BIGLARI HOLDINGS INC.
Form DEF 14A
March 27, 2014

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Under Rule 14a-12

BIGLARI HOLDINGS INC.
(Name of Registrant as Specified in Its Charter)

(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

---

(1) Amount previously paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

BIGLARI HOLDINGS INC.
17802 IH 10 WEST, SUITE 400
SAN ANTONIO, TEXAS 78257

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
April 24, 2014

To the Shareholders of Biglari Holdings Inc.:

You are cordially invited to attend the annual meeting (the “Annual Meeting”) of the shareholders of Biglari Holdings Inc. (the “Corporation”), to be held at The St. Regis Hotel, Two East 55th Street at Fifth Avenue, New York, New York 10022, on April 24, 2014, at 1:00 p.m., Eastern Daylight Time, for the following purposes:

1. To elect directors.
2. To ratify the selection by the Audit Committee of the Board of Directors (the “Board”) of Deloitte & Touche LLP as the Corporation’s independent registered public accounting firm for the 2014 fiscal year.
3. To vote on a non-binding advisory resolution to approve the compensation of the Corporation’s Named Executive Officers, as described in the enclosed proxy statement.
4. To vote on a non-binding advisory resolution to determine the frequency (whether annual, biennial or triennial) with which shareholders of the Corporation shall be entitled to have an advisory vote on executive compensation.
5. To transact such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

The Board has fixed the close of business on March 3, 2014 as the record date for determining which shareholders have the right to vote at the Annual Meeting or at any adjournment thereof.

You are requested to date, sign and return the enclosed proxy, which is solicited by the Board. A return envelope is provided that requires no postage if mailed in the United States. If mailed elsewhere, foreign postage must be affixed.

By order of the Board,

/s/ Sardar Biglari

Sardar Biglari
Chairman and Chief Executive Officer

San Antonio, Texas
March 27, 2014

If you plan to attend the meeting:

If you are a shareholder of record and you plan to attend the meeting, please keep the admission ticket that is attached to the enclosed proxy card because you must present this ticket to be admitted to the meeting. Each shareholder will be asked to present valid picture identification, such as a driver's license or passport. Shareholders who do not present an admission ticket must present proof of ownership of shares. Those shareholders holding shares in brokerage accounts will need to bring a copy of a brokerage statement, a legal proxy or a letter from the broker confirming ownership of Biglari Holdings Inc.'s shares. Registration will begin at 12:00 p.m. Cameras, recording devices, and other electronic devices will not be permitted at the meeting.

BIGLARI HOLDINGS INC.
17802 IH 10 WEST, SUITE 400
SAN ANTONIO, TEXAS 78257

PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 24, 2014

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Biglari Holdings Inc. (hereinafter "we", "our", "BH", "Biglari Holdings," "Corporation" or "Company") of proxies in the accompanyi form for the Annual Meeting of Shareholders to be held at The St. Regis Hotel, Two East 55th Street at Fifth Avenue, New York, New York 10022, on April 24, 2014, at 1:00 p.m., Eastern Daylight Time, and at any adjournment or postponement thereof (the "Annual Meeting"). This proxy statement and the enclosed form of proxy are first being sent to shareholders on or about March 28, 2014.

Solicitation of proxies may be made by mail and through telephonic or telegraphic communications to, or by meetings with, shareholders or their representatives by directors, officers and other employees of the Corporation who will receive no additional compensation for this service. In addition, the Corporation has engaged Alliance Advisors LLC ("Alliance Advisors") to act as our proxy solicitation agent. Alliance Advisors will be paid a fee of $7,000 and will be reimbursed for disbursements made on our behalf. You may obtain information from Alliance Advisors as follows: 200 Broadacres Drive, 3rd Floor, Bloomfield, New Jersey 07003; banks and brokerage firms, please call (973) 873-7721; shareholders please call (855) 976-3332. The cost of preparing, printing and mailing this proxy statement and the accompanying form of proxy, and the cost of soliciting proxies related to the Annual Meeting, will be borne by the Corporation. The Corporation will reimburse brokerage firms, banks, trustees and others for their actual out-of-pocket expenses in forwarding proxy material to the beneficial owners of the common stock, stated value $0.50 per share (the "Common Stock"), of the Corporation.

The Board has fixed the close of business on March 3, 2014 as the record date for determining which shareholders have the right to vote at the Annual Meeting (the "Record Date"). As of the Record Date, the Corporation had outstanding and entitled to vote 1,720,889 shares of Common Stock. Each share of Common Stock is entitled to one vote per share on all matters submitted to a vote of shareholders of the Corporation. Only shareholders of record at the close of business on the Record Date are entitled to vote at the Annual Meeting.

The presence at the Annual Meeting, in person or by proxy, of the holders of Common Stock holding in the aggregate a majority of the voting power of the Corporation's stock entitled to vote shall constitute a quorum for the transaction of business.

A plurality of the votes properly cast for the election of directors by the shareholders attending the meeting, in person or by proxy, will elect directors to office. However, pursuant to the Corporation's Corporate Governance Guidelines, if a director nominee in an uncontested election receives a greater number of votes "withheld" from his or her election than votes "for" that director's election, the nominee shall promptly offer his or her resignation to the Board. A committee consisting of the Board's independent directors (which will specifically exclude any director who is required to offer his or her own resignation) shall consider all relevant factors and decide on behalf of the Board the action to be taken with respect to such offered resignation and will determine whether to accept the resignation or take other action. The Corporation will publicly disclose the Board's decision with regard to any resignation offered under these circumstances with an explanation of how the decision was reached, including, if applicable, the reasons for rejecting the offered resignation.

The affirmative vote of a majority of the Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve each of Proposal 2, ratification of the appointment of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for the 2014 fiscal year, and Proposal 3, an advisory vote on executive compensation. Since Proposal 4 is an advisory vote to recommend the frequency of future advisory votes on executive compensation, the frequency option receiving the greatest number of votes on Proposal 4 will be the advisory vote of the shareholders.

