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, 2016

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 0-8445

BIGLARI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

INDIANA	**37-0684070**
(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes☒ No☐

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

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

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

As of August 1, 2016, 2,066,864 shares of the registrant's Common Stock, $.50 stated value, were outstanding.

BIGLARI HOLDINGS INC.
INDEX

PART 1 – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 66,360**	$ 56,523
Investments	**21,261**	23,750
Receivables	**9,250**	17,716
Inventories	**6,859**	7,593
Deferred taxes	**14,074**	13,263
Other current assets	**7,501**	7,255
Total current assets	**125,305**	126,100
Property and equipment	**324,212**	332,324
Goodwill	**40,033**	40,022
Other intangible assets	**21,464**	21,673
Investment partnerships	**591,884**	471,689
Other assets	**14,183**	8,534
Total assets	**$ 1,117,081**	$ 1,000,342
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable	**$ 38,359**	$ 34,649
Accrued expenses	**79,379**	74,429
Current portion of notes payable and other borrowings	**7,303**	7,789
Total current liabilities	**125,041**	116,867
Long-term notes payable and other borrowings	**286,331**	296,062
Deferred taxes	**170,122**	125,130
Other liabilities	**11,073**	10,911
Total liabilities	**592,567**	548,970
Shareholders' equity		
Common stock - 2,066,864 and 2,066,691 shares outstanding	**1,071**	1,071
Additional paid-in capital	**391,848**	391,853
Retained earnings	**504,662**	415,982
Accumulated other comprehensive loss	**(2,997)**	(3,679)
Treasury stock, at cost	**(370,070)**	(353,855)
Biglari Holdings Inc. shareholders' equity	**524,514**	451,372
Total liabilities and shareholders' equity	**$ 1,117,081**	$ 1,000,342

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	
	2016	2015	**2016**	2015
	(Unaudited)		(Unaudited)	
Revenues				
Restaurant operations	**$ 210,709**	$ 211,631	**$ 411,004**	$ 408,367
Insurance premiums and other	**5,731**	3,717	**11,230**	7,371
Media advertising and other	**2,673**	6,608	**5,121**	12,046
	219,113	221,956	**427,355**	427,784
Cost and expenses				
Restaurant cost of sales	**160,801**	159,005	**316,538**	313,766
Insurance losses and underwriting expenses	**3,619**	2,560	**7,777**	5,523
Media cost of sales	**5,048**	9,183	**10,067**	18,601
Selling, general and administrative	**32,838**	36,198	**63,148**	68,656
Depreciation and amortization	**5,349**	6,226	**11,396**	12,770
	207,655	213,172	**408,926**	419,316
Other income (expenses)				
Interest and dividends	**-**	3	**-**	8
Interest expense	**(2,873)**	(2,997)	**(5,795)**	(6,003)
Interest on obligations under leases	**(2,749)**	(2,410)	**(5,030)**	(4,885)
Investment partnership gains (losses)	**51,243**	(5,557)	**130,216**	17,408
Total other income (loss)	**45,621**	(10,961)	**119,391**	6,528
Earnings (loss) before income taxes	**57,079**	(2,177)	**137,820**	14,996
Income tax expense (benefit)	**19,562**	(2,203)	**49,140**	4,987
Net earnings	**$ 37,517**	$ 26	**$ 88,680**	$ 10,009
Earnings per share				
Basic earnings per common share	**$ 30.60**	$ 0.01	**$ 71.87**	$ 5.40
Diluted earnings per common share	**$ 30.57**	$ 0.01	**$ 71.80**	$ 5.39
Weighted average shares and equivalents				
Basic	**1,225,979**	1,848,279	**1,233,856**	1,854,889
Diluted	**1,227,277**	1,850,427	**1,235,112**	1,857,243

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
	(Unaudited)		(Unaudited)	
Net earnings	**$ 37,517**	$ 26	**$ 88,680**	$ 10,009
Other comprehensive income:				
Net change in unrealized gains and losses on investments	**988**	(126)	**587**	(543)
Applicable income taxes	**(364)**	46	**(219)**	200
Reclassification of investment (appreciation) depreciation in net earnings	**306**	55	**306**	55
Applicable income taxes	**(113)**	(19)	**(113)**	(19)
Foreign currency translation	**(210)**	65	**121**	128
Other comprehensive income (loss), net	**607**	21	**682**	(179)
Total comprehensive income	**$ 38,124**	$ 47	**$ 89,362**	$ 9,830

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	First Six Months	
	2016	2015
	(Unaudited)	
Operating activities		
Net earnings	**$ 88,680**	$ 10,009
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	**11,396**	12,770
Provision for deferred income taxes	**43,837**	1,185
Asset impairments and other non-cash expenses	**1,312**	337
Loss on disposal of assets	**201**	407
Realized investment (gains) losses	**-**	55
Investment partnership gains	**(130,216)**	(17,408)
Distributions from investment partnerships	**9,475**	-
Changes in receivables and inventories	**9,200**	4,683
Changes in other assets	**(837)**	(1,193)
Changes in accounts payable and accrued expenses	**8,027**	12,514
Net cash provided by operating activities	**41,075**	23,359
Investing activities		
Additions of property and equipment	**(4,341)**	(6,102)
Proceeds from property and equipment disposals	**1,084**	137
Purchases of investments	**(29,733)**	(85,985)
Redemptions of fixed maturity securities	**12,977**	11,657
Net cash used in investing activities	**(20,013)**	(80,293)
Financing activities		
Payments on revolving credit facility	**(256)**	(74)
Principal payments on long-term debt	**(8,178)**	(1,100)
Principal payments on direct financing lease obligations	**(2,820)**	(3,554)
Proceeds from exercise of stock options	**1**	3
Net cash used in financing activities	**(11,253)**	(4,725)
Effect of exchange rate changes on cash	**28**	(3)
Increase (decrease) in cash and cash equivalents	**9,837**	(61,662)
Cash and cash equivalents at beginning of year	**56,523**	129,669
Cash and cash equivalents at end of second quarter	**$ 66,360**	$ 68,007

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2015	**$ 1,071**	**$ 391,853**	**$415,982**	**$ (3,679)**	**$ (353,855)**	**$451,372**
Net earnings			**88,680**			**88,680**
Other comprehensive income, net				**682**		**682**
Adjustment to treasury stock for holdings in investment partnerships					**(16,221)**	**(16,221)**
Exercise of stock options		**(5)**			**6**	**1**
Balance at June 30, 2016	**$ 1,071**	**$ 391,848**	**$504,662**	**$ (2,997)**	**$ (370,070)**	**$524,514**
Balance at December 31, 2014	$ 1,071	$ 391,877	$431,825	$ (783)	$ (98,439)	$725,551
Net earnings			10,009			10,009
Other comprehensive loss, net				(179)		(179)
Adjustment to treasury stock for holdings in investment partnerships					(8,810)	(8,810)
Exercise of stock options		(1)			4	3
Balance at June 30, 2015	$ 1,071	$ 391,876	$441,834	$ (962)	$(107,245)	$726,574

See accompanying Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Description of Business

The accompanying unaudited consolidated financial statements of Biglari Holdings Inc. ("Biglari Holdings" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In our opinion, all adjustments considered necessary to present fairly the results of the interim periods have been included and consist only of normal recurring adjustments. The results for the interim periods shown are not necessarily indicative of results for the entire fiscal year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2015.

