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 June 30, 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 August 3, 2021:

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

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PART 1 – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	June 30, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 28,212	$ 24,503
Investments	96,094	94,861
Receivables	17,706	19,185
Inventories	3,523	2,737
Other current assets	6,744	6,492
Total current assets	152,279	147,778
Property and equipment	340,710	316,122
Operating lease assets	40,299	42,832
Goodwill and other intangible assets	77,376	77,661
Investment partnerships	311,878	419,550
Other assets	11,353	14,025
Total assets	$ 933,895	$ 1,017,968
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 99,974	$ 90,892
Loss and loss adjustment expenses	13,669	14,652
Unearned premiums	11,507	13,277
Current portion of lease obligations	16,776	17,365
Current portion of notes payable	-	152,261
Total current liabilities	141,926	288,447
Lease obligations	105,608	111,645
Deferred taxes	60,909	41,346
Asset retirement obligations	10,183	10,022
Other liabilities	1,777	1,680
Total liabilities	320,403	453,140
Shareholders' equity		
Common stock	1,138	1,138
Additional paid-in capital	381,788	381,788
Retained earnings	624,020	573,050
Accumulated other comprehensive loss	(1,860)	(1,531)
Treasury stock, at cost	(391,594)	(389,617)
Biglari Holdings Inc. shareholders' equity	613,492	564,828
Total liabilities and shareholders' equity	$ 933,895	$ 1,017,968

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands except per share amounts)

	Second Quarter		First Six Months	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Revenues				
Restaurant operations	$ 67,326	$ 78,764	$ 137,280	$ 192,908
Insurance premiums and other	14,387	14,605	29,006	24,279
Oil and gas	8,365	2,151	16,957	13,525
Media and licensing	709	982	1,832	1,490
	90,787	96,502	185,075	232,202
Cost and expenses				
Restaurant cost of sales	41,987	50,759	87,603	140,675
Insurance losses and underwriting expenses	9,915	11,264	21,061	17,576
Oil and gas production costs	2,494	1,323	4,907	4,399
Media and licensing costs	389	437	869	943
Selling, general and administrative	18,419	17,845	33,959	35,072
Impairments	261	7,819	559	18,119
Depreciation and amortization	7,379	6,947	14,557	17,009
Interest expense on leases	1,537	1,286	3,157	3,086
Interest expense on notes payable	-	2,349	1,121	4,823
	82,381	100,029	167,793	241,702
Other income				
Investment gains	(1,150)	1,509	1,931	1,509
Investment partnership gains (losses)	(34,191)	59,248	47,575	(116,494)
	(35,341)	60,757	49,506	(114,985)
Earnings (loss) before income taxes	(26,935)	57,230	66,788	(124,485)
Income tax expense (benefit)	(6,198)	14,764	15,818	(29,066)
Net earnings (loss)	$ (20,737)	$ 42,466	$ 50,970	$ (95,419)
Earnings per share				
Net earnings (loss) per equivalent Class A share *	$ (64.04)	$ 121.51	$ 158.06	$ (275.04)

*Net earnings (loss) per equivalent Class B share outstanding are one-fifth of the equivalent Class A share or $(12.81) and $31.61 for the second quarter and first six months of 2021, respectively, and $24.30 and $(55.01) for the second quarter and first six months of 2020, respectively.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

	Second Quarter		First Six Months	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Net earnings (loss)	$ (20,737)	$ 42,466	$ 50,970	$ (95,419)
Foreign currency translation	115	802	(329)	490
Total comprehensive income (loss)	$ (20,622)	$ 43,268	$ 50,641	$ (94,929)