Shareholders may vote "FOR" or "WITHHOLD" a vote for the election of directors, "FOR," "AGAINST" or "ABSTAIN" wit respect to each other proposal (other than Proposal 4) submitted to shareholders at the Annual Meeting, and "EVERY 3 YEARS," "EVERY 2 YEARS," "EVERY 1 YEAR" or "ABSTAIN" with respect to Proposal 4, the advisory vote to recommend the frequency of future advisory votes on executive compensation. In addition, a broker "non-vote" occurs when a nominee holding shares of Common Stock for the beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Brokers that do not receive instructions from the beneficial owners of shares of Common Stock are not entitled to vote on any proposal at the Annual Meeting other than Proposal 2, to ratify the appointment of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for the 2014 fiscal year. Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum at the Annual Meeting, but will not count as votes cast. Therefore, abstentions and broker non-votes will have no effect on either the election of directors or the outcome of Proposal 4. Abstentions have the same effect as a vote against Proposals 2 and 3. Broker non-votes, however, will not be considered present and entitled to vote on Proposals 2 and 3 and generally will have no effect on the outcome of the vote on such proposals.

Shareholders who submit a proxy may revoke their proxy or change their vote at any time prior to the Annual Meeting by: (1) sending a written revocation to the Secretary of the Corporation; (2) submitting a new proxy bearing a later date in accordance with the instructions on your proxy card or provided by your broker or bank; or (3) attending the Annual Meeting and voting your shares in person. Shareholders who send in proxies but attend the Annual Meeting in person may vote directly if they prefer and withdraw their proxies or may allow their proxies to be voted with the similar proxies sent in by other shareholders.

Under Indiana law, our shareholders are not entitled to appraisal rights or other similar rights in connection with any of the proposals to be voted upon at the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON APRIL 24, 2014.

The Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 2014 and the Corporation's 2013 Annual Report to Shareholders are available at www.biglariholdings.com/annualmeeting.

PROPOSAL ONE:

ELECTION OF DIRECTORS

At the Annual Meeting, a Board consisting of six members will be elected, each director to hold office until a successor is elected and qualified, or until the director resigns, is removed or becomes disqualified.

Upon the recommendation of the Governance, Compensation and Nominating Committee, the members of the Board have nominated for election the six current directors of the Corporation.

Certain information with respect to nominees for election as directors, including the experience, qualifications, attributes and skills that led to the selection of each nominee by the Governance, Compensation and Nominating Committee, is contained in the following table:

Name	Age	Business Experience
Sardar Biglari	36	Chairman of the Board, Chief Executive Officer and a director of Biglari Holdings since 2010. Mr. Biglari was elected Chairman of the Board of the predecessor to Biglari Holdings (the "Predecessor") in June 2008 and appointed Chief Executive Officer in August 2008 following his election to the Board in March 2008. He has also served as Chairman, since March 2006, Chief Executive Officer and President, since May 2007, and a director, since December 2005, of Western Sizzlin Corporation ("Western"), a diversified holding company, which was acquired by the Predecessor in March 2010. Chairman and Chief Executive Officer of Biglari Capital Corp. ("Biglari Capital"), general partner of The Lion Fund, L.P. ("The Lion Fund") and The Lion Fund II, L.P. ("The Lion Fund II"), private investment funds, since its inception in 2000. Director of CCA Industries, Inc. ("CCA Industries"), a manufacturer and marketer of health and beauty aids, since August 2011. Mr. Biglari has extensive managerial and investing experience in a broad range of businesses through his services as Chairman and Chief Executive Officer of the Company and its major operating subsidiaries. He also has experience serving on the boards of directors of public companies.

Philip L. Cooley	70	Vice Chairman of the Board and a director of Biglari Holdings since 2010. Dr. Cooley was appointed Vice Chairman of the Predecessor in April 2009 following his election to the Board in March 2008. Prassel Distinguished Professor of Business at Trinity University, San Antonio, Texas, from 1985 until his retirement in May 2012. Served as an advisory director of Biglari Capital since 2000 and as Vice Chairman and a director of Western from March 2006 and December 2005, respectively, until its acquisition by the Predecessor in March 2010. Director of CCA Industries since August 2011. Dr. Cooley has extensive business and investment knowledge and experience. He also has experience serving on the boards of directors of public companies.
Kenneth R. Cooper	69	Director of Biglari Holdings since October 2010. Attorney in the private practice of law in San Antonio, Texas specializing in real estate transactions. Served as a director of Western from February 2007 until its acquisition by the Predecessor in March 2010. Mr. Cooper has extensive real estate experience and knowledge of Western's business.
William L. Johnson	71	Director of Biglari Holdings since February 2012. President and Chief Executive Officer of The Berean Group, LLC, a business consulting firm, since June 2002. Vice Chairman of the Board of Fremont Michigan InsuraCorp, Inc., a property and casualty insurance provider, from 2003 until 2011. Mr. Johnson has leadership, business management and public company experience.
James P. Mastrian	71	Director of Biglari Holdings since August 2012. Mr. Mastrian retired from Rite Aid Corporation in August 2008. He was the special advisor to the Chairman and Chief Executive Officer. Chief Operating Officer of Rite Aid Corporation from October 2005 to August 2007. Director of CCA Industries from 2009 to August 2012. Mr. Mastrian served in a leadership role in the retail sector, has extensive marketing experience and over 40 years of experience in corporate management.
Ruth J. Person	68	Director of Biglari Holdings since 2010 and of the Predecessor from 2002 to 2010. Chancellor and Professor of Management, University of Michigan-Flint. Member, Board of Managers, Hurley Medical Center, Flint, Michigan. Dr. Person has years of experience in leadership and board positions, and as a professor of management, at various institutions.

