. Based on the company's current dividend rate, in the coming year The Lion Fund should receive cash distributions of about $19 million, approximately 7.9% of our cost. The market value of our stake at the end of our fiscal year 2014 was about $490 million. Along the way we have thus far collected a total of $34.9 million in dividends.

In gauging BH's economic progress, Phil and I include the substantial pro-rata earnings of noncontrolled businesses. Although noncontrolled interests are escalating BH's "economic" earnings, our preference remains to purchase entire businesses.

In seeking to augment our economic earnings through business acquisitions, we are quite discerning, for we seldom discover opportunities that meet our criteria. For every hundred businesses we review for acquisition, only one or two may interest us. When we find the few enterprises that rise to our high standards, we do not dawdle. We move aggressively but conscientiously. In 2014 we made progress by acquiring First Guard Insurance Company as well as Maxim Inc.

First Guard Insurance Company

On March 19, 2014 we entered the property/casualty insurance business with a gem of a company. The man responsible for creating such a remarkable gem is Edmund B. Campbell, III, from whom we purchased First Guard Insurance Company and its affiliated agency, 1st Guard Corporation. First Guard — a direct underwriter of commercial trucking insurance — is a low-cost operator, one with extraordinary efficiency. This fact should arouse your interest: *First Guard has never registered an underwriting loss in its history*.

1st Guard Corporation began in 1937 as an insurance agency targeting small businesses and later adding trucking insurance. In 1965 Edmund B. Campbell, Jr. purchased the company. Recognizing the inherent potential for insurance products for independent truckers, Ed Jr. by 1969 turned 1st Guard into an exclusive provider of trucking insurance for owner-operators.

In 1991, Ed Jr. sold the company to his son, Ed III. Under Ed III the company instituted efficient operational strategies that in 1997 led to the formation of First Guard Insurance Company. By directly selling insurance to truckers, maintaining underwriting discipline, and sustaining a low-cost operation, First Guard offers exceptional value to truckers and auspicious economics for its owner.

Shown below are the results of First Guard (combined with its affiliated agency), in aggregate, since its formation:

Time Period	Revenues[3]	Earnings Before Taxes	Combined Ratio[4]
August 1, 1997 – September 30, 2014	$145,207,947	$42,698,277	79.1%

In their nearly 50 years in the insurance business, the Campbell family has maintained a noteworthy record and earned an extraordinary reputation. Over the years, Ed III had been approached by other buyers, but the idea of his creation left in the hands of a "strategic" buyer or a private equity firm failed to appeal to him because of the disruptions such owners would cause for the business and its employees.

We were in a uniquely good position because we did not merely want to buy the business; we wanted Ed and his management team to continue to operate in the future as they had done in the past. The only exception was my assuming responsibility for First Guard's investment portfolio. Our financial strength as well as our decentralized management structure offered great appeal.

First Guard is an ideal acquisition because of its excellent management. We believe that Biglari Holdings' ownership will permit Ed and his team to unleash First Guard's potential to attain higher earnings in the coming years than would have existed if it had remained on its own. The prime reasons are that Biglari Holdings has deep capital strength and the willingness to withstand variability in results so long as the decisions involve the prospects of higher long-term profits. In fact, we expect net premium volume to increase in the coming year because, effective September 1, 2014, we materially reduced insurance premiums ceded to our reinsurer. Without question, we will clearly remain sufficiently disciplined to weigh underwriting profits over premium volume.

First Guard is an exemplary acquisition for Biglari Holdings' collection of businesses.

[3] Revenues comprise net premium volume, commissions, and management fees.

[4] The combined ratio represents losses incurred plus expenses as compared to revenue from premiums. A combined ratio beneath 100 percent denotes an underwriting profit whereas a ratio above 100 percent signifies a loss.

Maxim Inc.

Although our preference is to purchase a well-managed business with terrific economic dynamics and at a prudent price, we will also venture into troubled companies, but only ones whose underlying business we think will become sound and promising once our methods are implemented. In such instances we find safety in a bargain price.