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries including Steak n Shake Inc. ("Steak n Shake"), Western Sizzlin Corporation ("Western"), Maxim Inc. ("Maxim") and First Guard Insurance Company and its agency, 1st Guard Corporation (collectively "First Guard"). Intercompany accounts and transactions have been eliminated in consolidation.

Note 2. New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Topic 326 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which amends the FASB Accounting Standards Codification. The objective of the update is to improve financial reporting by increasing transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. It is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments is permitted for all entities. The Company is currently evaluating the impact that this amended guidance will have on its consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent deferred tax asset or liability. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early application is permitted. The Company does not believe the adoption of ASU 2015-17 will have a material effect on its consolidated financial statements.

Note 2. New Accounting Standards *(continued)*

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company adopted ASU 2015-03 on January 1, 2016. As of December 31, 2015, the Company reclassified $688 and $2,888 from other current assets and other assets, respectively, to current portion of notes payable and other borrowings and long-term notes payable and other borrowings, respectively, to conform to the current year classification.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidations Analysis*. The amendments in this update provide guidance under GAAP about limited partnerships, which will be variable interest entities, unless the limited partners have either substantive kick-out rights or participation rights. It also changes the effect that fees paid to a decision maker or service provider have on the consolidation analysis and amends how variable interests held by related parties affect the consolidation conclusion. The amendments in this update are effective for the annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Company adopted the provisions of ASU 2015-02 on January 1, 2016. The adoption of this update has no material effect on the Company’s financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern*. The amendments in this update provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The amendments in this update are effective for the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is evaluating the effect, if any, on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In July 2015, the FASB voted to defer the effective date of this ASU by one year, which would make the guidance effective for our first quarter fiscal year 2018 financial statements using either of two acceptable adoption methods: (i) retrospective adoption to each prior reporting period presented with the option to elect certain practical expedients; or (ii) adoption with the cumulative effect of initially applying the guidance recognized at the date of initial application and providing certain additional disclosures. The Company has not yet selected a transition method nor determined the effect of this guidance on its consolidated financial statements.

Note 3. Earnings Per Share

Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. The shares of Company stock attributable to our limited partner interest in The Lion Fund, L.P. and The Lion Fund II, L.P. — 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.

From December 18, 2014 to June 30, 2016, The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, the “investment partnerships”) purchased an aggregate of 715,407 shares of the Company’s common stock pursuant to Rule 10b5-1 Trading Plans and a tender offer, of which 37,095 shares were purchased during the first six months of 2016. All of the shares purchased by the investment partnerships remain legally outstanding. As of June 30, 2016, Mr. Biglari’s beneficial ownership of the Company’s outstanding common stock was approximately 51.3%.

Note 3. Earnings Per Share *(continued)*

The following table presents a reconciliation of basic and diluted weighted average common shares.

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Basic earnings per share:				
Weighted average common shares	**1,225,979**	1,848,279	**1,233,856**	1,854,889
Diluted earnings per share:				
Weighted average common shares	**1,225,979**	1,848,279	**1,233,856**	1,854,889
Dilutive effect of stock awards	**1,298**	2,148	**1,256**	2,354
Weighted average common and incremental shares	**1,227,277**	1,850,427	**1,235,112**	1,857,243
Number of share-based awards excluded from the calculation	-	-	-	-

The Company's common stock is $0.50 stated value. The following table presents shares authorized, issued and outstanding.

	June 30, 2016	December 31, 2015
Common stock authorized	**2,500,000**	2,500,000
Common stock issued	**2,142,202**	2,142,202
Treasury stock held by the Company	**(75,338)**	(75,511)
Outstanding shares	**2,066,864**	2,066,691
Proportional ownership of the Company's common stock in investment partnerships	**(850,839)**	(807,069)
Net outstanding shares for financial reporting purposes	**1,216,025**	1,259,622

Note 4. Investments

Investments consisted of the following.

	June 30, 2016	December 31, 2015
Cost	**$ 21,450**	$ 24,842
Gross unrealized gains	**36**	10
Gross unrealized losses	**(225)**	(1,102)
Fair value	**$ 21,261**	$ 23,750

Investment gains/losses are recognized when investments are sold (as determined on a specific identification basis) or as otherwise required by GAAP. The timing of realized gains and losses from sales can have a material effect on periodic earnings. However, such realized gains or losses usually have little, if any, impact on total shareholders' equity because the investments are carried at fair value with any unrealized gains/losses included as a component of accumulated other comprehensive income in shareholders' equity. We believe that realized investment gains/losses are often meaningless in terms of understanding reported results. Short-term investment gains/losses have caused and may continue to cause volatility in our results.

Investments in equity securities and a related put option of $4,464 are included in other assets and recorded at fair value.

Note 5. Investment Partnerships

The Company reports on the limited partnership interests in investment partnerships under the equity method of accounting. We record our proportional share of equity in the investment partnerships but exclude Company common stock held by said partnerships. The Company's pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock even though they are legally outstanding. The Company records gains/losses from investment partnerships (inclusive of the investment partnerships' unrealized gains and losses on their securities) in the consolidated statements of earnings based on our carrying value of these partnerships. The fair value is calculated net of the general partner's accrued incentive fees. Gains and losses on Company common stock included in the earnings of these partnerships are eliminated because they are recorded as treasury stock.

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

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2015	**$ 734,668**	**$ 262,979**	**$ 471,689**
Investment partnership gains	**189,857**	**59,335**	**130,522**
Contributions (net of distributions) to investment partnerships	**5,894**		**5,894**
Increase in proportionate share of Company stock held		**16,221**	**(16,221)**
Partnership interest at June 30, 2016	**$ 930,419**	**$ 338,535**	**$ 591,884**

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2014	$ 776,899	$ 78,917	$ 697,982
Investment partnership gains	20,155	2,747	17,408
Contributions (net of distributions) to investment partnerships	63,000		63,000
Increase in proportionate share of Company stock held		8,810	(8,810)
Partnership interest at June 30, 2015	$ 860,054	$ 90,474	$ 769,580

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

	June 30, 2016	December 31, 2015
Fair value of investment partnerships	**$ 930,419**	$ 734,668
Deferred tax liability related to investment partnerships	**(162,097)**	(115,952)
Fair value of investment partnerships net of deferred taxes	**$ 768,322**	$ 618,716

The Company's proportionate share of Company stock held by investment partnerships at cost is $349,048 and $332,827 at June 30, 2016 and December 31, 2015, respectively, and is recorded as treasury stock.

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

Note 5. Investment Partnerships *(continued)*

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

	2016	2015	**2016**	2015
Investment partnership gains (losses)	**$ 51,549**	$ (5,557)	**$ 130,522**	$ 17,408
Loss on contribution of securities to investment partnership	**(306)**	-	**(306)**	-
Investment partnership gains (losses)	**51,243**	(5,557)	**130,216**	17,408
Tax expense (benefit)	**18,171**	(3,002)	**46,756**	4,851
Contribution to net earnings	**$ 33,072**	$ (2,555)	**$ 83,460**	$ 12,557

Non-cash investments were $1,219 (net of non-cash distributions) for the first six months of 2016.

As the general partner of the investment partnerships, Biglari Capital Corp. ("Biglari Capital") on December 31 of each year will earn an incentive reallocation fee for the Company's investments equal to 25% of the net profits over an annual hurdle rate of 6% above the previous high-water mark. Our policy is to accrue an estimated incentive fee throughout the year; however, no fees are reallocated until the end of the calendar year. As of June 30, 2016 and 2015, the Company accrued incentive fees for Biglari Capital of $17,857 and $526, respectively. Our investments in these partnerships are committed on a rolling 5-year basis.