The Governance, Compensation and Nominating Committee of the Board has concluded that the following directors are independent in accordance with the director independence standards of the New York Stock Exchange, and has determined that none of them has a material relationship with the Corporation which would impair his or her independence from management or otherwise compromise his or her ability to act as an independent director: Kenneth R. Cooper, William L. Johnson, James P. Mastrian and Ruth J. Person.

When the accompanying proxy is properly executed and returned, the shares it represents will be voted in accordance with the directions indicated thereon or, if no direction is indicated, the shares will be voted in favor of the election of the six nominees identified above. The Corporation expects each nominee to be able to serve if elected, but if any nominee notifies the Corporation before the Annual Meeting that he or she is unable to do so, then the proxies will be voted for the remainder of those nominated and, as designated by the directors, may be voted (i) for a substitute nominee or nominees, or (ii) to elect such lesser number to constitute the whole Board as equals the number of nominees who are able to serve.

Our Board unanimously recommends that shareholders vote FOR the election of the Corporation's six nominees as directors.

Board Meetings, Committees, Directors' Compensation and Nominations

The Board's actions were taken at four meetings held during fiscal year 2013. Each director during fiscal year 2013 attended at least 75% of all meetings of the Board and of the committees of the Board on which he or she served. Directors are encouraged but not required to attend annual meetings of the Corporation's shareholders. All directors of the Corporation attended the 2013 Annual Meeting of Shareholders.

The Board has established an Audit Committee in accordance with Section 3(a)(58)A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee consists of Kenneth R. Cooper, William L. Johnson, James P. Mastrian and Ruth J. Person. The Board has determined that each of William L. Johnson, James P. Mastrian and Ruth J. Person meets the definition of "audit committee financial expert" as that term is used in Item 407(d)(5) of Regulation S-K promulgated under the Exchange Act. All current members of the Audit Committee meet the criteria for independence set forth in Rule 10A-3 under the Exchange Act and in Section 303A of the New York Stock Exchange Listed Company Manual. The Audit Committee assists the Board with oversight of a) the integrity of the Corporation's financial statements, b) the Corporation's compliance with legal and regulatory requirements and c) the qualifications and independence of the Corporation's independent public accountants and the Corporation's internal audit function. The Audit Committee meets periodically with the Corporation's independent public accountants, internal auditors and members of management and reviews the Corporation's accounting policies and internal controls. The Audit Committee also selects the firm of independent public accountants to be retained by the Corporation to perform the audit. The Audit Committee held four formal meetings during fiscal year 2013. The Audit Committee Charter is available on the Corporation's website at www.biglariholdings.com and may also be obtained at no charge by written request to the attention of the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257.

The Board has established a Governance, Compensation and Nominating Committee and adopted a charter to define and outline the responsibilities of its members. A copy of the Governance, Compensation and Nominating Committee Charter is available on the Corporation's website at www.biglariholdings.com and may also be obtained at no charge by written request to the attention of the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257. The Governance, Compensation and Nominating Committee consists of Kenneth R. Cooper, William L. Johnson, James P. Mastrian and Ruth J. Person, all of whom are independent directors in accordance with the New York Stock Exchange director independence standards.

The role of the Governance, Compensation and Nominating Committee is to assist the Board by a) recommending governance guidelines applicable to the Corporation; b) identifying, evaluating and recommending the nomination of Board members; c) setting the compensation of the Corporation's Chief Executive Officer and performing other compensation oversight; d) reviewing related persons transactions; and e) assisting the Board with other related tasks, as assigned from time to time. The Governance, Compensation and Nominating Committee held five formal meetings during fiscal year 2013.

The Corporation does not have a policy regarding the consideration of diversity, however defined, in identifying nominees for director. Instead, in identifying director nominees, the Governance, Compensation and Nominating Committee looks for individuals who possess integrity, ownership mentality, business expertise and enterprise qualities that support an entrepreneurial culture. With respect to the selection of director nominees at the Annual Meeting, the Governance, Compensation and Nominating Committee recommends the Board nominate the six directors currently serving on the Board.

The Governance, Compensation and Nominating Committee has a policy under which it will consider recommendations presented by shareholders. A shareholder wishing to submit such a recommendation should send a letter to the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257. The mailing envelope must contain a clear notation that the enclosed letter is a "Director Nominee Recommendation". The Secretary must receive the recommendation not less than 120 days prior to the date we released our proxy materials for the preceding year's annual meeting for it to be considered by the Governance, Compensation and Nominating Committee for the 2015 Annual Meeting of Shareholders. The letter must identify the author as a shareholder and provide a brief summary of the candidate's qualifications. At a minimum, candidates recommended for nomination to the Board must meet the director independence standards of the New York Stock Exchange. The Governance, Compensation and Nominating Committee's policy provides that candidates recommended by shareholders will be evaluated using the same criteria as are applied to all other candidates.

Board Leadership Structure and Role in Risk Oversight

Sardar Biglari is the Corporation's Chairman of the Board and Chief Executive Officer. He also has voting power over approximately 16.1% of the Corporation's outstanding shares of Common Stock. The Corporation is a diversified holding company engaged in a number of business activities. Its most important operating subsidiaries are involved in the franchising and operating of restaurants. All major operating, investment, and capital allocation decisions are made by Mr. Biglari on behalf of the Company and its main operating subsidiaries. Because of the Company's holding company structure, along with the centralization of managerial and capital allocation decisions to Mr. Biglari, the most effective leadership model for the Corporation is to designate Mr. Biglari to hold both positions of Chairman and Chief Executive. Furthermore, the Company has no investor relations department as Mr. Biglari is the focal point for communications between the Company and its shareholders.

The Board has not named a lead independent director. The Board believes the independent nature of the Audit Committee and the Governance, Compensation and Nominating Committee ensures that the Board maintains a level of autonomous oversight of management.