On February 27, 2014 we purchased Maxim — one of the largest men's magazines — a cash-depleting business except one that we ascertained could be converted into a cash generator and consequently achieve outsized overall results. Therefore, Maxim represents an archetypical entrepreneurial investment.

We purchased Maxim at a moment of maximum uncertainty. Many potential buyers had fled, advertisers *en masse* were abandoning the publication, and the magazine was suffering losses. Nevertheless, where most viewed chaos and losses, we viewed opportunity and profit possibilities. As an entrepreneur, I am comfortable operating in an ambiguous, nebulous, and tumultuous environment.

The magazine built the Maxim brand, and now we intend to utilize that brand to build cash-generating businesses. We view Maxim as a franchise that can develop high-margin lines of business, such as licensing the brand to spawn royalties related to consumer products and services. But the initial step has been to fix the fundamentals of the business. The magazine itself has been upgraded — from the quality of the paper to the content to the photography — thereby projecting a new vision and a new image. An ethos must shine through the pages of the periodical depicting sophistication and style. With uplifting success stories, the new Maxim is aimed at becoming both inspirational and aspirational. The culmination of these efforts to produce a quality product should grow advertising revenue. As we rebuild the business, both print and digital, we are concurrently investing in the emergence of the licensing business.

We are allotting significant money to transform the business. Since our acquisition, Maxim's pre-tax operating losses total $16 million. However, we view the bulk of the losses as investments necessary to repair the revenue/expense problem. Our expectation is for Maxim to become profitable during 2016. Nevertheless, our pathway to profit, we anticipate, will be highly irregular. By my next Chairman's letter, I will be in a position to assess whether we are on track in reaching our goal.

The transformation of Maxim will either make history or be history. Because such a commitment to an entrepreneurial investment does not involve, let alone imply, the surety of success, we risk being quite wrong. Nevertheless, our duty is not to avoid discomfiture but to take action after judging we have a mathematical edge. Anyone desiring a 100% probability of success best take Clint Eastwood's advice in the film *The Rookie*, "If you want a guarantee, buy a toaster."

Operating Businesses

We have four major controlled businesses, each 100%-owned: Steak n Shake, Western Sizzlin, First Guard, and Maxim. We started with Steak n Shake in 2008 and have been plowing its excess cash into a disparate collection of businesses and investments. We are constructing Biglari Holdings one acquisition at a time.

Because we are driven by intrinsic value not by an income statement, in our view, our reported earnings do not properly represent a meaningful measure of our economic progress. Nevertheless, as a first step in evaluating BH's performance, the following table delineates an unconventional breakdown of our earnings in a form we find more useful than the conventional one in our consolidated statements.

	(In 000's)	
	2014	**2013**
Operating Earnings:		
Steak n Shake	$ 26,494	$ 28,376
Western Sizzlin	1,765	511
First Guard	1,461	–
Maxim	(15,981)	–
Corporate and Other[1]	(8,003)	(10,592)
Operating Earnings Before Interest and Taxes	5,736	18,295
Interest Expense[2]	10,299	6,551
Income Taxes	(2,746)	(299)
Net Operating Earnings	(1,817)	12,043
BH Investment Gains (net of taxes)	–	1
The Lion Fund (net of taxes)	30,621	128,227
Total Earnings	$ 28,804	$ 140,271

(1) Includes earnings from consolidated affiliated partnerships
(2) Includes loss on debt extinguishment

For the last two years moving securities from BH to The Lion Fund necessitated our booking an accounting net profit of $18.3 million in 2014 and $114.9 million in 2013. These gains do not impact the intrinsic value of BH. To explain, accounting standards call for the market value of shares within such a transfer to be recorded at the new cost basis on the date of the exchange, with the difference between the new basis and the prior historical cost recognized in the financial statements as an investment gain. For tax return purposes, the interchange is recorded at the original cost of the securities. We did not harvest any gains, nor did we pay any taxes. Nevertheless, the recognition of the $18.3 million gain plus a $12.3 million after-tax increase in the carrying value of The Lion Fund affected BH's reported earnings by $30.6 million.

