

BIGLARI HOLDINGS INC.
Form S-4/A
May 17, 2010

As filed with the Securities and Exchange Commission on May 17, 2010

Registration No. 333-166445

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BIGLARI HOLDINGS INC.
(Exact name of registrant as specified in its charter)

INDIANA	5812	37-0684070
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Biglari Holdings Inc.
175 East Houston Street, Suite 1300
San Antonio, Texas 78205
(317) 633-4100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Duane E. Geiger
Interim Chief Financial Officer
Biglari Holdings Inc.
175 East Houston Street, Suite 1300
San Antonio, Texas 78205
Voice: (317) 633-4100
Facsimile: (317) 633-4105

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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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
<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this prospectus may be changed. Biglari Holdings may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and Biglari Holdings is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

BIGLARI HOLDINGS INC.

Offer to Exchange
Up to 1,409,367 Shares of Common Stock
of
ADVANCE AUTO PARTS, INC.
for
Shares of Biglari Holdings Inc. Common Stock
by
BIGLARI HOLDINGS INC.

At an Exchange Ratio of One Share of Advance Auto Parts, Inc. Common Stock for
0.1179 Shares of Biglari Holdings Inc. Common Stock

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON TUESDAY, JUNE 1, 2010, REFERRED TO AS THE “EXPIRATION DATE,” UNLESS EXTENDED. SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

Biglari Holdings Inc. is offering to exchange up to 1,409,367 shares of common stock of Advance Auto Parts, Inc. at an exchange ratio of one share of Advance common stock for 0.1179 shares of Biglari Holdings common stock, stated value \$0.50 per share, upon the terms and subject to the conditions in this prospectus and accompanying letter of transmittal. This offer is referred to in this prospectus as the “exchange offer” or the “offer.” In addition, you will receive cash instead of any fractional shares of Biglari Holdings common stock to which you may be entitled.

This prospectus amends and supersedes information included in the prospectus originally filed with the Securities and Exchange Commission on April 30, 2010, which we refer to as the “original prospectus.”

Biglari Holdings is seeking to acquire up to 1,409,367 shares of Advance common stock in the offer for investment purposes. Following the consummation of the offer, Biglari Holdings intends to evaluate its investment in the Advance common stock on a continual basis and may, from time to time, communicate with, make proposals to, or otherwise attempt to influence, Advance management, members of Advance’s board of directors and other stockholders of Advance regarding the capitalization, business, operations and future plans of Advance.

Biglari Holdings’ common stock is traded on the New York Stock Exchange under the symbol “BH.” Advance’s common stock is traded on the New York Stock Exchange under the symbol “AAP.” On April 30, 2010, the last full trading day before Biglari Holdings announced the commencement of this offer and filed the original prospectus, the closing price of a share of Biglari Holdings common stock was \$391.25 and the closing price of a share of Advance common stock was \$45.13. Based on these closing prices and the exchange ratio in the offer of one share of Advance common stock for 0.1179 shares of Biglari Holdings common stock, the Biglari Holdings offer had a value of \$46.13 per share of Advance common stock, representing a 2.2% premium over Advance’s closing share price on April 30, 2010.

FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE OFFER, PLEASE CAREFULLY READ THE SECTION CAPTIONED “RISK FACTORS” BEGINNING ON PAGE 14.

Biglari Holdings’ obligation to exchange shares of Biglari Holdings common stock for shares of Advance common stock is subject to specified conditions, which are more fully described in the section captioned “The Offer—Conditions of the Offer.” Biglari Holdings’ offer is not conditioned on any minimum number of shares being tendered.

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Biglari Holdings has not authorized any person to provide any information or to make any representation in connection with the offer other than the information contained or incorporated by referenced in this prospectus, and if any person provides any of this information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Biglari Holdings.

BIGLARI HOLDINGS IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND BIGLARI HOLDINGS A PROXY.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 17, 2010

THIS PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT BIGLARI HOLDINGS AND ADVANCE FROM DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR "SEC," THAT HAVE NOT BEEN INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS. THIS INFORMATION IS AVAILABLE AT THE INTERNET WEBSITE THE SEC MAINTAINS AT [HTTP://WWW.SEC.GOV](http://www.sec.gov), AS WELL AS FROM OTHER SOURCES. SEE THE SECTION CAPTIONED "WHERE YOU CAN FIND MORE INFORMATION."