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	First Six Months	
	2021	2020
	(Unaudited)	
Operating activities		
Net earnings (loss)	$ 50,970	$ (95,419)
Adjustments to reconcile net earnings (loss) to operating cash flows:		
Depreciation and amortization	14,557	17,009
Provision for deferred income taxes	19,598	(25,062)
Asset impairments and other non-cash expenses	696	18,607
Gains on disposal of assets	(592)	(1,066)
Investment gains and investment partnership gains/losses	(49,957)	114,985
Distributions from investment partnerships	158,070	83,830
Changes in receivables, inventories and other assets	2,037	8,605
Changes in accounts payable and accrued expenses	(8,171)	(22,804)
Net cash provided by operating activities	187,208	98,685
Investing activities		
Capital expenditures	(26,838)	(10,040)
Proceeds from property and equipment disposals	2,749	1,824
Acquisition of business, net of cash acquired	-	(34,240)
Purchases of limited partner interests	(4,800)	(62,730)
Purchases of investments	(60,123)	(180,819)
Redemptions of fixed maturity securities	56,173	182,645
Net cash used in investing activities	(32,839)	(103,360)
Financing activities		
Proceeds from revolving credit facility	-	440
Principal payments on long-term debt	(149,952)	(22,179)
Principal payments on direct financing lease obligations	(3,184)	(2,417)
Net cash used in financing activities	(153,136)	(24,156)
Effect of exchange rate changes on cash	(24)	(3)
Increase (decrease) in cash, cash equivalents and restricted cash	1,209	(28,834)
Cash, cash equivalents and restricted cash at beginning of year	29,666	70,696
Cash, cash equivalents and restricted cash at end of second quarter	$ 30,875	$ 41,862

	First Six Months	
	2021	2020
	(Unaudited)	
Cash and cash equivalents	$ 28,212	$ 36,438
Restricted cash in other long-term assets	2,663	5,424
Cash, cash equivalents and restricted cash at end of second quarter	$ 30,875	$ 41,862

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
Net earnings (loss)			(20,737)			(20,737)
Other comprehensive income				115		115
Adjustment to treasury stock for holdings in investment partnerships					(5,026)	(5,026)
Balance at June 30, 2021	$ 1,138	$ 381,788	$ 624,020	$ (1,860)	$ (391,594)	$ 613,492

	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
Net earnings			42,466			42,466
Other comprehensive income				802		802
Adjustment to treasury stock for holdings in investment partnerships					92	92
Balance at June 30, 2020	$ 1,138	$ 381,788	$ 515,620	$ (2,320)	$ (373,676)	$ 522,550

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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 June 30, 2021, Mr. Biglari beneficially owns shares of the Company that represent approximately 64.3% of the economic interest and 69.6% 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 in March of 2020. Government and private sector responses to contain its spread began to affect our operating businesses significantly that same month. The COVID-19 pandemic has adversely affected nearly all of our operations, although the effects are varying significantly. The risks and uncertainties resulting from the pandemic may continue to affect our future earnings, cash flows and financial condition. The extent of such effects over the long term cannot be reasonably estimated at this time.

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.

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 Company. Intercompany accounts and transactions have been eliminated in consolidation.

Change in Presentation
Gain on debt extinguishment of $1,367 and $5,713 during the second quarter and first six months of 2020, respectively, have been reclassified from other income to selling, general and administrative expenses. Loss and loss adjustment expenses and unearned premiums are reflected separately from accrued expenses on the consolidated balance sheet.

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 June 30, 2021 and December 31, 2020.

	June 30, 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 June 30, 2021 and December 31, 2020. 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 second quarters of 2021 and 2020 was 323,811 and 349,478, respectively. The equivalent Class A common stock for the earnings per share calculation during the first six months of 2021 and 2020 was 322,482 and 346,934, respectively.

Note 3. Investments

Investments were $96,094 and $94,861 as of June 30, 2021 and December 31, 2020, respectively. We classify investments in fixed maturity securities at the acquisition date as either available-for-sale or held-to-maturity and re-evaluate the classification at each balance sheet date. Securities classified as held-to-maturity are carried at amortized cost, reflecting the ability and intent to hold the securities to maturity. Realized gains and losses on disposals of investments are determined on a specific identification basis. Dividends earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

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)	114,286	66,711	47,575
Distributions (net of contributions)	(153,270)		(153,270)
Increase in proportionate share of Company stock held		1,977	(1,977)
Partnership interest at June 30, 2021	$ 551,942	$ 240,064	$ 311,878