The full Board has responsibility for general oversight of relevant risks. Mr. Biglari bears responsibility for managing various risks faced by the Company. Furthermore, Mr. Biglari reviews with the Board relevant possible risks. In addition, as part of its Charter, the Audit Committee discusses the Corporation's policies concerning risk assessment and risk management.

Director Compensation

Directors of the Corporation who are employees or spouses of employees do not receive fees for attendance at directors' meetings. During fiscal year 2013, a director who was not an employee or a spouse of an employee received an annual cash retainer of $45,000, and the Chairs of the Audit Committee and the Governance, Compensation and Nominating Committee received an annual cash retainer of $50,000. For his role as Vice Chairman of the Board and such other duties as designated by the Board, Dr. Cooley received an annual cash retainer of $210,000. In addition, non-employee directors receive cash meeting attendance fees as follows:

- $3,500 for each in-person Board meeting attended;
- $1,250 for each committee meeting attended in-person not held in conjunction with a Board meeting;
- $500 for each committee meeting attended held in conjunction with a Board meeting; and
- $500 for any meeting (Board or committee) in which the director participated by phone.

From November 2008 to March 2009, we paid all retainers in Company stock. We discontinued that practice to avoid equity dilution. Effective April 1, 2009, all annual retainers have been paid in cash only.

The following table provides compensation information for the fiscal year ended September 25, 2013 for each non-management member of the Board who served on the Board during such fiscal year:

Name	Fees Earned or Paid in Cash	All Other Compensation	Total
Philip L. Cooley	$218,000	$ 42,500 a	$260,500
Ruth J. Person	$57,000	$ —	$57,000
Kenneth R. Cooper	$62,000	$ —	$62,000
William L. Johnson	$62,000	$ —	$62,000
James P. Mastrian	$57,000	$ —	$57,000

a. Represents the value of director's fees received by Dr. Cooley from serving on the Board of Directors of CCA Industries, in which the Company has a significant ownership interest.

Meetings of Independent Directors

Four meetings of the independent directors were held during fiscal year 2013. A shareholder or other interested party wishing to contact the independent directors, as applicable, should send a letter to the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257. The mailing envelope must contain a clear notation that the enclosed letter is to be forwarded to the Corporation's independent directors.

Shareholder Communications with the Board

Shareholders who wish to communicate with the Board or a particular director may send a letter to the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257. The mailing envelope must contain a clear notation that the enclosed letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all members of the Board or just certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines to promote effective governance of the Corporation. The Corporate Governance Guidelines are available on the Corporation's website at www.biglariholdings.com. A copy of the Corporate Governance Guidelines also may be obtained at no charge by written request to the attention of the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257.

Code of Business Conduct and Ethics

The Corporation has adopted a Code of Conduct for all directors, officers and employees as well as directors, officers and employees of each of its subsidiaries. The Code of Conduct is available on the Corporation's website at www.biglariholdings.com. A copy of the Code of Conduct may also be obtained at no charge by written request to the attention of the Secretary of the Corporation at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257.

Related Person Transactions

Policy Regarding Related Person Transactions

The Governance, Compensation and Nominating Committee reviews each related person transaction (as defined below) and determines whether it will approve or ratify that transaction based on whether the transaction is in the best interests of the Company and its shareholders. Any Board member who has any interest (actual or perceived) will not be involved in the consideration.

A “related person transaction” is any transaction, arrangement or relationship in which we are a participant, the related person (defined below) had, has or will have a direct or indirect material interest and the aggregate amount involved is expected to exceed $120,000 in any calendar year. “Related person” includes (a) any person who is or was (at any time during the last fiscal year) an officer, director or nominee for election as a director; (b) any person or group who is a beneficial owner of more than 5% of our voting securities; (c) any immediate family member of a person described in provisions (a) or (b) of this sentence; or (d) any entity in which any of the foregoing persons is employed, is a partner or has a greater than 5% beneficial ownership interest.

In determining whether a related person transaction will be approved or ratified, the Governance, Compensation and Nominating Committee may consider factors such as (a) the extent of the related person’s interest in the transaction; (b) the availability of other sources of comparable products or services; (c) whether the terms are competitive with terms generally available in similar transactions with persons that are not related persons; (d) the benefit to us; and (e) the aggregate value of the transaction.

Related Person Transactions

On July 1, 2013, Biglari Holdings entered into the following agreements with Mr. Biglari, its Chairman and Chief Executive Officer: (i) a Stock Purchase Agreement; (ii) a Shared Services Agreement with Biglari Capital, and (iii) a First Amendment to the Amended and Restated Incentive Bonus Agreement, dated September 28, 2010, with Mr. Biglari (described in “Executive Compensation” below). The transactions contemplated thereby were unanimously approved by the independent Governance, Compensation and Nominating Committee of the Board (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.

Taken together, the agreements provide for the following transactions:

- The contribution of investments held by Biglari Holdings to The Lion Fund and The Lion Fund II. In return, Biglari Holdings received limited partner interests in each of these investment partnerships.

- Biglari Capital’s distribution of substantially all of its partnership interests in The Lion Fund (including its adjusted capital balance) to Biglari Holdings. As a result, Biglari Capital maintained solely a general partner interest in each of The Lion Fund and The Lion Fund II.

- The sale of Biglari Capital by Biglari Holdings to Mr. Biglari for a purchase price of $1,700,000.

- The execution of the Shared Services Agreement pursuant to which Biglari Holdings provides certain services to Biglari Capital in exchange for an increase in Biglari Holdings' and its subsidiaries' hurdle rate above that of other limited partners (6% vs. 5%) with respect to Biglari Holdings' and its subsidiaries' limited partner interests in The Lion Fund and The Lion Fund II. The hurdle rate is the threshold annualized return for limited partners of each of The Lion Fund and The Lion Fund II above which Biglari Capital, as general partner of each, is entitled to receive an incentive reallocation.