YOU ALSO MAY REQUEST COPIES OF THESE DOCUMENTS FROM BIGLARI HOLDINGS, WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST TO BIGLARI HOLDINGS' INFORMATION AGENT AT ITS ADDRESS OR TELEPHONE NUMBER SET FORTH ON THE BACK COVER OF THIS PROSPECTUS. IN ORDER TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS, YOU MUST MAKE YOUR REQUEST NO LATER THAN MAY 20, 2010.

THIS OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF STOCKHOLDERS OF ADVANCE.

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QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

The following are some of the questions that you as a holder of shares of Advance Auto Parts, Inc., or “Advance,” common stock may have regarding the offer and answers to those questions. The answers to these questions do not contain all information relevant to your decision whether to tender your shares of Advance common stock, and Biglari Holdings Inc., or “Biglari Holdings,” urges you to read carefully the remainder of this prospectus and accompanying letter of transmittal.

What is Biglari Holdings’ Proposed Transaction?

Pursuant to the filing of the registration statement on Form S-4, of which this prospectus is a part, with the SEC, Biglari Holdings is offering to acquire up to 1,409,367 outstanding shares of Advance common stock, in exchange for shares of Biglari Holdings common stock. According to Advance’s proxy statement on Schedule 14A filed with the SEC on April 9, 2010, there were 87,853,453 shares of Advance common stock outstanding as of the close of business on March 26, 2010. As of the date of this prospectus, Biglari Holdings owned 6,000 shares of Advance common stock, representing less than one percent of the outstanding shares. If Biglari Holdings acquires the maximum 1,409,367 shares in the offer, it would own 1,415,367 shares of Advance common stock, representing approximately 1.6 % of the outstanding shares. The Lion Fund, L.P., an affiliate of Biglari Holdings, owns 10,500 shares of Advance common stock. The Lion Fund is not making this offer.

How Many Shares Will Biglari Holdings Purchase in the Offer?

Biglari Holdings will purchase up to 1,409,367 shares of Advance common stock in the offer, or such lesser number of shares as are validly tendered and not properly withdrawn. If more than 1,409,367 shares that would have otherwise been accepted are tendered pursuant to the offer, tendered shares will be purchased on a pro rata basis.

What Will I Receive in Exchange for My Shares of Advance Common Stock?

In exchange for each share of Advance common stock that is purchased pursuant to the offer, you will receive 0.1179 shares of Biglari Holdings common stock. In addition, you will receive cash instead of any fractional shares of Biglari Holdings common stock to which you may be entitled. The number of shares of Biglari Holdings common stock into which one share of Advance common stock will be exchanged in the offer is sometimes referred to in this prospectus as the “exchange ratio.” Accordingly, a stockholder tendering 9 shares would receive one share of Biglari Holdings common stock, plus cash in lieu of fractional shares.

What is the Per Share Value of the Offer and the Premium Over Advance’s Share Price?

Biglari Holdings’ common stock is traded on the New York Stock Exchange under the symbol “BH.” Advance’s common stock is traded on the New York Stock Exchange under the symbol “AAP.” On April 30, 2010, the last full trading day before Biglari Holdings announced the commencement of this offer and filed the original prospectus, the closing price of a share of Biglari Holdings common stock was \$391.25 and the closing price of a share of Advance common stock was \$45.13. Based on these closing prices and the exchange ratio in the offer of one share of Advance common stock for 0.1179 shares of Biglari Holdings common stock, the Biglari Holdings offer had a value of \$46.13 per share of Advance common stock, representing a 2.2% premium over Advance’s closing share price on April 30, 2010.

The value of the offer will change as the market prices of Biglari Holdings common stock and Advance common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Biglari Holdings common

stock. Shareholders are encouraged to obtain current market quotations for shares of Biglari Holdings and Advance common stock prior to making any decision with respect to the offer. See “Risk Factors” and “Comparative Market Price Data.”

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What does the Board of Directors of Advance Think of the Offer?

Advance's board of directors has not approved this offer or, to Biglari Holdings' knowledge, otherwise commented on it as of the date of this prospectus. Within 10 business days after the date of the original prospectus, Advance is required by law to publish, send or give to you a statement as to whether it recommends acceptance or rejection of the offer, that it has no opinion with respect to the offer or that it is unable to take a position with respect to the offer. Biglari Holdings has not discussed the offer with the board of directors of Advance.

What are the Conditions of the Offer?