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, 2016	**$ 198,210**	**$ 1,088,067**
Total liabilities as of June 30, 2016	**$ 8,563**	**$ 199,518**
Revenue for the first six months ending June 30, 2016	**$ 9,655**	**$ 223,759**
Earnings for the first six months ending June 30, 2016	**$ 9,563**	**$ 221,154**
Biglari Holdings' Ownership Interest	**64.5%**	**93.5%**
Total assets as of December 31, 2015	$ 165,996	$ 819,323
Total liabilities as of December 31, 2015	$ 409	$ 141,274
Revenue for the first six months ending June 30, 2015	$ 5,112	$ 20,171
Earnings for the first six months ending June 30, 2015	$ 5,054	$ 18,888
Biglari Holdings' Ownership Interest	59.8%	93.3%

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

Note 6. Property and Equipment

Property and equipment is composed of the following.

	June 30, 2016	December 31, 2015
Land	**$ 161,886**	$ 160,697
Buildings	**157,169**	156,909
Land and leasehold improvements	**164,514**	165,042
Equipment	**200,419**	199,934
Construction in progress	**2,974**	3,478
	686,962	686,060
Less accumulated depreciation and amortization	**(362,750)**	(353,736)
Property and equipment, net	**$ 324,212**	$ 332,324

Note 7. Goodwill and Other Intangibles

Goodwill

Goodwill consists of the excess of the purchase price over the fair value of the net assets acquired in connection with business acquisitions.

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

	Restaurants	Other	Total
Goodwill at December 31, 2015	$ 28,109	$ 11,913	$ 40,022
Change in foreign exchange rates during first six months 2016	**11**	**-**	**11**
Goodwill at June 30, 2016	**$ 28,120**	**$ 11,913**	**$ 40,033**

We are required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The analysis of potential impairment of goodwill requires a two-step approach. The first is the estimation of fair value of each reporting unit. If step one indicates that impairment potentially exists, the second step is performed to measure the amount of impairment, if any. Goodwill impairment occurs when the estimated fair value of goodwill is less than its carrying value.

The valuation methodology and underlying financial information included in our determination of fair value require significant management judgments. We use both market and income approaches to derive fair value. The judgments in these two approaches include, but are not limited to, comparable market multiples, long-term projections of future financial performance, and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results. No impairment charges for goodwill were recorded in the first six months of 2016 or 2015.

Other Intangibles

Other intangibles are composed of the following.

	June 30, 2016			December 31, 2015		
	Gross carrying amount	**Accumulated amortization**	**Total**	Gross carrying amount	Accumulated amortization	Total
Franchise agreement	**$ 5,310**	**$ (3,319)**	**$ 1,991**	$ 5,310	$ (3,054)	$ 2,256
Other	**810**	**(687)**	**123**	810	(667)	143
Total	**6,120**	**(4,006)**	**2,114**	6,120	(3,721)	2,399
Intangible assets with indefinite lives:						
Trade names	**15,876**	**-**	**15,876**	15,876	-	15,876
Other assets with indefinite lives	**3,474**	**-**	**3,474**	3,398	-	3,398
Total intangible assets	**$ 25,470**	**$ (4,006)**	**$21,464**	$ 25,394	$ (3,721)	$21,673

Intangible assets subject to amortization consist of franchise agreements connected with the purchase of Western as well as rights to favorable leases related to prior acquisitions. These intangible assets are being amortized over their estimated weighted average of useful lives ranging from eight to twelve years.

Amortization expense for the first six months of 2016 and 2015 was $285 and $286, respectively. Total annual amortization expense for years 2017 through 2019 will approximate $560 per year. The Company’s intangible assets with definite lives will fully amortize in 2020.

Intangible assets with indefinite lives consist of trade names, franchise rights as well as lease rights.

Note 8. Restaurant Operations Revenues

Restaurant operations revenues were as follows.

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Net sales	**$ 205,082**	$ 206,278	**$ 400,149**	$ 398,448
Franchise royalties and fees	**4,784**	4,420	**9,134**	8,076
Other	**843**	933	**1,721**	1,843
	$ 210,709	$ 211,631	**$ 411,004**	$ 408,367

Note 9. Borrowings

Notes payable and other borrowings include the following.

Current portion of notes payable and other borrowings	**June 30, 2016**	December 31, 2015
Notes payable	**$ 2,200**	$ 2,200
Unamortized original issue discount	**(302)**	(296)
Unamortized debt issuance costs	**(700)**	(688)
Obligations under leases	**5,575**	5,787
Western revolver	**530**	786
Total current portion of notes payable and other borrowings	**$ 7,303**	$ 7,789
Long-term notes payable and other borrowings		
Notes payable	**$ 201,998**	$ 210,175
Unamortized original issue discount	**(1,250)**	(1,403)
Unamortized debt issuance costs	**(2,533)**	(2,888)
Obligations under leases	**88,116**	90,178
Total long-term notes payable and other borrowings	**$ 286,331**	$ 296,062

ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. As of December 31, 2015, the Company reclassified unamortized debt issuance costs from other assets to notes payable and other borrowings.

Steak n Shake Credit Facility

On March 19, 2014, Steak n Shake and its subsidiaries entered into a new credit agreement. This credit agreement provides for a senior secured term loan facility in an aggregate principal amount of $220,000 and a senior secured revolving credit facility in an aggregate principal amount of up to $30,000.

The term loan is scheduled to mature on March 19, 2021. It amortizes at an annual rate of 1.0% in equal quarterly installments, beginning June 30, 2014, at 0.25% of the original principal amount of the term loan, subject to mandatory prepayments from excess cash flow, asset sales and other events described in the credit agreement. The balance will be due at maturity. The revolver will be available on a revolving basis until March 19, 2019.

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

Borrowings bear interest at a rate per annum equal to a base rate or a Eurodollar rate (minimum of 1%) plus an applicable margin. Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. Interest on loans under the revolver is based on a Eurodollar rate plus an applicable margin ranging from 2.75% to 4.25% or on the prime rate plus an applicable margin ranging from 1.75% to 3.25%. The applicable margins on revolver loans are contingent on Steak n Shake's total leverage ratio. The revolver also carries a commitment fee ranging from 0.40% to 0.50% per annum, depending on Steak n Shake's total leverage ratio, on the unused portion of the revolver.

The interest rate on the term loan was 4.75% as of June 30, 2016.

Note 9. Borrowings *(continued)*

The credit agreement includes customary affirmative and negative covenants and events of default, as well as a financial maintenance covenant, solely with respect to the revolver, relating to the maximum total leverage ratio. Steak n Shake's credit facility contains restrictions on its ability to pay dividends to Biglari Holdings.

Both the term loan and the revolver have been secured by first priority security interests in substantially all the assets of Steak n Shake. Biglari Holdings is not a guarantor under the credit facility. As of June 30, 2016, $204,198 was outstanding under the term loan, and no amount was outstanding under the revolver.

Steak n Shake had $10,188 in standby letters of credit outstanding as of June 30, 2016 and December 31, 2015.

Western Revolver
As of June 30, 2016, Western has $530 due December 13, 2016.

Fair Value of Debt
The carrying amounts for debt reported in the consolidated balance sheet did not differ materially from their fair values at June 30, 2016 and December 31, 2015. The fair value was determined to be a Level 3 fair value measurement.

Note 10. Accumulated Other Comprehensive Income

During the first six months of 2016 and 2015, the changes in the balances of each component of accumulated other comprehensive income, net of tax, were as follows.