As noted earlier in this letter, BH now maintains all its Cracker Barrel shares through The Lion Fund. Henceforth, changes in the value of Cracker Barrel's shares plus their dividends impact the value of The Lion Fund, which in turn will be recorded on BH's quarterly income statement. Historically the dividends received from Cracker Barrel on shares held by BH were recorded as part of operating earnings. Thus, BH's net operating earnings are reduced by holding dividend-paying securities through The Lion Fund. But shifting the geography of the accounting does not change the value of BH.

Furthermore, Phil and I are indifferent about the variability in reported earnings caused by the accounting of The Lion Fund. We simply separate changes in the partnerships' values from those in operating businesses when we report BH's earnings. In addition, we appraise our equity holdings based on their underlying business performance, not on their stock performance. We are value-minded investors, not quotation-minded speculators. Patently, our operating and capital deployment decisions are not founded on their accounting consequences but on their economic consequences. We opt for economic profits over accounting optics.

Last year I told you that the performance of our operating businesses in fiscal 2013 was acceptable. We now submit the comparable assessment for 2014. A casual reader would fail to conclude correctly, adjudging only by net operating results, which show a *loss* of $1.8 million in 2014 versus a profit of $12 million in 2013. Ostensibly, BH's net operating earnings have been declining for the last few years. Nonetheless, a conclusion based on earnings would be incomplete and erroneous, for we could easily take action that would set *record* earnings. Our aim is not to create earnings, but to create wealth. Value is not predicated on an annual figure but on the present value of future cash flows.

Restaurant Operations

Our restaurant business — the cash machine behind Biglari Holdings — had a decent year. Our two wholly-owned restaurant businesses are Steak n Shake and Western Sizzlin, though the business models of each differ. Steak n Shake primarily operates restaurants, sporting a total of 544 locations, of which 417 are company operated. However, Western is mainly engaged in franchising restaurants, with 75 units — all but 4 are franchisee run.

In fiscal 2014, Western sent BH $2.7 million of cash. Because of our discipline in capital allocation, we have been cash-cowing Western for years. Since our purchase in March 2010, an aggregate of $13.1 million has been sent to Biglari Holdings, through which we have redeployed the capital into more gainful opportunities.

* * *

A little over six years ago, we gained control of Steak n Shake, which then was a failing restaurant chain. Prior to our taking control in August 2008, in the fourth quarter of fiscal 2005 Steak n Shake began to record *declining* same-store sales, which lasted 13 consecutive quarters. Steak n Shake was unable to increase same-store customer traffic during these periods of economic expansion and contraction because the chain was not providing patrons with excellent service, excellent products, and excellent prices. By the time we took over, the company's deterioration was worsening. In the fall of 2008 Steak n Shake was *losing* about 10% in year-over-year customer traffic and also *losing* around $100,000 per day. But in a matter of months — *and* in the depths of the recession — Steak n Shake underwent an exceptional turnaround. Since then we have registered 23 consecutive quarterly increases in same-store sales. Below is a side-by-side comparison of same-store performances before and after we took over.

Same-Store Sales

	Pre-Takeover				**Post-Takeover**					
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
1st Quarter	–	-1.1%	-1.7%	-9.5%	**-1.4%**	**14.4%**	**2.1%**	**5.5%**	**1.3%**	**3.0%**
2nd Quarter	–	-0.3%	-4.7%	-6.3%	**2.4%**	**5.1%**	**4.3%**	**4.8%**	**0.3%**	**3.7%**
3rd Quarter	–	-3.9%	-4.3%	-5.8%	**5.0%**	**7.5%**	**4.9%**	**2.9%**	**4.2%**	**1.0%**
4th Quarter	-3.0%	-3.4%	-3.9%	-7.4%	**10.1%**	**6.8%**	**5.3%**	**1.8%**	**3.3%**	**3.4%**

We always make the assumption that our ultimate boss — the customer — is intelligent, and neither irrational nor ignorant. We are a customer-focused rather than a competitor-focused company. As a corollary, we do not use competition as our primary benchmark. Rather, our objective is to expand customer traffic *profitably* year in and year out even if our competitors fail to do so. The more relevant we are to customers, the less relevant we find the competition. We refuse to use alibis for poor performance. If we blame the economy or weather for weak performance, then we should also give credit to external factors for strong performance. We never forget we are in the restaurant business, not the excuse business.