Biglari Holdings' obligation to exchange shares of Biglari Holdings common stock for shares of Advance common stock pursuant to the offer is subject to several conditions referred to below under "The Offer—Conditions of the Offer," including the following:

- the "registration statement condition" — the registration statement of which this prospectus is a part shall have become effective under the Securities Act of 1933, as amended, referred to in this prospectus as the "Securities Act," no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC, and Biglari Holdings shall have received all necessary state securities law or "blue sky" authorizations; and
- the "listing condition"— the shares of Biglari Holdings common stock to be issued pursuant to the offer shall have been authorized for listing on the New York Stock Exchange, subject to official notice of issuance.

The satisfaction or existence of any of the conditions to the offer, including the registration statement condition and the listing condition, will be determined by Biglari Holdings in its reasonable discretion. Any and all conditions to the offer, including the registration statement condition and the listing condition, may be waived (to the extent legally permissible) by Biglari Holdings in its reasonable discretion.

Will I Be Taxed on the Biglari Holdings Common Stock I Receive?

The receipt of Biglari Holdings common stock by a U.S. holder in exchange for its shares of Advance common stock pursuant to the offer is expected to be a taxable transaction for U.S. federal income tax purposes. For a discussion of material U.S. federal tax consequences of the offer, see the section captioned "The Offer—Taxation."

BECAUSE TAX MATTERS ARE COMPLICATED, BIGLARI HOLDINGS URGES YOU TO CONTACT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE OFFER.

Is Biglari Holdings' Financial Condition Relevant to My Decision to Tender in the Offer?

Yes. Biglari Holdings' financial condition is relevant to your decision to tender your shares because shares of Advance common stock accepted in the offer will be exchanged for shares of Biglari Holdings common stock. You should therefore consider Biglari Holdings' financial condition before you decide to become one of Biglari Holdings' shareholders through the offer. This prospectus incorporates by reference financial information regarding Biglari Holdings and Advance, which we encourage you to review.

What Percentage of Biglari Holdings' Shares Will Former Holders of Shares of Advance Common Stock Own After the Offer?

Based on the exchange ratio for the offer, Biglari Holdings estimates that if the maximum 1,409,367 Advance shares are exchanged pursuant to the offer, former Advance stockholders would own, in the aggregate, approximately 10.4% of the outstanding shares of Biglari Holdings common stock. For a detailed discussion of the assumptions on which this estimate is based, see “The Offer—Ownership of Biglari Holdings After the Offer.”

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How Long Do I Have to Decide Whether to Tender in the Offer?

You have until 5:00 p.m., New York City time, on Tuesday, June 1, 2010 to decide whether to tender your shares in the offer unless Biglari Holdings extends the period of time during which the offer is open. If you cannot deliver everything required to make a valid tender to Computershare Trust Company, N.A. the exchange agent for the offer, prior to such time, you may be able to use a guaranteed delivery procedure to tender your shares in the offer, which is described in “The Offer—Guaranteed Delivery.” When Biglari Holdings makes reference to the “expiration of the offer” or the “expiration date” anywhere in this prospectus, this is the time to which Biglari Holdings is referring, including, when applicable, any extension period that may apply.

Can the Offer Be Extended and Under What Circumstances?

Biglari Holdings may, in its sole discretion, extend the offer at any time or from time to time. For instance, the offer may be extended if any of the conditions specified in “The Offer—Conditions of the Offer” are not satisfied prior to the scheduled expiration date of the offer. Because the offer is for less than all of the outstanding Advance common stock, Biglari Holdings may not elect to provide a “subsequent offering period” for the offer.

How Will I Be Notified if the Offer is Extended?

If Biglari Holdings decides to extend the offer, it will inform the exchange agent of that fact and will make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the business day after the day on which the offer was scheduled to expire.

How Do I Tender My Shares?

To tender shares, you must deliver the certificates representing your shares, together with a properly completed and duly executed letter of transmittal, to the exchange agent not later than the time the offer expires. If your shares are held in street name by your broker, dealer, commercial bank, trust company or other nominee, such nominee can tender your shares through The Depository Trust Company. If you cannot deliver everything required to make a valid tender to the exchange agent for the offer prior to the expiration of the offer, you may have a limited amount of additional time by having a broker, a bank or other fiduciary that is a member of the Securities Transfer Agents Medallion Program or other eligible institution guarantee that the missing items will be received by the exchange agent within three business days after the expiration of the offer by using the enclosed notice of guaranteed delivery. However, the exchange agent must receive the missing items within that three business day period. For a complete discussion on the procedures for tendering your shares, see “The Offer—Procedure for Tendering” and “The Offer—Guaranteed Delivery.”