- The modification of the Incentive Bonus Agreement between Biglari Holdings and Mr. Biglari to give effect to the transactions, inter alia, by providing that Mr. Biglari's incentive compensation will thereafter be calculated without reference to any investments by Biglari Holdings and its subsidiaries in investment partnerships (including The Lion Fund and The Lion Fund II), of which Biglari Capital or Mr. Biglari is the general partner.

The transactions were entered into by Biglari Holdings to, among other things, (a) reduce regulatory burdens related to investments, (b) improve cash management, (c) foster an enhanced understanding of Biglari Holdings and mitigate conflicts of interest through the separation and clear demarcation of Biglari Holdings from The Lion Fund, and (d) simplify the Incentive Bonus Agreement.

Stock Purchase Agreement

Pursuant to the Stock Purchase Agreement, Biglari Holdings sold all the shares of Biglari Capital to Mr. Biglari for a purchase price of $1,700,000 in cash (the "Biglari Capital Transaction"). Prior to the execution and delivery of the Stock Purchase Agreement, Biglari Capital distributed to the Company substantially all of Biglari Capital's partnership interests in The Lion Fund (including, without limitation, Biglari Capital's adjusted capital balance in its capacity as general partner of The Lion Fund, which totaled $5,721,000). Biglari Capital thus retained solely a general partner interest in each of The Lion Fund and The Lion Fund II at the time of the Biglari Capital Transaction. In addition, Biglari Holdings contributed securities owned by it to The Lion Fund and The Lion Fund II in exchange for limited partner interests in each of these investment partnerships. Biglari Holdings will maintain an interest in the contributed securities through its limited partner interests in The Lion Fund and The Lion Fund II, but without the associated costs under the Incentive Bonus Agreement with Mr. Biglari, as explained in "Executive Compensation" below.

Mr. Biglari is Chairman and Chief Executive Officer of Biglari Capital, and Dr. Cooley is an advisory director of Biglari Capital. The Lion Fund owned 203,357 shares of the Company's Common Stock as of the date of the Biglari Capital Transaction. Mr. Biglari (together with his affiliates), Dr. Cooley and Mr. Cooper have made investments in The Lion Fund (other than the amounts invested by the Company), which are not subject to special profits, interest allocations, or incentive allocations. Mr. Biglari does not pay an incentive allocation fee as a limited partner in The Lion Fund. As of the date of the Biglari Capital Transaction, the fair value of these investments was $872,826, $75,288 and $189,691, respectively.

Shared Services Agreement

In connection 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, including use of space at the Company's corporate headquarters in San Antonio, 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 and The Lion Fund II, 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. 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 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 and The Lion Fund II under their respective partnership agreements.

During the fiscal year ended September 25, 2013, the Company provided services for Biglari Capital under the Shared Services Agreement having an aggregate cost of $101,057.

Investments in The Lion Fund and The Lion Fund II

During the fiscal year ended September 25, 2013, the Company contributed cash and securities owned by it with an aggregate value of $377,635,972 in exchange for limited partner interests in The Lion Fund and The Lion Fund II. As of September 25, 2013, the Company's investments in The Lion Fund and The Lion Fund II had a net asset value of $455,296,928. If the incentive reallocation were determined as of September 25, 2013, Biglari Capital would have received an incentive reallocation of approximately $5.8 million. The incentive reallocation to be received by Biglari Capital under the terms of the partnership agreements of The Lion Fund and The Lion Fund II is determined as of December 31 of each year.

License Agreement

On January 11, 2013, the Company entered into a Trademark License Agreement (the "License Agreement") with Mr. Biglari. The License Agreement was unanimously approved by the Committee.

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.

The license provided under the License Agreement is royalty-free unless and until one of the following events occurs: (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"). Following the occurrence of a Triggering Event, Mr. Biglari is entitled to receive a 2.5% royalty on "Revenues" with respect to the "Royalty Period." The royalty payment to Mr. Biglari does not apply to all revenues received by Biglari Holdings and its subsidiaries nor does it apply retrospectively (i.e., to revenues received with respect to the period prior to the Triggering Event). The royalty applies 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.

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.

Except as set forth above, there are no transactions that would be required to be disclosed pursuant to Item 404(a) of Regulation S-K promulgated under the Exchange Act.

Executive Officers

Our executive officers are appointed annually by the Board, or at such interim times as circumstances may require. Other than Mr. Biglari, the only executive officers of the Corporation during fiscal year 2013 were Bruce Lewis and Duane E. Geiger.

Mr. Lewis, age 49, joined the Company and was named Controller in January 2012. From 2007 to 2011, Mr. Lewis was Senior Vice President and Controller of Blockbuster Inc.

Mr. Geiger, age 51, served as Interim Chief Financial Officer of Biglari Holdings from April 2010 to September 2013 and of the Predecessor from July 2008 to April 2010. Mr. Geiger has also served as Vice President since 2004, Controller from 2004 until January 2012 and in various other positions with the Company and the Predecessor since 1993.

PROPOSAL TWO:

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2014. Deloitte & Touche LLP has served in that capacity since fiscal 2004. A representative of Deloitte & Touche LLP will be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so, and will be available to respond to questions.

If the shareholders do not ratify the selection of Deloitte & Touche LLP, the Audit Committee will reconsider its choice, taking into consideration the views of the shareholders, and may (but will not be required to) appoint a different firm to serve in that capacity for fiscal 2014.

Required Vote

If a quorum is present, approval of the ratification of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for fiscal 2014 will require the affirmative vote of a majority of the Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting.

Our Board unanimously recommends that shareholders vote FOR the ratification of the selection by the Audit Committee of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for fiscal 2014. Properly dated and signed proxies will be so voted unless shareholders specify otherwise.