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Foreign Currency Translation Adjustments	**Investment Gain (Loss)**	**Accumulated Other Comprehensive Income (Loss)**	Foreign Currency Translation Adjustments	Investment Gain (Loss)	Accumulated Other Comprehensive Income (Loss)
Beginning Balance	**$ (2,992)**	**$ (687)**	**$ (3,679)**	$ (620)	$ (163)	$ (783)
Other comprehensive income (loss) before reclassifications ..	**121**	**368**	**489**	128	(343)	(215)
Reclassification to (earnings) loss.........................	**-**	**193**	**193**	-	36	36
Ending Balance	**$ (2,871)**	**$ (126)**	**$ (2,997)**	$ (492)	$ (470)	$ (962)

Reclassifications made from accumulated other comprehensive income to the consolidated statement of earnings during the first six months of 2016 and 2015 were as follows.

Reclassifications from Accumulated Other Comprehensive Income	**2016**	**2015**	**Affected Line Item in the Consolidated Statement of Earnings**
Investment gain	**$ -**	$ (55)	Insurance premiums and other
	(306)	-	Investment partnership gains (losses)
	(113)	(19)	Income tax expense (benefit)
	$ (193)	$ (36)	Net of tax

Note 10. Accumulated Other Comprehensive Income *(continued)*

During the second quarters of 2016 and 2015, the changes in the balances of each component of accumulated other comprehensive income, net of tax, were as follows.

	Second Quarter 2016			Second Quarter 2015		
	Foreign Currency Translation Adjustments	Investment Gain (Loss)	Accumulated Other Comprehensive Income (Loss)	Foreign Currency Translation Adjustments	Investment Gain (Loss)	Accumulated Other Comprehensive Income (Loss)
Beginning Balance	**$ (2,661)**	**$ (943)**	**$ (3,604)**	$ (557)	$ (426)	$ (983)
Other comprehensive income (loss) before reclassifications ..	**(210)**	**624**	**414**	65	(80)	(15)
Reclassification to (earnings) loss.........................	**-**	**193**	**193**	-	36	36
Ending Balance	**$ (2,871)**	**$ (126)**	**$ (2,997)**	$ (492)	$ (470)	$ (962)

Reclassifications made from accumulated other comprehensive income to the consolidated statement of earnings during the second quarters of 2016 and 2015 were as follows.

Reclassifications from Accumulated Other Comprehensive Income	Second Quarter 2016	Second Quarter 2015	Affected Line Item in the Consolidated Statement of Earnings
Investment gain	**$ -**	$ (55)	Insurance premiums and other
	(306)	-	Investment partnership gains (losses)
	(113)	(19)	Income tax expense (benefit)
	$ (193)	$ (36)	Net of tax

Note 11. Income Taxes

In determining the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate based on expected annual income, statutory tax rates, and available tax planning opportunities in the various jurisdictions in which the Company operates. Unusual or infrequently occurring items are separately recognized during the quarter in which they occur.

Income tax expense for the second quarter of 2016 was $19,562 compared to a tax benefit of $2,203 for the second quarter of 2015. Income tax expense for the first six months of 2016 was $49,140 compared to $4,987 for the first six months of 2015. The variance in income tax expense between 2016 and 2015 is primarily attributable to tax expense on income from investment partnerships. The tax expense for investment partnership gains was $18,171 during the second quarter of 2016 compared to a tax benefit for investment partnership losses of $3,002 during the second quarter of 2015, and the tax expense for investment partnership gains was $46,756 during the first six months of 2016 compared to $4,851 during the first six months of 2015.

As of June 30, 2016 and December 31, 2015, we had approximately $476 and $413, respectively, of unrecognized tax benefits, which are included in other liabilities in the consolidated balance sheets.

Note 12. 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 flows.

In 2013 two shareholders of the Company filed derivative actions putatively on behalf of the Company against the members of our Board of Directors in the United States District Courts for the Southern District of Indiana and the Western District of Texas. The actions were consolidated in the Southern District of Indiana in 2014. On March 18, 2015, the United States District Court for the Southern District of Indiana granted a motion to dismiss the derivative actions in favor of the Company. In addition, the Court issued judgment on all counts in favor of the Company and its directors.

The two shareholders appealed the Southern District of Indiana Court's March 18, 2015 decision. On February 17, 2016, the United States Court of Appeals for the Seventh Circuit affirmed the decision of the District Court dismissing, in their entirety, all claims made against the Company and its Board of Directors.

Note 13. Fair Value of Financial Assets and Liabilities

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 and liabilities recorded at fair value in the consolidated balance sheet:

Cash equivalents: Cash equivalents primarily consist of money market funds which are classified within Level 1 of the fair value hierarchy.

Equity securities: The Company's investments in equity securities are classified within Level 1 of the fair value hierarchy.

Bonds: The Company's investments in bonds are classified within Level 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 are classified within Level 1 of the fair value hierarchy.

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

Note 13. Fair Value of Financial Assets and Liabilities *(continued)*

As of June 30, 2016 and December 31, 2015, the fair values of financial assets and liabilities were as follows.

	June 30, 2016				December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	**$ 504**	**$ -**	**$ -**	**$ 504**	$ 700	$ -	$ -	$ 700
Equity securities:								
Insurance	**-**	**-**	**-**	**-**	5,046	-	-	5,046
Consumer goods	**2,531**	**-**	**-**	**2,531**	-	-	-	-
Bonds...	**-**	**23,893**	**-**	**23,893**	-	21,304	-	21,304
Options on equity securities...........	**-**	**1,933**	**-**	**1,933**	-	-	-	-
Non-qualified deferred compensation plan investments...	**2,498**	**-**	**-**	**2,498**	2,203	-	-	2,203
Total assets at fair value	**$ 5,533**	**$ 25,826**	**$ -**	**$ 31,359**	$ 7,949	$ 21,304	$ -	$ 29,253
Liabilities								
Interest rate swaps	**$ -**	**$ -**	**$ -**	**$ -**	$ -	$ 2	$ -	$ 2
Total liabilities at fair value	**$ -**	**$ -**	**$ -**	**$ -**	$ -	$ 2	$ -	$ 2

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

Note 14. Related Party Transactions

In 2013 Biglari Holdings entered into the following agreements with Mr. Biglari, its Chairman and Chief Executive Officer: (i) a Stock Purchase Agreement for the sale of Biglari Capital to Mr. Biglari (the "Biglari Capital Transaction"); (ii) a Shared Services Agreement with Biglari Capital, and (iii) a First Amendment to the Amended and Restated Incentive Bonus Agreement with Mr. Biglari (the "Incentive Agreement Amendment"). The transactions contemplated thereby were unanimously approved by the independent Governance, Compensation and Nominating Committee of the Board of Directors of the Company (the "Committee"), which retained separate counsel, tax/accounting advisors, an independent compensation consultant, and a financial advisor to assist the Committee in the structuring, evaluation, and negotiation of such transactions.