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2019	$ 666,123	$ 160,581	$ 505,542
Investment partnership gains (losses)	(183,096)	(66,602)	(116,494)
Distributions (net of contributions)	(21,100)		(21,100)
Decrease in proportionate share of Company stock held		(1,181)	1,181
Partnership interest at June 30, 2020	$ 461,927	$ 92,798	$ 369,129

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

	June 30, 2021	December 31, 2020
Carrying value of investment partnerships	$ 311,878	$ 419,550
Deferred tax liability related to investment partnerships	(59,859)	(44,805)
Carrying value of investment partnerships net of deferred taxes	$ 252,019	$ 374,745

The Company's proportionate share of Company stock held by investment partnerships at cost is $391,594 and $389,617 at June 30, 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.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Gains (losses) on investment partnership	$ (34,191)	$ 59,248	$ 47,575	$ (116,494)
Tax expense (benefit)	(7,996)	13,883	11,121	(27,500)
Contribution to net earnings	$ (26,195)	$ 45,365	$ 36,454	$ (88,994)

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 consolidated financial statements.

There were no incentive reallocations from Biglari Holdings to Biglari Capital during the first six months 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 June 30, 2021	$ 128,809	$ 574,077
Total liabilities as of June 30, 2021	$ 47	$ 68,450
Revenue for the first six months of 2021	$ 31,297	$ 100,466
Earnings for the first six months of 2021	$ 31,260	$ 100,192
Biglari Holdings' ownership interest as of June 30, 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 six months of 2020	$ (34,461)	$ (172,022)
Earnings for the first six months of 2020	$ (34,495)	$ (173,174)
Biglari Holdings' ownership interest as of June 30, 2020	66.1%	92.9%

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.

	June 30, 2021	December 31, 2020
Land	$ 145,915	$ 142,601
Buildings	144,350	138,734
Land and leasehold improvements	145,070	141,351
Equipment	214,358	192,735
Oil and gas properties	73,585	75,900
Construction in progress	1,362	1,032
	724,640	692,353
Less accumulated depreciation and amortization	(383,930)	(376,231)
Property and equipment, net	$ 340,710	$ 316,122

Depletion expense related to oil and gas properties was $4,551 and $6,578 during the first six months of 2021 and 2020, respectively, and is included in depreciation and amortization within the consolidated statement of earnings.

During the first six months of 2021, the Company recorded impairment charges of $559 related to closed stores. The Company recorded impairment charges of $14,419 in the first six months of 2020. 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 six months of 2021	(21)
Goodwill at June 30, 2021	$ 53,575

We evaluate goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. Goodwill impairment occurs when the estimated fair value of goodwill is less than its carrying value. The valuation methodology and underlying financial information included in our determination of fair value require significant management judgments. We use both market and income approaches to derive fair value. The judgments in these two approaches include, but are not limited to, comparable market multiples, long-term projections of future financial performance, and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results. In response to the adverse effects of the COVID-19 pandemic, 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. No impairment charges for goodwill were recorded in the first six months of 2021 or 2020.

Western Sizzlin has experienced a decline in its franchised units for several years. If Western Sizzlin's franchised units continue to decline an impairment of its goodwill may be necessary.

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 six months of 2021		-		(264)		(264)
Balance at June 30, 2021	$	15,876	$	7,925	$	23,801

During the first six months of 2020, the Company recorded impairment charges of $3,700 on lease rights related to our international restaurant operations.

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

Note 7. Restaurant Operations Revenues

Restaurant operations revenues were as follows.

	Second Quarter				First Six Months			
	2021		2020		2021		2020	
Net sales	$	49,403	$	69,487	$	104,353	$	174,215
Franchise partner fees		12,383		4,537		20,236		7,881
Franchise royalties and fees		4,594		4,072		9,729		9,283
Other		946		668		2,962		1,529
	$	67,326	$	78,764	$	137,280	$	192,908

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. We generate most of our revenue from our share of the franchise partners' profits. An 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.