Here is a review of Steak n Shake's results over the last seven years:

(Dollars in 000's)

	Net Revenue	Operating Earnings	Number of Customers	Number of Company Stores at Year-End	Operating Earnings Per Store
2008........................	$ 610,061	$ (30,754)	85,000,000	423	$ (72.7)
2009 (53 weeks).....	628,726	11,473	91,000,000	412	27.8
2010........................	662,891	38,316	101,000,000	412	93.0
2011........................	689,325	41,247	105,000,000	413	99.9
2012........................	718,010	45,622	110,000,000	414	110.2
2013........................	737,090	28,376	112,000,000	415	68.4
2014........................	765,600	26,494	114,000,000	416	63.7

Notes: Present management took control in the fourth quarter of fiscal 2008. Customer count is only for company-operated units.

Phil and I believe that in fiscal 2014 Steak n Shake's intrinsic value increased, even though its earnings before interest and taxes of $26.5 million declined from $28.4 million in 2013. Voluntarily, we have been trading near-term earnings to develop higher long-term cash flows. As the table indicates, Steak n Shake's earnings were materially higher in fiscal 2012. The major factor for the recent downturn has been our aggressive spending to stoke our franchise business. Our capital continues to be apportioned on the expectation that we are creating consequential, greater dollar value for each dollar spent.

We have also been investing to strengthen our long-term competitive position by providing our customers with an extremely strong value proposition on America's favorite pastime — burgers and shakes — that will *not* go out of style. But we do not serve just *any* burgers and shakes; our savory steakburgers and delicious hand-dipped milkshakes have propelled Steak n Shake into a multigenerational brand. Viewing all company-operated units as a single, united, gigantic store, we served 85 million patrons in 2008. However, in 2014 we served 114 million customers. In other words, 29 million additional customers (some of whom were repeats) went through the same four walls in 2014, compared to those in 2008. Because of the commitment and passion of our over 23,000 associates, we are doing our part with immeasurable satisfaction to improve the quality of life for millions of people.

Clearly, it is easy to gain more customers by opening more units. All it takes is capital. But to earn more customers profitably through existing stores — and leveraging fixed restaurant-level costs — is axiomatically a difficult but far more rewarding concept. The pendulum swing from losses in 2008 to profit in subsequent years is attributable to our bolstering the stores in our domain to become more productive. How our people outperform is based on old-fashioned ideals of ingenuity and determination.

Through the amalgamation of daily improvements, relentlessly reducing operating costs and increasing efficiencies, we are creating a solid enterprise. Our pricing philosophy is not to maximize profit per customer but to offer products at the lowest possible prices to an ever-increasing number of customers, thereby continuing to stimulate aggregate profits. Our strategy has enabled us to maintain constant prices on core menu items even though beef costs alone, in company-operated stores, were about $19 million higher in 2014 than in 2009. To remain successful, we must persist within a culture of thrift, squeezing out expenses and applying methods to lower our cost structure. We have instituted a system in which all expenses are defined as variable. Our discipline using analysis and expense control enables us to achieve sustainable cost advantages. Naturally, cutting expenses is like cutting grass, a never-ending task.

Steak n Shake's accomplishment over the last six years is extraordinary because we attained it without major capital expenditures or retention of earnings. Under BH's ownership, Steak n Shake has paid more in dividends than it has earned in profits, a dividend ratio well beyond 100%. In fact, Steak n Shake has distributed over $300 million of capital to BH. Steak n Shake cascades cash well beyond its requirements, including funding its growth.