PROPOSAL THREE:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Background

The Corporation is providing shareholders an advisory vote on executive compensation as required by Section 14A of the Exchange Act. Section 14A was added to the Exchange Act by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

The advisory vote on executive compensation is a non-binding vote on the compensation of the Corporation's Named Executive Officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules promulgated by the Securities and Exchange Commission (the "SEC"), including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure. The advisory vote on executive compensation is not a vote on the Corporation's general compensation policies, compensation of the Board, or the Corporation's compensation policies as they relate to risk management.

The Governance, Compensation and Nominating Committee believes the Corporation's executive compensation program, including the Incentive Agreement with Mr. Biglari (which was originally approved by 82% of the votes cast by shareholders at a special meeting), reflects a strong pay-for-performance philosophy and is closely aligned with shareholders' long-term interests. The Compensation Discussion and Analysis section starting on page 21 of this proxy statement provides a more detailed discussion of the Corporation's executive compensation policies and practices.

Non-Binding Advisory Resolution

We are asking our shareholders to indicate their support for the Company's executive compensation program as described in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to express their views on our Named Executive Officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this proxy statement is hereby APPROVED."

This advisory vote on executive compensation is not binding on the Board. However, the Board values the opinion of our shareholders and will take into account the result of the vote when making future decisions regarding executive compensation.

Required Vote

If a quorum is present, the affirmative vote of a majority of the Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve this resolution.

Our Board recommends a vote FOR adoption of the advisory resolution approving the compensation of the Corporation's Named Executive Officers. Properly dated and signed proxies will be so voted unless shareholders specify otherwise.

PROPOSAL FOUR:

FREQUENCY OF FUTURE SAY ON PAY ADVISORY VOTES

Background

The Corporation is also providing shareholders an advisory vote on the frequency with which the Corporation's shareholders shall have the advisory vote on executive compensation provided for in Proposal 3 above. For convenience, in this Proposal 4 the shareholders' advisory vote on executive compensation provided for in Proposal 3 above is referred to as the "say-on-pay vote".

The advisory vote on the frequency of the say-on-pay vote is a non-binding vote as to how often the say-on-pay vote should occur: every year, every two years, or every three years. In addition, shareholders may abstain from voting.

At the Company's 2013 Annual Meeting of Shareholders, a plurality of the votes cast was voted in favor of holding the say-on-pay vote annually. Accordingly, the Board determined that the Company would hold the say-on-pay vote at the Annual Meeting. After further consideration, the Board continues to believe that a triennial frequency (i.e., every three years) is the optimal frequency for the say-on-pay vote. Therefore, the Board recommends that you vote "FOR" a triennial interval for the advisory say-on-pay vote. The Board supports a triennial vote because the Corporation's executive compensation policies and practices are designed to maximize long-term shareholder value. Accordingly, the Board believes a triennial vote will align more closely with the long-term strategic objectives of our executive compensation program, as well as provide shareholders a more appropriate timeframe to evaluate the effectiveness of our executive compensation program in achieving these objectives.

Non-Binding Advisory Resolution

We are asking our shareholders to vote on the following resolution:

"RESOLVED, that the option of once every one year, two years, or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which Biglari Holdings Inc. (the "Corporation") is to hold a shareholder vote to approve the compensation of the Corporation's Named Executive Officers, as disclosed in the Corporation's Proxy Statement for Annual Meetings of Shareholders pursuant to the compensation disclosure rules promulgated by the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

This advisory vote on the frequency of the say-on-pay vote is not binding on the Board. However, the Board values the opinion of our shareholders and will take into account the result of the vote when determining the frequency of future say-on-pay votes.

Required Vote

If a quorum is present, the frequency option of every one year, two years or three years that receives the greatest number of votes on this Proposal 4 will be the advisory vote on the frequency for the advisory vote on executive compensation.

Our Board recommends a vote for the option of every THREE YEARS for the frequency with which shareholders are provided an advisory vote on the compensation of the Corporation's Named Executive Officers. Properly dated and signed proxies will be so voted unless shareholders specify otherwise. Shareholders are not voting to approve or disapprove the Board's recommendation. Shareholders may choose among the four choices included in the resolutions set forth above.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis is designed to provide shareholders with a better understanding of our compensation philosophy, core principles, and decision making process. It explains the compensation-related actions taken with respect to the executive officers who are identified in the Summary Compensation Table (the "Named Executive Officers"). Details regarding the compensation we paid to the Named Executive Officers for fiscal 2013 are found in the tables and narrative which follows them.

Compensation Philosophy

Introduction

Biglari Holdings is a diversified holding company engaged in a number of business activities. The Company's most important operating subsidiaries are involved in the franchising and operating of restaurants. 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 Sardar Biglari, Chairman and Chief Executive Officer.

Our executive compensation consists exclusively of a salary and a cash bonus. In fiscal 2009, our restructuring into a diversified holding company effected significant changes to our compensation system. For example, throughout fiscal 2010 and 2011, our executive officers consisted of only our Chief Executive Officer, Sardar Biglari, and our Interim Chief Financial Officer, Duane Geiger. One executive officer was added in fiscal 2012, our Controller, Bruce Lewis. In fiscal 2010, the Governance, Compensation and Nominating Committee and our shareholders approved the Amended and Restated Incentive Bonus Agreement with Mr. Biglari (as amended, the "Incentive Agreement"), which embodies the pay-for-performance ethos of the Company and its focus on maximizing long-term shareholder value.

To assist shareholders in fully understanding the information in this proxy statement, we have included an overview of our compensation structure.

The Governance, Compensation and Nominating Committee

Our program for compensation of executive officers differs from those of most public companies. The Governance, Compensation and Nominating Committee of our Board (the "Committee") was created in fiscal 2010. The Committee determines the amount of compensation pursuant to the Incentive Agreement. The Committee's functions include oversight of our compensation policies in general, which are described in the Committee's charter. Under the Committee's compensation tenets, the Corporation does not grant stock options to executive officers.