	June 30, 2021	December 31, 2020
Accounts payable	$ 40,665	$ 26,537
Gift card liability	20,641	21,822
Insurance accruals	6,016	6,559
Salaries, wages and vacation	7,569	8,285
Deferred revenue	9,169	9,324
Taxes payable	5,699	10,922
Professional fees	6,214	5,882
Other	4,001	1,561
Accounts payable and accrued expenses	$ 99,974	$ 90,892

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. The Company repaid Steak n Shake's outstanding balance in full on February 19, 2021.

Lease obligations include the following.

	June 30, 2021	December 31, 2020
Current portion of lease obligations		
Finance lease liabilities	$ 1,623	$ 1,897
Finance obligations	4,957	4,854
Operating lease liabilities	10,196	10,614
Total current portion of lease obligations	$ 16,776	$ 17,365
Long-term lease obligations		
Finance lease liabilities	$ 5,338	$ 7,034
Finance obligations	66,126	68,148
Operating lease liabilities	34,144	36,463
Total long-term lease obligations	$ 105,608	$ 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.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Finance lease costs:				
Amortization of right-of-use assets	$ 382	$ 329	$ 801	$ 808
Interest on lease liabilities	126	78	273	256
Operating lease costs *	53	2,489	1,163	6,225
Total lease costs	$ 561	$ 2,896	$ 2,237	$ 7,289

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

Supplemental cash flow information related to leases is as follows.

	First Six Months 2021	First Six Months 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 819	$ 733
Operating cash flows from finance leases	$ 258	$ 320
Operating cash flows from operating leases	$ 6,320	$ 6,863
Right-of-use assets obtained in exchange for lease obligations:		
Operating lease liabilities	$ -	$ 73

Supplemental balance sheet information related to leases is as follows.

	June 30, 2021	December 31, 2020
Finance leases:		
Property and equipment, net	$ 5,778	$ 6,501

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

	June 30, 2021
Weighted-average remaining lease terms:	
Finance leases	5.3 years
Operating leases	5.3 years
Weighted-average discount rates:	
Finance leases	7.1%
Operating leases	6.9%

Maturities of lease liabilities as of June 30, 2021 are as follows.

Year	Operating Leases	Finance Leases
2021	$ 7,117	$ 1,068
2022	11,493	1,725
2023	10,218	1,401
2024	8,242	1,384
2025	6,481	1,148
After 2025	9,639	1,604
Total lease payments	53,190	8,330
Less interest	8,850	1,369
Total lease liabilities	$ 44,340	$ 6,961

Note 11. Accumulated Other Comprehensive Income

Accumulated other comprehensive losses decreased $115 and $802 during the second quarters of 2021 and 2020, respectively. During the first six months of 2021, accumulated other comprehensive losses increased by $329 and decreased by $490 during the first six months of 2020. As of June 30, 2021 and 2020, the balances in accumulated other comprehensive loss were $1,860 and $2,320, respectively. There were no reclassifications from accumulated other comprehensive income to earnings during the first six months 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 six months 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 benefit for the second quarter of 2021 was $6,198 compared to an income tax expense of $14,764 for the second quarter of 2020. Income tax expense for the first six months of 2021 was $15,818 compared to a benefit of $29,066 for the first six months 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 gains were $47,575 during the first six months of 2021 compared to pretax losses of $116,494 during the first six months 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 June 30, 2021 and December 31, 2020, the fair values of financial assets were as follows.

	June 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	$ 24,905	$ -	$ -	$ 24,905	$ 23,885	$ -	$ -	$ 23,885
Equity securities								
Consumer goods	8,480	2,795	-	11,275	7,274	5,652	-	12,926
Insurance	1,059	-	-	1,059	261	-	-	261
Bonds								
Government	55,156	-	-	55,156	39,472	14,043	-	53,515
Corporate	5,110	-	-	5,110	-	5,406	-	5,406
Options on equity securities	-	1,669	-	1,669	-	2,911	-	2,911
Non-qualified deferred compensation plan investments	1,572	-	-	1,572	1,368	-	-	1,368
Total assets at fair value	$ 96,282	$ 4,464	$ -	$ 100,746	$ 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 $4,200 in service fees during the first six months 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 second quarters and first six months of 2021 and 2020 is presented in the tables that follow.