Shared Services Agreement

Connected with the Biglari Capital Transaction, Biglari Holdings and Biglari Capital entered into the Shared Services Agreement pursuant to which Biglari Holdings provides certain services to Biglari Capital in exchange for a 6% hurdle rate for Biglari Holdings and its subsidiaries (as compared to a 5% hurdle rate for all other limited partners) in order to determine the incentive reallocation to Biglari Capital, as general partner of The Lion Fund, L.P. and The Lion Fund II, L.P., under their respective partnership agreements. The incentive reallocation to Biglari Capital is equal to 25% of the net profits allocated to the limited partners in excess of their applicable hurdle rate above the previous high-water mark. The Shared Services Agreement runs for an initial five-year term, and automatically renews for successive five-year periods, unless terminated by either party effective at the end of the initial or the renewed term, as applicable. The term of the Shared Services Agreement coincides with the lock-up period for the Company's investments in The Lion Fund, L.P. and The Lion Fund II, L.P. under their respective partnership agreements. The Company provided services for Biglari Capital under the Shared Services Agreement costing an aggregate of $351 and $3,706 for the second quarters of 2016 and 2015, respectively, and $652 and $3,791 for the first six months of 2016 and 2015, respectively.

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

As of June 30, 2016, the Company's investments in The Lion Fund, L.P. and The Lion Fund II, L.P. had a fair value of $930,419.

As the general partner of the investment partnerships, Biglari Capital on December 31 of each year will earn an incentive reallocation fee for the Company's investments equal to 25% of the net profits over an annual hurdle rate of 6% above the previous high-water mark. Our policy is to accrue an estimated incentive fee throughout the year; however, no fees are reallocated until the end of the calendar year. The Company accrued $17,857 and $526 in incentive fees for Biglari Capital during the first six months of 2016 and 2015, respectively.

Note 14. Related Party Transactions *(continued)*

Incentive Agreement Amendment
Also in connection with the Biglari Capital Transaction, Biglari Holdings and Mr. Biglari entered into the Incentive Agreement Amendment which amends the Amended and Restated Incentive Bonus Agreement with Mr. Biglari to reflect and give effect to the Biglari Capital Transaction, which excludes earnings by the investment partnerships from the calculation of Mr. Biglari's incentive bonus.

License Agreement
In 2013 the Company entered into a Trademark License Agreement (the "License Agreement") with Mr. Biglari. The License Agreement was unanimously approved by the Committee. In addition, the license under the License Agreement is provided on a royalty-free basis in the absence of specified extraordinary events described below. Accordingly, the Company and its subsidiaries have paid no royalties to Mr. Biglari under the License Agreement since its inception.

Under the License Agreement, Mr. Biglari granted to the Company an exclusive license to use the Biglari and Biglari Holdings names (the "Licensed Marks") in association with various products and services (collectively the "Products and Services"). Upon (a) the expiration of twenty years from the date of the License Agreement (subject to extension as provided in the License Agreement), (b) Mr. Biglari's death, (c) the termination of Mr. Biglari's employment by the Company for Cause (as defined in the License Agreement), or (d) Mr. Biglari's resignation from his employment with the Company absent an Involuntary Termination Event (as defined in the License Agreement), the Licensed Marks for the Products and Services will transfer from Mr. Biglari to the Company, without any compensation, if the Company is continuing to use the Licensed Marks in the ordinary course of its business. Otherwise, the rights will revert to Mr. Biglari.

If (i) a Change of Control (as defined in the License Agreement) of the Company; (ii) the termination of Mr. Biglari's employment by the Company without Cause; or (iii) Mr. Biglari's resignation from his employment with the Company due to an Involuntary Termination Event (each, a "Triggering Event") were to occur, Mr. Biglari would be entitled to receive a 2.5% royalty on "Revenues" with respect to the "Royalty Period." The royalty payment to Mr. Biglari would not apply to all revenues received by Biglari Holdings and its subsidiaries nor would it apply retrospectively (*i.e.*, to revenues received with respect to the period prior to the Triggering Event). The royalty would apply to revenues recorded by the Company on an accrual basis under GAAP, solely with respect to the defined period of time after the Triggering Event equal to the Royalty Period, from a covered Product, Service or business that (1) has used the Biglari Holdings or Biglari name at any time during the term of the License Agreement, whether prior to or after a Triggering Event, or (2) the Company has specifically identified, prior to a Triggering Event, will use the name Biglari or Biglari Holdings.

"Revenues" means all revenues received, on an accrual basis under GAAP, by the Company, its subsidiaries and affiliates from the following: (1) all Products and Services covered by the License Agreement bearing or associated with the names Biglari and Biglari Holdings at any time (whether prior to or after a Triggering Event). This category would include, without limitation, the use of Biglari or Biglari Holdings in the public name of a business providing any covered Product or Service; and (2) all covered Products, Services and businesses that the Company has specifically identified, prior to a Triggering Event, will bear, use or be associated with the name Biglari or Biglari Holdings.

The Committee unanimously approved the association of the Biglari name and mark with all of Steak n Shake's restaurants (including Company operated and franchised locations), products and brands. On May 14, 2013, the Company, Steak n Shake, LLC and Steak n Shake Enterprises, Inc. entered into a Trademark Sublicense Agreement in connection therewith. Accordingly, revenues received by the Company, its subsidiaries and affiliates from Steak n Shake's restaurants, products and brands would come within the definition of Revenues for purposes of the License Agreement.

Note 14. Related Party Transactions *(continued)*

The “Royalty Period” is a defined period of time, after the Triggering Event, calculated as follows: (i) if, following three months after a Triggering Event, the Company or any of its subsidiaries or affiliates continues to use the Biglari or Biglari Holdings name in connection with any covered product or service, or continues to use Biglari as part of its corporate or public company name, then the “Royalty Period” will equal (a) the period of time during which the Company or any of its subsidiaries or affiliates continues any such use, plus (b) a period of time after the Company, its subsidiaries and affiliates have ceased all uses of the names Biglari and Biglari Holdings equal to the length of the term of the License Agreement prior to the Triggering Event, plus three years. As an example, if a Triggering Event occurs five years after the date of the License Agreement, and the Company ceases all uses of the Biglari and Biglari Holdings names two years after the Triggering Event, the Royalty Period will equal a total of ten years (the sum of two years after the Triggering Event during which the Biglari and Biglari Holdings names are being used, plus a period of time equal to the five years prior to the Triggering Event, plus three years); or (ii) if the Company, its subsidiaries and affiliates cease all uses of the Biglari and Biglari Holdings names within three months after a Triggering Event, then the “Royalty Period” will equal the length of the term of the License Agreement prior to the Triggering Event, plus three years. As an example, if a Triggering Event occurs five years after the date of the License Agreement, and the Company ceases all uses of the Biglari and Biglari Holdings names two months after the Triggering Event, the Royalty Period will equal a total of eight years (the sum of the period of time equal to the five years prior to the Triggering Event, plus three years). Notwithstanding the above methods of determining the Royalty Period, the minimum Royalty Period is five years after a Triggering Event.

Note 15. Business Segment Reporting

Our reportable business segments are organized in a manner that reflects how management views those business activities. Certain businesses have been grouped together for segment reporting based upon operations.

Our restaurant operations includes Steak n Shake and Western. As a result of the acquisitions of Maxim and First Guard, the Company reports segment information for these businesses. Prior to the fourth quarter of 2015, other business activities not specifically identified with reportable business segments were presented in corporate. Such other business activities are now presented in “other” within total operating businesses. Prior periods have been reclassified to conform to the current presentation. We report our earnings from investment partnerships separate from corporate.

We assess and measure segment operating results based on segment earnings as disclosed below. Segment earnings from operations are neither necessarily indicative of cash available to fund cash requirements, nor synonymous with cash flow from operations.

The tabular information that follows shows data of our reportable segments reconciled to amounts reflected in the consolidated financial statements.

Revenue by segment for the second quarters and first six months of 2016 and 2015 were as follows.