The Committee has delegated to Mr. Biglari the responsibility of establishing the compensation of other executive officers. Factors Mr. Biglari considers in setting executive officer salary are typically subjective, such as his perception of the merits of the executive's performance and any changes in that executive's functional responsibilities. Mr. Biglari will also affix the compensation for the senior executives of the Company's major subsidiaries. He may utilize different incentive arrangements, with their terms dependent upon such elements as the economic potential or capital intensity of the business. The incentives could be large and will always be tied to the operating results for which an executive exercises authority.

Compensation of Named Executive Officers—Fiscal Years 2013, 2012 and 2011

Compensation of Sardar Biglari

After the Corporation's restructuring as a diversified holding company Mr. Biglari's duties increased substantially. In recognition of Mr. Biglari's expanded and significant role, the Committee redesigned his compensation arrangement to coincide more sensibly with his numerous operating and capital-allocation responsibilities. To assure a fair, objective, and reasoned compensation system, the Committee retained Towers Watson, nationally recognized compensation consultants, to assist in formulating the incentive compensation arrangement, including the amendment thereto.

Mr. Biglari's compensation arrangement was tailored to fulfill a number of important objectives reflecting the Company's entrepreneurial culture. The Incentive Agreement was designed to ensure that Mr. Biglari's interests would be aligned with those of the shareholders, with a strong economic incentive to build long-term business value on a per share basis.

Economic Terms of Incentive Agreement

The Corporation initially entered into the Incentive Agreement with Mr. Biglari on April 30, 2010, and it was amended and restated on September 28, 2010. The Incentive Agreement was approved by 82% of the votes cast by our shareholders at our special meeting held on November 5, 2010. In connection with the Biglari Capital Transaction, Biglari Holdings and Mr. Biglari entered into the First Amendment, dated as of July 1, 2013, to the Incentive Agreement (the "Incentive Agreement Amendment").

The following summary encapsulates the major economic provisions of the Incentive Agreement:

Incentive Formula. The Incentive Agreement establishes a performance-based annual incentive payment to Mr. Biglari contingent on the growth of the Corporation's adjusted book value in each fiscal year. If the Corporation exceeds a 6% annual adjusted book value growth hurdle, Mr. Biglari would receive incentive compensation equal to 25% of the Corporation's growth in adjusted book value in excess of that measuring point. For purposes of the Incentive Agreement, the Corporation's book value is determined by the Corporation's net income and other comprehensive income, on a consolidated basis, excluding dividends, shares issuances or buybacks, and other factors unrelated to Mr. Biglari's exhibited performance. For example, share issuances for the acquisition of businesses or assets, in and of themselves, will not increase Mr. Biglari's incentive compensation for any year or any successive years. Thus, the pay is linked to economic progress. Calculation of increased book value and the incentive compensation payments to Mr. Biglari under the Incentive Agreement are subject to the approval of the Committee, which has sole authority for monitoring and administering the Incentive Agreement. Payments to Mr. Biglari under the Incentive Agreement will not exceed $10 million with respect to any one-year performance period.

High Water Mark. Mr. Biglari will not receive incentive compensation under the Incentive Agreement unless the Corporation's book value exceeds the previous highest level in book value, or the "high water mark," plus a 6% growth in book value, i.e., the hurdle rate. As such, in a fiscal year in which book value declines, the marker for subsequent fiscal years will require the complete recovery of the deficit from the last high water mark plus attaining the stated 6% hurdle rate before Mr. Biglari is eligible for a bonus.

Purchase of Common Stock. The Incentive Agreement provides that Mr. Biglari will use an amount equal to at least 30% of his annual pre-tax incentive compensation to purchase shares of the Company's Common Stock on the open market within 120 calendar days of his receipt of such payment, subject to restrictions under the Corporation's insider trading policy. Mr. Biglari is then required to hold such shares for a minimum of three years from the date of purchase, subject to the terms of the Incentive Agreement.

The July 1, 2013 Incentive Agreement Amendment amended the Incentive Agreement to reflect and give effect to the Biglari Capital Transaction and to more closely tie Mr. Biglari's incentive compensation to the Company's operating earnings. The Incentive Agreement Amendment (a) excludes from the calculation of Biglari Holdings' adjusted book value, and therefore from the calculation of Mr. Biglari's incentive compensation, any realized or unrealized gains or losses, earnings and all other amounts attributable to any investments by Biglari Holdings and its subsidiaries in investment partnerships (including The Lion Fund and The Lion Fund II) in which Biglari Holdings or a subsidiary is a limited partner and Mr. Biglari or his affiliate (other than Biglari Holdings or a subsidiary) is the general partner and (b) provides for the "high water mark" in the Incentive Agreement to be appropriately adjusted to give effect to the Biglari Capital Transaction. In entering into the Incentive Agreement Amendment, the Committee considered the results of the "say on pay" vote at the Company's 2013 annual meeting of shareholders.

For fiscal 2013, the Company's adjusted book value increased approximately $110.7 million, or 34.5%, resulting in an incentive bonus payment to Mr. Biglari of $10,000,000, the maximum incentive bonus under the Incentive Agreement. The increase in adjusted book value included $92.1 million ($146.0 million pre-tax) of unrealized appreciation.

For fiscal 2012, the Company's adjusted book value increased approximately $77.2 million, or 24.9%, resulting in an incentive bonus payment to Mr. Biglari of $10,000,000, the maximum incentive bonus under the Incentive Agreement. The increase in adjusted book value included $52.0 million of investment gains, composed of realized gains of $2.6 million ($4.2 million pre-tax) and unrealized appreciation of $49.4 million ($79.6 million pre-tax).

For fiscal 2011, the Company's adjusted book value increased approximately $32.8 million, or 11.7%, resulting in an incentive bonus payment to Mr. Biglari of $3,992,391.