	Revenue			
	Second Quarter		First Six Months	
	2021	2020	2021	2020
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	$ 65,223	$ 78,211	$ 133,524	$ 189,324
Western Sizzlin	2,103	553	3,756	3,584
Total Restaurant Operations	67,326	78,764	137,280	192,908
Insurance Operations:				
First Guard	8,375	7,412	16,594	15,296
Southern Pioneer	6,012	7,193	12,412	8,983
Total Insurance Operations	14,387	14,605	29,006	24,279
Southern Oil	8,365	2,151	16,957	13,525
Maxim	709	982	1,832	1,490
	$ 90,787	$ 96,502	$ 185,075	$ 232,202

	Earnings (Losses) Before Income Taxes			
	Second Quarter		First Six Months	
	2021	2020	2021	2020
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	$ 3,236	$ 292	$ 8,692	$ (6,299)
Western Sizzlin	368	(578)	460	(541)
Total Restaurant Operations	3,604	(286)	9,152	(6,840)
Insurance Operations:				
First Guard	3,077	2,600	5,270	5,041
Southern Pioneer	1,242	468	2,286	940
Total Insurance Operations	4,319	3,068	7,556	5,981
Southern Oil	3,026	(1,707)	6,065	763
Maxim	300	487	923	455
Interest expense not allocated to segments	-	(2,349)	(1,121)	(4,823)
Total Operating Businesses	11,249	(787)	22,575	(4,464)
Corporate and Investments:				
Corporate and other	(2,843)	(2,740)	(5,293)	(5,036)
Investment gains	(1,150)	1,509	1,931	1,509
Investment partnership gains (losses)	(34,191)	59,248	47,575	(116,494)
Total Corporate and Investments	(38,184)	58,017	44,213	(120,021)
	$ (26,935)	$ 57,230	$ 66,788	$ (124,485)

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 June 30, 2021, Mr. Biglari beneficially owns shares of the Company that represent approximately 64.3% of the economic interest and 69.6% 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.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Operating businesses:				
Restaurant	$ 2,543	$ (1,502)	$ 6,661	$ (6,184)
Insurance	3,386	2,299	5,917	4,615
Oil and gas	2,336	(1,312)	4,691	889
Media and licensing	225	376	705	351
Interest expense	-	(1,761)	(841)	(3,607)
Total operating businesses	8,490	(1,900)	17,133	(3,936)
Corporate and other	(2,124)	(2,191)	(4,123)	(3,681)
Investment gains	(908)	1,192	1,506	1,192
Investment partnership gains (losses)	(26,195)	45,365	36,454	(88,994)
	$ (20,737)	$ 42,466	$ 50,970	$ (95,419)

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 Company (“Southern Oil”).

Media and licensing business is composed of Maxim Inc.

Restaurants

Steak n Shake and Western Sizzlin comprise 588 company-operated and franchise restaurants as of June 30, 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	(45)	45	-	-	-	-
Net restaurants opened (closed)	(1)	-	(8)	-	(1)	(10)
Total stores as of June 30, 2021	230	131	186	3	38	588
Total stores as of December 31, 2019	368	29	213	4	48	662
Corporate stores transitioned	(23)	22	1	-	-	-
Net restaurants opened (closed)	(56)	-	(13)	-	(8)	(77)
Total stores as of June 30, 2020	289	51	201	4	40	585

As of June 30, 2021, 49 of the 230 company-operated Steak n Shake stores were temporarily closed.

Earnings of our restaurant operations are summarized below.