Will I Have to Pay any Fee or Commission to Exchange Shares of Advance Common Stock?

If you are the record owner of your shares and you tender your shares in the offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your shares through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares on your behalf, they may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Until What Time Can I Withdraw Tendered Shares?

You can withdraw tendered shares at any time until the offer has expired and, if Biglari Holdings has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it

accepts shares for exchange. For a complete discussion on the procedures for withdrawing your shares, see “The Offer—Withdrawal Rights.”

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How Do I Withdraw Tendered Shares?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the exchange agent for the offer, while you have the right to withdraw the shares. If you tendered shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your shares. For a complete discussion on the procedures for withdrawing your shares, see “The Offer—Withdrawal Rights.”

When and How Will I Receive the Biglari Holdings Shares for My Tendered Shares?

Biglari Holdings will exchange up to 1,409,367 validly tendered and not properly withdrawn Advance shares promptly after the expiration date of the offer, subject to the terms of the offer and the satisfaction or waiver of the conditions to the offer, as set forth in “The Offer—Conditions of the Offer.” Biglari Holdings will exchange your validly tendered and not properly withdrawn shares by depositing shares of Biglari Holdings common stock with the exchange agent, which will act as your agent for the purpose of receiving shares from Biglari Holdings and transmitting such shares to you. In all cases, exchange of tendered shares will be made only after timely receipt by the exchange agent of certificates for such shares (or of a confirmation of a book-entry transfer of such shares as described in “The Offer—Procedure for Tendering”) and a properly completed and duly executed letter of transmittal and any other required documents for such shares.

Are Dissenters’ Rights Available in the Offer?

Dissenters’ rights are the rights of stockholders, in certain cases, to receive “fair value” for their shares, plus accrued interest, as determined by a statutorily-prescribed process, which may include a judicial appraisal process. Dissenters’ rights are not available in the offer. See “The Offer—Purpose of the Offer; Dissenters’ Rights.”

What is the Market Value of My Shares of Advance Common Stock as of a Recent Date?

On April 30, 2010, the last full trading day before Biglari Holdings announced the commencement of this offer and filed the original prospectus, the closing price of a share of common stock of Advance as reported on the New York Stock Exchange was \$45.13. Biglari Holdings advises you to obtain a recent quotation for the Advance common stock before deciding whether to tender your shares.

Why Does the Cover Page to this Prospectus State that the Offer is Subject to Change and that the Registration Statement Filed with the SEC is not yet Effective? Does this Mean that the Offer has not Commenced?

No. Completion of this preliminary prospectus and effectiveness of the registration statement are not necessary for the offer to commence. We cannot, however, accept for exchange any shares tendered in the offer or exchange any shares of Advance common stock until the registration statement is declared effective by the SEC and the other conditions to the offer have been satisfied or, to the extent legally permissible, waived.

Where Can I Find More Information on Biglari Holdings and Advance?

You can find more information about Biglari Holdings and Advance from various sources described in the section captioned “Where You Can Find More Information.”

Who Can I Talk to If I Have Questions About the Offer?

You can call Morrow & Co., LLC, the information agent for the offer, at the numbers below.

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The information agent for the offer is:

MORROW & CO., LLC

470 West Avenue
Stamford, CT 06902

Banks and Brokerage Firms, Please Call: 203.658.9400
Stockholders Call Toll Free: 800.607.0088
E-mail: offer.info@morrowco.com

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WHERE YOU CAN FIND MORE INFORMATION

Biglari Holdings and Advance file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Biglari Holdings and Advance file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference room. Biglari Holdings' and Advance's public filings also are available to the public from commercial document retrieval services and at the Internet website maintained by the SEC at <http://www.sec.gov>.

Biglari Holdings has filed a registration statement on Form S-4 to register with the SEC the offering and sale of shares of Biglari Holdings common stock to be issued in the offer. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. For further information, reference is made to the registration statement and its exhibits. Biglari Holdings may also file amendments to the registration statement. You may obtain copies of the Form S-4 (and any amendments thereto) by contacting the information agent as directed on the back cover of this prospectus.

The SEC allows Biglari Holdings to "incorporate by reference" information into this prospectus. This means that Biglari Holdings can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus, except for any information that is superseded by information that is included in a document subsequently filed with the SEC or that is included directly in this document.

This prospectus incorporates by reference the documents listed below that Biglari Holdings previously filed with the SEC. They contain important information about the company and its financial condition.