To become a global brand without major capital outlays, we are leveraging the Steak n Shake brand to capitalize on noncapital-intensive businesses that foster high returns. In a franchising arrangement the major capital funding required to expand the brand is borne by franchisees. As the franchisor, we mainly collect royalties. Our fundamental idea is to produce long-term cash flows yet concomitantly reduce operating risks. But to fill these rivers of ever-increasing cash, we have been investing aggressively to build the infrastructure and system-wide standards to channel our growth. Because of the upfront costs, public companies desiring to enlarge their near-term accounting earnings would not follow similar initiatives. Thus far, we gauge our investments in franchising to have produced reasonable results. The impact of our investments is displayed below in the number of franchise units and the revenues derived from them:

(Dollars in 000's)

	Number of Franchise Units	Franchise Revenue	Revenue Growth Rate
2010	71	$ 4,205	N/A
2011	76	5,348	27.2
2012	83	6,499	21.5
2013	104	8,707	34.0
2014	124	12,183	39.9
Overall Gain (2010-2014)	53	$ 7,978	189.7%

Although Steak n Shake was founded in 1934 in Normal, Illinois, the first franchised unit opened in 1939. From 1939 to 2010 Steak n Shake grew by an average of one franchised unit per year. In contrast, the end of 2015 will mark the fifth anniversary since present management assertively began to pursue franchising. We anticipate that in this five-year interval we will surpass the 71 units achieved in our preceding 71-year history of franchising. Franchise revenue has been compounding by an average of 30% per annum over the last four years, a rate that is almost certain to decline. However, we have signed agreements with domestic and international franchisees who in the coming years have committed to opening a total of 239 units.

We remain confident and enthusiastic about our prospects to broaden both domestic and international franchising. We have creatively adapted Steak n Shake, yet maintained consistency in quality. Because of the modularity of Steak n Shake's design, we are now present in universities, casinos, airports, gas stations, shopping centers, and other arenas.

In our quest to become a global brand, we have seeded select company-operated units in high-profile, iconic locations to create more awareness of the brand as well as to showcase Steak n Shake's new counter-service model.

In the U.S. the most recent unit has opened in Santa Monica, California at the famed Third Street Promenade. Along with our location in New York City, our visibility from the East Coast to the West Coast has increased interest in the brand.

Internationally, we have two company-operated units along the Mediterranean Sea: one on the island of Ibiza, Spain, and the other in Cannes, France. Our overseas presence through franchising is developing traction. We are about to open a unit in Marseille, France, and in the coming months we plan to open in Madrid, Spain; Kuwait City, Kuwait; and Riyadh, Saudi Arabia. Europe and the Middle East are fertile grounds for franchise expansion. But to ensure that the Steak n Shake in Kuwait City and the one in Kansas City consistently serve high-quality products to our specifications, we are building an efficient system to maintain uniformity.

In addition to franchising, we have been pursuing a licensing business because we have long believed that Steak n Shake is a brand with extensive potential that could proliferate beyond the restaurant. To reach more customers effectively and profitably, we are licensing Steak n Shake products and earning royalties. Recently we have introduced several food products at various retailers. The Steak n Shake brand can reach additional customers through supermarkets, which most American households must frequent, whereas not all of them will enter a Steak n Shake restaurant in the coming year. As one pertinent example of licensing, we are now present in approximately 2,400 Walmarts. We think that licensing will aid in spreading the brand to become ubiquitous.

Franchising and licensing are businesses that in the long run we think will add streams of cash to Steak n Shake, which will ultimately go to the parent company. Phil and I believe that because of the positive actions we have taken, Steak n Shake is a far more valuable concept today than at any other time in its history and also is the type of business we want to own in the coming decades.