	Second Quarter				First Six Months			
	2021		2020		2021		2020	
Revenue								
Net sales	$ 49,403		$ 69,487		$ 104,353		$ 174,215	
Franchise partner fees	12,383		4,537		20,236		7,881	
Franchise royalties and fees	4,594		4,072		9,729		9,283	
Other revenue	946		668		2,962		1,529	
Total revenue	67,326		78,764		137,280		192,908	
Restaurant cost of sales								
Cost of food	14,727	29.8%	19,929	28.7%	30,281	29.0%	51,372	29.5%
Restaurant operating costs	22,058	44.6%	26,955	38.8%	47,255	45.3%	80,452	46.2%
Occupancy costs	5,202	10.5%	3,875	5.6%	10,067	9.6%	8,851	5.1%
Total cost of sales	41,987		50,759		87,603		140,675	
Selling, general and administrative								
General and administrative	10,481	15.6%	9,189	11.7%	18,161	13.2%	18,087	9.4%
Marketing	3,287	4.9%	5,695	7.2%	7,910	5.8%	14,515	7.5%
Other expenses	1,075	1.6%	983	1.2%	934	0.7%	1,267	0.7%
Total selling, general and administrative	14,843	22.0%	15,867	20.1%	27,005	19.7%	33,869	17.6%
Impairments	(261)		(7,819)		(559)		(18,119)	
Depreciation and amortization	(5,094)		(4,686)		(9,804)		(9,712)	
Gain on debt extinguishment	-		1,367		-		5,713	
Interest on finance leases and obligations	(1,537)		(1,286)		(3,157)		(3,086)	
Earnings (loss) before income taxes	3,604		(286)		9,152		(6,840)	
Income tax expense (benefit)	1,061		1,216		2,491		(656)	
Contribution to net earnings	$ 2,543		$ (1,502)		$ 6,661		$ (6,184)	

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

The novel coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization in March of 2020. Government and private sector responses to contain its spread began to affect our operating businesses significantly that same month. The COVID-19 pandemic has adversely affected our restaurant operations, as our restaurants were required to close their dining rooms during the first quarter of 2020. The risks and uncertainties resulting from the pandemic may continue to affect our restaurant operations. The extent of such effects over the long term cannot be reasonably estimated at this time.

The majority of Steak n Shake’s dining rooms remained closed through the end of 2020. Steak n Shake has been reopening its dining rooms this year, and in doing so has implemented a self-service model. Because of the economics of the new model, labor costs were 26.8% of net sales in the second quarter of 2021 for reopened units.

Net sales for the second quarter and first six months of 2021 were $49,403 and $104,353, respectively, representing a decrease of $20,084 or 28.9%, and $69,862 or 40.1%, compared to the second quarter and first six months of 2020, respectively. The year-over-year decrease in revenue of company-operated restaurants is primarily due to the shift of company units to franchise partner units. For company-operated units, sales to the end customer are recorded as revenue generated by the Company, but for franchise partner units, only our share of the restaurants’ profits, along with certain fees, are recorded as revenue. Because we derive most of our revenue from our share of the profits, revenue will continue to decline with each transition of a company-operated unit to a franchise partner unit.

Franchise partner fees were $12,383 during the second quarter of 2021, compared to $4,537 during the second quarter of 2020. Franchise partner fees were $20,236 during the first six months of 2021, compared to $7,881 during the first six months of 2020. As of June 30, 2021, there were 131 franchise partner units, compared to 51 franchise partner units as of June 30, 2020.

The cost of food during the second quarter and first six months of 2021 was $14,727 or 29.8% of net sales, and $30,281 or 29.0% of net sales, respectively, compared to $19,929 or 28.7% of net sales, and $51,372 or 29.5% of net sales in the second quarter and first six months of 2020, respectively. Restaurant operating costs during the second quarter of 2021 were $22,058 or 44.6% of net sales, compared to $26,955 or 38.8% of net sales in the second quarter of 2020. Restaurant operating costs during the first six months of 2021 were $47,255 or 45.3% of net sales, compared to $80,452 or 46.2% of net sales in the first six months of 2020. The decrease in operating costs is mainly attributable to the transitioning of company-operated units to franchise partner units.

General and administrative costs during the second quarter and first six months of 2021 were $10,481 and $18,161, respectively, compared to $9,189 and $18,087 in the second quarter and first six months of 2020, respectively. The year-over-year general and administrative costs were higher in 2021 primarily because of one-time savings obtained during the second quarter of 2020.