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	**$ 206,828**	$ 207,848	**$ 403,726**	$ 401,301
Western	**3,881**	3,783	**7,278**	7,066
Total Restaurant Operations	**210,709**	211,631	**411,004**	408,367
First Guard	**5,731**	3,717	**11,230**	7,371
Maxim	**2,673**	6,608	**5,121**	12,046
	$ 219,113	$ 221,956	**$ 427,355**	$ 427,784

Note 15. Business Segment Reporting *(continued)*

Earnings (losses) before income taxes by segment for the second quarters and first six months of 2016 and 2015 were as follows.

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	**$ 12,144**	$ 13,815	**$ 20,506**	$ 20,050
Western	**837**	688	**1,423**	1,098
Total Restaurant Operations	**12,981**	14,503	**21,929**	21,148
First Guard	**2,098**	1,139	**3,425**	1,799
Maxim	**(3,321)**	(4,173)	**(6,836)**	(10,059)
Other	**140**	90	**265**	147
Total Operating Businesses	**11,898**	11,559	**18,783**	13,035
Corporate and Investments:				
Corporate	**(3,189)**	(5,182)	**(5,384)**	(9,444)
Investment partnership gains (losses)	**51,243**	(5,557)	**130,216**	17,408
Total Corporate and Investments	**48,054**	(10,739)	**124,832**	7,964
Interest expense on notes payable and other borrowings	**(2,873)**	(2,997)	**(5,795)**	(6,003)
	$ 57,079	$ (2,177)	**$ 137,820**	$ 14,996

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

(dollars in thousands except per share data)

Overview

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

The Lion Fund II, L.P., a private investment partnership of which Mr. Biglari controls the general partner, purchased 24,000 shares of Biglari Holdings common stock from January 4, 2016 through February 3, 2016 and 13,095 shares from May 24, 2016 through June 30, 2016 pursuant to Rule 10b5-1 Trading Plans. As of June 30, 2016, Mr. Biglari's beneficial ownership of the Company's outstanding common stock was approximately 51.3%.

Net earnings attributable to Biglari Holdings shareholders for the second quarters and first six months of 2016 and 2015 are disaggregated in the table that follows. Amounts are recorded after deducting income taxes.

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Operating businesses:				
Restaurant	**$ 8,660**	$ 9,320	**$ 14,138**	$ 12,968
Insurance	**1,372**	742	**2,248**	1,178
Media	**(2,099)**	(2,692)	**(4,336)**	(6,592)
Other	**73**	23	**132**	3
Total operating businesses	**8,006**	7,393	**12,182**	7,557
Corporate	**(1,780)**	(2,954)	**(3,369)**	(6,383)
Investment partnership gains	**33,072**	(2,555)	**83,460**	12,557
Interest expense on notes payable and other borrowings	**(1,781)**	(1,858)	**(3,593)**	(3,722)
	$ 37,517	$ 26	**$ 88,680**	$ 10,009

Our restaurant businesses include Steak n Shake Inc. ("Steak n Shake") and Western Sizzlin Corporation ("Western"). As of June 30, 2016, Steak n Shake comprised 417 company-operated restaurants and 154 franchised units. Western comprised 4 company-operated restaurants and 65 franchised units.

Our insurance business is composed of First Guard Insurance Company and its agency, 1st Guard Corporation (collectively "First Guard"), which we acquired on March 19, 2014. First Guard is a direct underwriter of commercial trucking insurance, selling physical damage and nontrucking liability insurance to truckers.

Our media business is composed of Maxim Inc. ("Maxim"). We acquired certain assets and liabilities of Maxim on February 27, 2014. Maxim's business lies principally in media and licensing.

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

Restaurants

Steak n Shake and Western comprise 640 company-operated and franchised restaurants as of June 30, 2016.

	Steak n Shake		Western Sizzlin		
	Company-operated	Franchised	Company-operated	Franchised	Total
Total stores as of December 31, 2014	417	128	4	68	617
Net restaurants opened (closed)	-	8	-	(2)	6
Total stores as of June 30, 2015	417	136	4	66	623
Total stores as of December 31, 2015	**417**	**144**	**4**	**66**	**631**
Net restaurants opened (closed)	**-**	**10**	**-**	**(1)**	**9**
Total stores as of June 30, 2016	**417**	**154**	**4**	**65**	**640**

Earnings of our restaurant operations are summarized below.

	Second Quarter				First Six Months			
	2016		2015		**2016**		2015	
Revenue								
Net sales	**$ 205,082**		$ 206,278		**$ 400,149**		$ 398,448	
Franchise royalties and fees	**4,784**		4,420		**9,134**		8,076	
Other revenue	**843**		933		**1,721**		1,843	
Total revenue	**210,709**		211,631		**411,004**		408,367	
Restaurant cost of sales								
Cost of food (1)	**56,567**	**27.6%**	59,743	29.0%	**110,559**	**27.6%**	116,854	29.3%
Restaurant operating costs (1)	**99,714**	**48.6%**	94,885	46.0%	**196,946**	**49.2%**	188,212	47.2%
Rent (1)	**4,520**	**2.2%**	4,377	2.1%	**9,033**	**2.3%**	8,700	2.2%
Total cost of sales	**160,801**		159,005		**316,538**		313,766	
Selling, general and administrative								
General and administrative (2)	**15,064**	**7.1%**	16,444	7.8%	**29,044**	**7.1%**	32,852	8.0%
Marketing (2)	**13,405**	**6.4%**	13,455	6.4%	**25,975**	**6.3%**	23,385	5.7%
Other expenses (2)	**597**	**0.3%**	(196)	-0.1%	**1,661**	**0.4%**	164	0.0%
Total selling, general and administrative	**29,066**	**13.8%**	29,703	14.0%	**56,680**	**13.8%**	56,401	13.8%
Depreciation and amortization (2)	**5,112**	**2.4%**	6,010	2.8%	**10,827**	**2.6%**	12,167	3.0%
Interest on obligations under leases	**2,749**		2,410		**5,030**		4,885	
Earnings before income taxes	**12,981**		14,503		**21,929**		21,148	
Income tax expense	**4,321**		5,183		**7,791**		8,180	
Contribution to net earnings	**$ 8,660**		$ 9,320		**$ 14,138**		$ 12,968	

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

Net sales during the second quarter and the first six months of 2016 were $205,082 and $400,149, respectively, representing a decrease of $1,196 over the second quarter and an increase of $1,701 over the first six months of 2015. The changes in performance of our restaurant operations were largely driven by Steak n Shake's same-store sales. Steak n Shake's same-store sales decreased 0.7% and customer traffic decreased 2.1% during the second quarter. Steak n Shake's same store sales increased 0.5% whereas customer traffic decreased 1.1% during the first six months. The term "same-store sales" refers to the sales of company-operated units open at least 18 months at the beginning of the current period and have remained open through the end of the period.

Franchise royalties and fees during the second quarter and first six months of 2016 increased 8.2% and 13.1%, respectively, compared to those in 2015. Steak n Shake opened seven franchise units during the second quarter of 2016. The increase in sales during 2016 is primarily attributable to the revenue from Steak n Shake units opened during 2016 and 2015.

Cost of food in the second quarter and first six months of 2016 was $56,567 or 27.6% of net sales and $110,559 or 27.6% of net sales, respectively, compared to the second quarter and first six months in 2015 of $59,743 or 29.0% of net sales and $116,854 or 29.3% of net sales, respectively. The decrease as a percent of net sales during 2016 was primarily attributable to lower beef costs.