Capital Structure

Capital structure management is a critical component at BH but one neither extensively nor fully understood because of the necessity to consolidate subsidiary debt on BH's balance sheet. For BH we have designed a method that allows us to take advantage of leverage without assuming financial liability at the parent level. To achieve this desired outcome, we have separated the debt obligations of subsidiaries from those of BH. Furthermore, each subsidiary's capital structure risk will vary and will be inversely related to its business risk. For instance, Maxim has no debt, whereas Steak n Shake has an appropriate level of debt relative to its assets and its earning power. Steak n Shake's debt — or that of other subsidiaries — is *not* guaranteed by BH. The parent company itself carries no debt, and thus retains maximum capital strength.

In fiscal 2014, Steak n Shake refinanced its credit facility and in doing so increased its leverage. At the end of fiscal 2014, Steak n Shake had $219.5 million in debt, up from $120.3 million as of the prior year. The pre-tax interest rate is now at 4.8%. We continue to adjust Steak n Shake's capital structure to conserve a sensible level of debt and of debt capacity. The refinancing increased optionality with the resultant consequence of fortifying BH's balance sheet.

BH's balance sheet contains significant liquid assets, including cash raised from a recently completed rights offering. In sum, BH raised capital through this rights offering by issuing 344,261 shares at $250 per share, raising a total of $86.1 million. Now BH has 2,065,586 total shares outstanding. Our flotation costs were exceptionally low relative to traditional financing, equaling 22 basis points or 0.22% of the capital raised.

Shareholder Communications

My communications with shareholders are generally limited to the annual report and the annual meeting. We do not provide earnings guidance, nor do we hold quarterly conference calls in that neither activity would jibe with managing our entrepreneurial enterprise. On the other hand, we wish to provide all shareholders simultaneously with the same information. One-on-one meetings are neither productive nor practicable.

My aim in the Chairman's Letter is to impart our business philosophy, explain how the business has performed, and supply the information necessary to arrive at your own estimate of the intrinsic value of the company. However, outside of regulatory requirements, we will not share our thoughts, discuss our intentions, or telegraph our investment ideas.

Past Chairman's Letters are also important in that they help you gain more knowledge of the business. These letters can be easily accessed on our website, biglariholdings.com. We are providing information we ourselves would want to know if our roles were reversed and we were passive investors.

We have changed our fiscal year to the calendar year, switching from one ending on the Wednesday nearest September 30 to one that will end on December 31. With the change in reporting, we will file the results from September 25, 2014 to December 31, 2014 on March 13, 2015. We will then issue press releases on 2015 quarterly results after the market closes on May 8, August 7, and November 6. The 2015 annual report will be posted on our website on Saturday, February 20, 2016.

Our annual meeting will be held at 1:00 pm on Thursday, April 9, 2015 in New York City at the St. Regis Hotel. Be aware that the meeting is just for our owners; thus, to attend, you must own shares and show proof thereof. The bulk of the gathering is a question-and-answer session that usually lasts about five hours covering myriad topics on shareholders' minds. Phil and I look forward to spending the time required to answer your questions. We find the annual meeting to be an effective channel to communicate with you.

* * *

Shareholders who invest in BH should do so just as they would in a partnership with conditions they find agreeable. We want only partners who understand and affirm our entrepreneurial approach and therefore are in accord with our philosophy, objectives, governance, and time horizons.

For example, be sure your commitment would extend as long as a decade or more; otherwise, you would be mistaken in owning BH. Our job over a decade is to create value in excess of the S&P. We are making decisions and measuring results over highly extended intervals.

We are not shaping our views or methods according to the expectations of others. We are guided by fact and logical reasoning, not by conventional ideology. The unimaginative and the unenterprising moderate their actions and achieve mediocrity. But in doing so, they leave opportunity ripe for exploitation, especially by the resourceful, self-reliant entrepreneur. When we depart from arbitrary codes and conventions, we invite unease, which we handle with great equanimity. In the end the validity of our ideas, not the opinions of others, will triumph.

Biglari Holdings is an enterprise embodying entrepreneurship. Our unwavering focus is based on the advancement of per-share intrinsic value. Those of you who choose to partner with us in the stock because you like our idiosyncrasies know that Phil and I will do all we can to make your journey a prosperous one.

Sardar Biglari
Chairman of the Board

November 21, 2014