Marketing expenses during the second quarter and first six months of 2021 were $3,287 or 4.9% of total revenue, and $7,910 or 5.8% of total revenue, respectively, compared to $5,695 or 7.2% of total revenue, and $14,515 or 7.5% of total revenue during the second quarter and first six months of 2020, respectively. Marketing expenses decreased primarily due to the decision to shift to a digital marketing strategy.

Our restaurants recorded an impairment to long-lived assets of $261 and $7,819 in the second quarters of 2021 and 2020, respectively, and $559 and $18,119 in the first six months of 2021 and 2020, respectively. The 2021 impairments are primarily attributable to Steak n Shake store closures. The 2020 impairments were connected to dining room closures during the pandemic.

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.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Underwriting gain attributable to:				
First Guard	$ 2,959	$ 2,553	$ 5,090	$ 4,876
Southern Pioneer	701	(496)	1,114	(289)
Pre-tax underwriting gain	3,660	2,057	6,204	4,587
Income tax expense	769	432	1,303	963
Net underwriting gain	$ 2,891	$ 1,625	$ 4,901	$ 3,624

Earnings of our insurance operations are summarized below.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Premiums written	$ 13,575	$ 13,321	$ 27,265	$ 22,163
Insurance losses	6,362	6,901	13,383	11,075
Underwriting expenses	3,553	4,363	7,678	6,501
Pre-tax underwriting gain	3,660	2,057	6,204	4,587
Other income and expenses				
Investment income and commissions	642	1,100	1,387	1,932
Other income (expenses)	17	(89)	(35)	(538)
Total other income	659	1,011	1,352	1,394
Earnings before income taxes	4,319	3,068	7,556	5,981
Income tax expense	933	769	1,639	1,366
Contribution to net earnings	$ 3,386	$ 2,299	$ 5,917	$ 4,615

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.

	Second Quarter				First Six Months			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums written	$ 8,225	100.0%	$ 7,275	100.0%	$ 16,302	100.0%	$ 14,690	100.0%
Insurance losses	3,809	46.3%	2,974	40.9%	7,811	47.9%	6,532	44.5%
Underwriting expenses	1,457	17.7%	1,748	24.0%	3,401	20.9%	3,282	22.3%
Total losses and expenses	5,266	64.0%	4,722	64.9%	11,212	68.8%	9,814	66.8%
Pre-tax underwriting gain	$ 2,959		$ 2,553		$ 5,090		$ 4,876	

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.

	Second Quarter				First Six Months			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums written	$ 5,350	100.0%	$ 6,046	100.0%	$ 10,963	100.0%	$ 7,473	100.0%
Insurance losses	2,553	47.7%	3,927	65.0%	5,572	50.8%	4,543	60.8%
Underwriting expenses	2,096	39.2%	2,615	43.3%	4,277	39.0%	3,219	43.1%
Total losses and expenses	4,649	86.9%	6,542	108.3%	9,849	89.8%	7,762	103.9%
Pre-tax underwriting gain	$ 701		$ (496)		$ 1,114		$ (289)	

Insurance – Investment Income

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

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Interest, dividends and other investment income:				
First Guard	$ 13	$ 22	$ 30	$ 171
Southern Pioneer	278	415	427	700
Pre-tax investment income	291	437	457	871
Income tax expense	61	92	96	183
Net investment income	$ 230	$ 345	$ 361	$ 688

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.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Oil and gas revenue	$ 8,365	$ 2,151	$ 16,957	$ 13,525
Oil and gas production costs	2,494	1,323	4,907	4,399
Depreciation, depletion and accretion	2,191	1,979	4,569	6,847
General and administrative expenses	654	556	1,416	1,516
Earnings before income taxes	3,026	(1,707)	6,065	763
Income tax expense	690	(395)	1,374	(126)
Contribution to net earnings	$ 2,336	$ (1,312)	$ 4,691	$ 889

The COVID-19 pandemic caused oil demand to significantly decrease in early 2020, creating oversupplied markets that resulted in lower commodity prices and margins. However, crude oil prices increased in mid-2020 in response to the lifting of COVID-19 restrictions. Uncertainty and unpredictability remain around the extent to which the COVID-19 pandemic will impact our future results.