Restaurant operating costs during the second quarter of 2016 were $99,714 or 48.6% of net sales compared to $94,885 or 46.0% of net sales in 2015. Restaurant operating costs during the first six months of 2016 were $196,946 or 49.2% of net sales compared to $188,212 or 47.2% of net sales in 2015. Costs as a percent of net sales during the second quarter and the first six months of 2016 increased principally due to higher wages and benefits.

Selling, general and administrative expenses during the second quarter and first six months of 2016 were $29,066 or 13.8% of total revenues and $56,680 or 13.8% of total revenues, respectively. The expenses in the second quarter and first six months of 2015 were $29,703 or 14.0% of total revenues and $56,401 or 13.8% of total revenues, respectively. General and administrative expenses decreased by $1,380 and $3,808 during the second quarter and first six months of 2016, respectively, compared to the same periods in 2015 primarily due to decreased personnel expenses. Marketing remained relatively flat during the second quarter of 2016 as compared to the same period during 2015. Marketing increased by $2,590 in the first six months of 2016 compared to the same period of 2015 primarily due to an increase in promotional advertising during the first quarter of 2016.

Insurance

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

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Premiums written	**$ 5,581**	$ 3,641	**$ 10,942**	$ 7,139
Insurance losses	**2,223**	1,836	**4,926**	4,004
Underwriting expenses	**1,396**	724	**2,851**	1,519
Pre-tax underwriting gain	**1,962**	1,081	**3,165**	1,616
Other income				
Commissions	**96**	84	**191**	167
Investment income	**54**	47	**97**	120
Other income (expense)	**(14)**	(73)	**(28)**	(104)
Total other income	**136**	58	**260**	183
Earnings before income taxes	**2,098**	1,139	**3,425**	1,799
Income tax expense	**726**	397	**1,177**	621
Contribution to net earnings	**$ 1,372**	$ 742	**$ 2,248**	$ 1,178

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

First Guard's insurance products are marketed primarily through direct response methods via the Internet or by telephone. First Guard's cost-efficient direct response marketing methods enable it to be a low-cost trucking insurer.

Underwriting results in the second quarter and first six months of 2016 of First Guard increased significantly from 2015. Pre-tax underwriting gain was $1,962 and $3,165 in the second quarter and first six months of 2016, respectively, compared to $1,081 and $1,616, respectively, for the same periods in 2015. The increase in pre-tax underwriting gain was mainly based on higher premiums written.

Media

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

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Revenue	**$ 2,673**	$ 6,608	**$ 5,121**	$ 12,046
Media cost of sales	**5,048**	9,183	**10,067**	18,601
General and administrative expenses	**898**	1,505	**1,786**	3,339
Depreciation and amortization	**48**	93	**104**	165
Loss before income taxes	**(3,321)**	(4,173)	**(6,836)**	(10,059)
Income tax benefit	**(1,222)**	(1,481)	**(2,500)**	(3,467)
Contribution to net earnings	**$ (2,099)**	$ (2,692)	**$ (4,336)**	$ (6,592)

We acquired Maxim with the idea of transforming the brand. We continue to make investments into the brand, many of which are reflected in the reported expenses. We have been rebuilding Maxim's media business, both in print and in digital, as well as developing a licensing business. We have been making adjustments in operations to reduce dramatically the high fixed costs inherent in the media business. The magazine developed the Maxim brand, a franchise we are utilizing to build cash-generating businesses, namely licensing royalties related to consumer products, services, and events.

We have taken the risk on the belief that the probability for gain in value more than justifies the risk of loss.

Investment Partnership Gains (Losses)

Earnings from our investments in partnerships are summarized below.

	Second Quarter		First Six Months	
	2016	2015	**2016**	2015
Investment partnership gains (losses)	**$ 51,549**	$ (5,557)	**$ 130,522**	$ 17,408
Loss on contribution of securities to investment partnership	**(306)**	-	**(306)**	-
Investment partnership gains (losses)	**51,243**	(5,557)	**130,216**	17,408
Tax expense (benefit)	**18,171**	(3,002)	**46,756**	4,851
Contribution to net earnings	**$ 33,072**	$ (2,555)	**$ 83,460**	$ 12,557

The Company recorded after-tax gains from investment partnerships of $33,072 during the second quarter of 2016 and after-tax losses of $2,555 during the second quarter of 2015. During the first six months of 2016 the Company recorded after-tax earnings from investment partnerships of $83,460 compared to $12,557 for the first six months of 2015. The volatility of the gains and losses during the various periods is attributable to changes in market values of investments held by the investment partnerships.

Certain of 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 these partnerships are eliminated.

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

Interest Expense

The Company's interest expense is summarized below.

	Second Quarter				First Six Months			
	2016		2015		**2016**		2015	
Interest expense on notes payable and other borrowings	**$**	**2,873**	$	2,997	**$**	**5,795**	$	6,003
Tax benefit		**1,092**		1,139		**2,202**		2,281
Interest expense net of tax	**$**	**1,781**	$	1,858	**$**	**3,593**	$	3,722

Interest expense during the second quarter and first six months of 2016 was $2,873 and $5,795, respectively. The expense in 2016 remained relatively flat compared to the second quarter and first six months of 2015 which were $2,997 and $6,003, respectively. The outstanding balance under Steak n Shake's credit facility on June 30, 2016 was $204,198 with a 4.75% interest rate.

Corporate

Corporate expenses exclude the activities in the restaurant, insurance, media and other companies. Corporate expenses, net of tax, during the second quarter and first six months of 2016 were $1,780 and $3,369, respectively, compared to $2,954 and $6,383 for the second quarter and first six months of 2015, respectively. The decrease in expenses during 2016 was primarily attributable to lower legal expenses.

Income Tax Expense

Income tax expense for the second quarter of 2016 was $19,562 compared to a tax benefit of $2,203 for the second quarter of 2015. Income tax expense for the first six months of 2016 was $49,140 compared to $4,987 for the first six months of 2015. The variance in income tax expense between 2016 and 2015 is primarily attributable to tax expense on income from investment partnerships. The tax expense for investment partnership gains was $18,171 during the second quarter of 2016 compared to a tax benefit for investment partnership losses of $3,002 during the second quarter of 2015, and the tax expense for investment partnership gains was $46,756 during the first six months of 2016 compared to $4,851 during the first six months of 2015.

Financial Condition

Our balance sheet continues to maintain significant liquidity. Our consolidated shareholders' equity on June 30, 2016 was $524,514 compared to $451,372 on December 31, 2015. Shareholders' equity increased during the quarter ended June 30, 2016 primarily because of net earnings of $88,680. The increase from net earnings was offset by an increase in treasury stock of $16,221 attributable primarily to purchases of Biglari Holdings common stock by The Lion Fund II, L.P.

Consolidated cash and investments are summarized below.

	June 30, 2016		December 31, 2015	
Cash and cash equivalents	**$**	**66,360**	$	56,523
Investments		**21,261**		23,750
Investments in other assets		**4,464**		-
Fair value of interest in investment partnerships		**930,419**		734,668
Total cash and investments		**1,022,504**		814,941
Less portion of Company stock held by investment partnerships		**(338,535)**		(262,979)
Carrying value of cash and investments on balance sheet	**$**	**683,969**	$	551,962

Liquidity

Cash provided by operating activities during the first six months of 2016 was $41,075 compared to cash provided by operating activities of $23,359 during 2015. The increase was primarily a result of $9,475 of distributions from the investment partnerships during 2016.