The following tables set forth a reconciliation of (i) the change in adjusted book value to the change in total shareholders' equity for fiscal 2013 and 2012 and (ii) adjusted book value to total shareholders' equity as of the end of fiscal 2013 and 2012. With respect to fiscal 2013, the following tables also show the adjustments made to reflect and give effect to the Biglari Capital Transaction and Incentive Agreement Amendment.

(amounts in thousands)

	Fiscal 2013	Fiscal 2012
Change in shareholders' equity	$215,464	$69,447
Add accrued CEO incentive compensation	6,200	6,200
Change in exercise of stock options and other stock compensation transactions	(17)	(882)
Net earnings from investment partnerships	(13,296)	-
Deconsolidation of affiliated partnerships	(37,864)	-
Adjustment to treasury stock for holdings in investment partnerships	11,033	-
Issuance of common stock for rights offering	(75,595)	-
Change in other comprehensive income	(8)	-
Change in adjustment to redeemable noncontrolling interest	4,810	2,393
Change in adjusted book value	$110,727	$77,158

	Fiscal 2013	Fiscal 2012
Beginning Shareholders' Equity	$349,125	$279,678
Adjustment for treasury stock and equity in investment partnerships	(28,025)	30,809
Adjusted book value used to compute high water mark	$321,100	$310,487

Mr. Biglari's current base salary of $900,000 was set during fiscal 2009 by the Compensation Committee of the Board (prior to being merged with the Governance and Nominating Committee).

Compensation of Interim Chief Financial Officer

The salary and bonus for the Interim Chief Financial Officer in fiscal 2013, 2012 and 2011 were based upon the decision of Mr. Biglari. In determining such amounts, Mr. Biglari considered subjective factors such as his perception of the executive's performance and changes in functional responsibility.

Compensation of Controller

The salary and bonus for the Controller in fiscal 2013 and 2012 were based upon the decision of Mr. Biglari. In determining such amounts, Mr. Biglari considered subjective factors such as his perception of the executive's performance and changes in functional responsibility.

Employment Agreements, Severance, and Change-in-Control Arrangements

Current Structure

Mr. Biglari does not have an employment agreement with the Corporation. The Incentive Agreement remains in effect as long as Mr. Biglari remains the Chief Executive Officer of the Company, but does not alter his at-will employment arrangement with the Company. If there is a change in control of the Corporation, Mr. Biglari is terminated by the Corporation without "cause" or Mr. Biglari resigns for "good reason," Mr. Biglari will be entitled to receive a severance payment equal to 299% of the average annual cash compensation (consisting of his base salary and incentive compensation) paid to him since the date of the Incentive Agreement, subject to reduction to the extent necessary so that no portion of the severance payment will be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended.

On January 26, 2010, the Corporation and Mr. Geiger terminated his prior agreement concerning employment, severance, or change in control. Instead the Corporation and Mr. Geiger entered into a new, simpler agreement. The new contractual obligation stipulates that, only in the event Mr. Biglari ceases to be Chairman and Chief Executive Officer of the Corporation, shall Mr. Geiger have the option of terminating his employment with the Corporation and receiving a lump sum severance payment equal to one year of his then current base compensation. The new accord, unlike the prior one, does not contemplate or contractually bind the Corporation to severance payment in the event of termination without cause.

Mr. Lewis does not have an employment agreement with the Corporation.

Effect of a Change in Control, Death, Disability or Retirement on Equity Grants

Prior to fiscal 2009, equity-based incentives were a significant element of total executive officer compensation. These equity-based incentives consisted of stock options and restricted stock.

In the event of the death of an option recipient, then his/her estate may exercise the option in full at any time prior to its expiration. In the event of an option recipient's retirement, he/she may exercise any vested options within three months from the date of retirement. Should an option recipient's employment end as a result of a disability, then he/she would be able to exercise the options as if the recipient had remained with the Corporation through (i) cessation of payments under a disability pay plan of the Corporation, (ii) the recipient's death, or (iii) the recipient's 65th birthday.

During fiscal year 2010, we resolved to suspend, indefinitely, all future option grants and placed a moratorium on the issuance of restricted stock. All shares and options granted under prior stock and incentive plans are fully vested.

Deductibility Cap on Executive Compensation

Section 162(m) of the Internal Revenue Code generally disallows a federal income tax deduction to any publicly held corporation for compensation to the principal executive officer, principal financial officer, or any of the three other most highly compensated executive officers in excess of $1 million in any taxable year. Payments made pursuant to the Incentive Agreement, however, are intended to qualify as “performance based compensation,” eligible for continued deductibility with shareholder approval. To preserve the tax deductibility of such compensation, the Corporation sought and obtained approval of the Incentive Agreement at the November 5, 2010 special meeting of shareholders.

In fiscal 2013, we did not pay compensation that was not deductible under Section 162(m).

Compensation Policies Relating to Risk Management

The Committee believes that our compensation policies and practices do not encourage unnecessary or excessive risk taking and that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Corporation.

Summary Compensation Information

The following table shows the compensation paid to the Company's Chief Executive Officer, and Controller, and its then Interim Chief Financial Officer, who are the Company's only executive officers and whom we refer to herein collectively as our "Named Executive Officers," for the 2013, 2012 and 2011 fiscal years.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Non-Equity Incentive Plan Compensation ($)a	All Other Compensation($)	Total ($)
Sardar Biglari, Chairman / Chief Executive Officer	2013	$ 900,000	$ —	$ 10,000,000	$ 42,797 b	$ 10,942,797
	2012	$ 900,000	$ —	$ 10,000,000	$ 17,778 b	$ 10,917,788
	2011	$ 900,000	$ —	$ 3,992,391	$ 30,264 b	$ 4,922,655
Bruce Lewis, Controller	2013	$ 320,000	$ 300,000	$ —	$ —	$ 620,000
	2012	$ 231,385	$ 218,000			