Media and Licensing

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

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Media and licensing revenue	$ 709	$ 982	$ 1,832	$ 1,490
Media and licensing costs	389	437	869	943
General and administrative expenses	20	58	40	92
Earnings before income taxes	300	487	923	455
Income tax expense	75	111	218	104
Contribution to net earnings	$ 225	$ 376	$ 705	$ 351

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 and Investment Partnership Gains

Investment losses net of tax for the second quarter of 2021 were $908 and investment gains net of tax for the first six months of 2021 were $1,506. Investment gains net of tax were $1,192 during the second quarter and first six months of 2020. 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.

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

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Investment partnership gains (losses)	$ (34,191)	$ 59,248	$ 47,575	$ (116,494)
Tax expense (benefit)	(7,996)	13,883	11,121	(27,500)
Contribution to net earnings	$ (26,195)	$ 45,365	$ 36,454	$ (88,994)

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.

Investments affect our reported quarterly earnings based on their carrying value. We do not regard the quarterly or annual fluctuations in our investments to be meaningful in understanding the operating results of our businesses.

Interest Expense

The Company's interest expense is summarized below.

	Second Quarter		First Six Months	
	2021	2020	2021	2020
Interest expense on notes payable	$ -	$ 2,349	$ 1,121	$ 4,823
Tax benefit	-	588	280	1,216
Interest expense net of tax	$ -	$ 1,761	$ 841	$ 3,607

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 second quarter and first six months of 2021 were relatively flat compared to the same period during 2020.

Income Taxes

Income tax benefit for the second quarter of 2021 was $6,198 compared to an income tax expense of $14,764 for the second quarter of 2020. Income tax expense for the first six months of 2021 was $15,818 compared to a benefit of $29,066 for the first six months 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 gains were $47,575 during the first six months of 2021 compared to pretax losses of $116,494 during the first six months of 2020.

Financial Condition

Consolidated cash and investments are summarized below.

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 28,212	$ 24,503
Investments	96,094	94,861
Fair value of interest in investment partnerships	551,942	590,926
Total cash and investments	676,248	710,290
Less: portion of Company stock held by investment partnerships	(240,064)	(171,376)
Carrying value of cash and investments on balance sheet	$ 436,184	$ 538,914

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

	First Six Months	
	2021	2020
Net cash provided by operating activities	$ 187,208	$ 98,685
Net cash used in investing activities	(32,839)	(103,360)
Net cash used in financing activities	(153,136)	(24,156)
Effect of exchange rate changes on cash	(24)	(3)
Increase (decrease) in cash, cash equivalents and restricted cash	$ 1,209	$ (28,834)

Cash provided by operating activities was $187,208 during the first six months of 2021 compared to cash provided by operating activities of $98,685 during the first six months of 2020. The increase in cash provided by operating activities is mainly attributable to distributions from investment partnerships of $158,070 for 2021 and $83,830 for 2020. The distributions during 2021 were primarily used to repay Steak n Shake's debt.

Cash used in investing activities during the first six months of 2021 was $32,839 compared to $103,360 during the first six months 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.

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. 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 $40,797 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 six months 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 June 30, 2021.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 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 May 11, 2021 through June 16, 2021, The Lion Fund II, L.P. purchased 4,286 shares of Class A common stock and 19,311 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
April 1, 2021 – April 30, 2021	-	$ -	-	$ -	-	-
May 1, 2021 – May 31, 2021	895	$ 778.74	19,311	$ 149.07	-	-
June 1, 2021 – June 30, 2021	3,391	$ 871.76	-	$ -	-	-
Total	4,286		19,311		-	

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: August 6, 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: August 6, 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: August 6, 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 June 30, 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
August 6, 2021

/s/ Bruce Lewis
Bruce Lewis
Controller
August 6, 2021