Net cash used in investing activities during the first six months of 2016 of $20,013 primarily consisted of investments in investment partnerships of $14,150 and capital expenditures of $4,341. Net cash used in investing activities during the first six months of 2015 of $80,293 was primarily because of investments in investment partnerships of $63,000, purchases of bonds (net of maturities) of $11,328 and capital expenditures of $6,102.

Net cash used in financing activities was $11,253 during the first six months of 2016 as compared to $4,725 during 2015. The increase in cash used in financing activities is primarily due to an additional $7,078 payment of long-term debt made during the first six months of 2016.

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

Steak n Shake Credit Facility
On March 19, 2014, Steak n Shake and its subsidiaries entered into a new credit agreement. This credit agreement provides for a senior secured term loan facility in an aggregate principal amount of $220,000 and a senior secured revolving credit facility in an aggregate principal amount of up to $30,000.

The term loan is scheduled to mature on March 19, 2021. It amortizes at an annual rate of 1.0% in equal quarterly installments, beginning June 30, 2014, at 0.25% of the original principal amount of the term loan, subject to mandatory prepayments from excess cash flow, asset sales and other events described in the credit agreement. The balance will be due at maturity. The revolver will be available on a revolving basis until March 19, 2019.

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

Borrowings bear interest at a rate per annum equal to a base rate or a Eurodollar rate (minimum of 1%) plus an applicable margin. Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. Interest on loans under the revolver is based on a Eurodollar rate plus an applicable margin ranging from 2.75% to 4.25% or on the prime rate plus an applicable margin ranging from 1.75% to 3.25%. The applicable margins on revolver loans are contingent on Steak n Shake's total leverage ratio. The revolver also carries a commitment fee ranging from 0.40% to 0.50% per annum, according to Steak n Shake's total leverage ratio, on the unused portion of the revolver.

As of June 30, 2016, the interest rate on the term loan was 4.75%.

The credit agreement includes customary affirmative and negative covenants and events of default, as well as a financial maintenance covenant, solely with respect to the revolver, relating to the maximum total leverage ratio. As of June 30, 2016, we were in compliance with all covenants. Steak n Shake's credit facility contains restrictions on its ability to pay dividends to Biglari Holdings.

Both the term loan and the revolver have been secured by first priority security interests on substantially all the assets of Steak n Shake. Biglari Holdings is not a guarantor under the credit facility. At June 30, 2016, $204,198 was outstanding under the term loan, and no amount is outstanding under the revolver.

Steak n Shake had $10,188 in standby letters of credit outstanding as of June 30, 2016 and December 31, 2015.

Western Revolver
As of June 30, 2016, Western has $530 due December 13, 2016.

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, 2015.

Effects of Governmental Regulations and Inflation

Most Restaurant operations employees are paid hourly rates related to minimum wage laws. Any increase in the legal minimum wage would directly increase our operating costs. We are also subject to various laws related to zoning, land use, health and safety standards, working conditions, and accessibility standards. Any changes in these laws that require improvements to our restaurants would increase our operating costs.

Inflation in food, labor, fringe benefits, energy costs, transportation costs and other operating costs directly affect our operations.

The federal healthcare reform legislation that became law in March 2010 (known as the Patient Protection and Affordable Care Act ["PPACA"]) mandates menu labeling of certain nutritional aspects of restaurant menu items such as caloric, sugar, sodium, and fat content. Altering our recipes in response to such legislation could increase our costs and/or change the flavor profile of our menu offerings, which could have an adverse impact on our results of operations. Additionally, if our customers perceive our menu items to contain unhealthy caloric, sugar, sodium, or fat content, our results of operations could be further adversely affected.

Additionally, minimum employee health care coverage mandated by state or federal legislation, such as the PPACA, could significantly increase our employee health benefit costs or require us to alter the benefits we provide to our employees. While we are assessing the potential impact the PPACA will have on our business, certain of the mandates in the legislation are not yet effective. If our employee health benefit costs increase, we cannot provide assurance that we will be able to offset these costs through increased revenue or reductions in other costs, which could have an adverse effect on our results of operations and financial condition.

Recently Issued Accounting Pronouncements

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

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In general, forward-looking statements include estimates of future revenues, cash flows, capital expenditures, or other financial items, and assumptions underlying any of the foregoing. Forward-looking statements reflect management's current expectations regarding future events and use words such as "anticipate," "believe," "expect," "may," and other similar terminology. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Investors should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. These forward-looking statements are all based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, many beyond our control, including, but not limited to, the risks and uncertainties described in Item 1A, Risk Factors of our annual report on Form 10-K. We undertake no obligation to publicly update or revise them, except as may be required by law.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

We prefer to hold equity investments for very long periods of time so we are not troubled by short-term price volatility with respect to our investments. Our interests in the investment partnerships are committed on a rolling 5-year basis, and any distributions upon our withdrawal of funds will be paid out over two years (and may be paid in kind rather than in cash). Market prices for equity securities are subject to fluctuation. Consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. A hypothetical 10% increase or decrease in the market price of our investments would result in a respective increase or decrease in the carrying value of our investments of $61,761 along with a corresponding change in shareholders' equity of approximately 7%.

Borrowings on Steak n Shake's credit facility bear interest at a rate per annum equal to a base rate or a Eurodollar rate (minimum of 1%) plus an applicable margin. Interest on the term loan is based on a Eurodollar rate plus an applicable margin of 3.75% or on the prime rate plus an applicable margin of 2.75%. Interest on loans under the revolver is based on a Eurodollar rate plus an applicable margin ranging from 2.75% to 4.25% or on the prime rate plus an applicable margin ranging from 1.75% to 3.25%. At June 30, 2016, a hypothetical 100 basis point increase in short-term interest rates would not have a significant impact on our net earnings.

We have had minimal exposure to foreign currency exchange rate fluctuations in the second quarter of 2016.

ITEM 4. Controls and Procedures

Based on an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), our Chief Executive Officer and Controller have concluded that our disclosure controls and procedures were effective as of June 30, 2016.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2016 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 12 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

An investment in the common stock of any company involves a degree of risk. Investors should consider carefully the risks and uncertainties described in the Company's annual report on Form 10−K filed with the SEC, as well as the risks subsequently disclosed in our reports filed with the SEC, before deciding whether to purchase our common stock. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also become important factors that may harm the Company's business, financial condition, and results of operations. The occurrence of risk factors could harm the Company's business, financial condition, and results of operations. The trading price of the Company's common stock could decline due to any of these risks and uncertainties, and stockholders may lose part or all of their investment.

The following material changes in the risk factors previously disclosed in the Company's Form 10-K for 2015.

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

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

The following table presents information on purchases of our common stock during the second quarter of 2016 by The Lion Fund II, L.P. and Sardar Biglari, each of whom 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. On May 10, 2016, The Lion Fund II, L.P. entered into a Rule 10b5-1 Trading Plan (the "Purchase Plan") pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Under the Purchase Plan, a broker dealer will make periodic purchases of up to an aggregate of 68,000 shares of the Company's common stock on behalf of The Lion Fund II, L.P. at prevailing market prices, subject to the terms of the Purchase Plan.

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
April 1, 2016 – April 30, 2016	-	$ -	-	-
May 1, 2016 – May 31, 2016	4,845	$ 385.39	4,845	63,155
June 1, 2016 – June 30, 2016	8,250	$ 409.88	8,250	54,905
Total	13,095		13,095	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

* Furnished herewith.

SIGNATURES

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

Date: August 5, 2016

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 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 5, 2016

/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 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 5, 2016

/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, 2016 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 5, 2016

/s/ Bruce Lewis
Bruce Lewis
Controller
August 5, 2016