Biglari Holdings Filings

Biglari Holdings Filing	Period
Annual Report on Form 10-K	Fiscal year ended September 30, 2009, filed on December 14, 2009, as amended January 28, 2009

The description of Biglari Holdings' common stock set forth in the Registration Statement on Form 8-A, dated October 28, 1996, including any amendment or report filed with the SEC for the purpose of updating that description.

Quarterly Reports on Form 10-Q	Fiscal quarter ended December 23, 2009, as filed on January 29, 2010
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Current Reports on Form 8-K	Filed on: <ul style="list-style-type: none">· October 23, 2009· December 18, 2009· December 22, 2009· January 28, 2010
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- January 29, 2010
- February 2, 2010
- March 11, 2010
- March 30, 2010
- April 9, 2010

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Prospectus filed pursuant to Rule 424(b)(3) As filed on March 5, 2010
 under the Securities Act (Registration No.
 333-163192)

Proxy Statement on Schedule 14A As filed on March 8, 2010

Biglari Holdings hereby incorporates by reference additional documents that it may file with the SEC between the date of this prospectus and the expiration date of the offer (or the date that the offer is terminated). These include, but are not limited to, periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements. For the avoidance of doubt, information furnished pursuant to Item 2.02 or 7.01 of any current report on Form 8-K shall not be deemed incorporated herein or otherwise to form a part hereof.

This prospectus incorporates by reference the documents set forth below that Advance has previously filed with the SEC. These documents contain important information about Advance and its financial condition.

Advance Filings

Advance Filing	Period
Annual Report on Form 10-K (except for the reports of Advance’s independent public accountants contained therein which are not incorporated herein by reference because the consent of Advance’s independent public accountants has not yet been obtained nor has exemptive relief under Rule 437, promulgated under the Securities Act, been granted to Biglari Holdings by the SEC)	Fiscal year ended January 2, 2010, as filed March 2, 2010

The description of Advance’s common stock set forth in Advance’s Registration Statement on Form 8-A filed with the SEC on November 29, 2001, including any amendments or reports filed with the SEC for the purpose of updating such description As filed on November 29, 2001

Current Reports on Form 8-K Filed on:
 · February 3, 2010
 · February 17, 2010
 · April 29, 2010

Proxy Statement on Schedule 14A As filed on April 9, 2010

Biglari Holdings hereby incorporates by reference additional documents that Advance may file with the SEC between the date of this prospectus and the expiration date of the offer (or the date that the offer is terminated). These include, but are not limited to, periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements. For the avoidance of doubt, information furnished pursuant to Item 2.02 or 7.01 of any current report on Form 8-K shall not be deemed incorporated herein or otherwise to form a part hereof.

You may obtain any of the documents incorporated by reference upon request to the information agent at its address or telephone number set forth on the back cover of this prospectus or from the SEC at the SEC's Internet website provided above.

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IF YOU WOULD LIKE TO REQUEST DOCUMENTS FROM BIGLARI HOLDINGS, PLEASE CONTACT THE INFORMATION AGENT NO LATER THAN MAY 20, 2010 TO RECEIVE THEM BEFORE THE EXPIRATION DATE OF BIGLARI HOLDINGS' OFFER. If you request any incorporated documents, the information agent will mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN MAKING YOUR DECISION WHETHER TO TENDER YOUR SHARES OF ADVANCE COMMON STOCK INTO BIGLARI HOLDINGS' OFFER. BIGLARI HOLDINGS HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT DIFFERS FROM THAT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. THIS PROSPECTUS IS DATED MAY 17, 2010. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND NEITHER THE MAILING OF THIS PROSPECTUS TO STOCKHOLDERS NOR THE ISSUANCE OF SHARES OF BIGLARI HOLDINGS COMMON STOCK IN BIGLARI HOLDINGS' OFFER SHALL CREATE ANY IMPLICATION TO THE CONTRARY.

NOTE ON ADVANCE INFORMATION

In respect of information relating to Advance's business, operations and management presented in, or omitted from, this prospectus, Biglari Holdings has relied upon publicly available information, primarily information publicly filed by Advance with the SEC. Information publicly filed by Advance may be examined and copies may be obtained at the places and in the manner set forth in the section captioned "Where You Can Find More Information." Biglari Holdings is not affiliated with Advance, and non-public information concerning Advance was not available to Biglari Holdings for the purpose of preparing this prospectus. Advance has not cooperated with Biglari Holdings in, and has not been involved in, the preparation of this prospectus and has not verified the information contained or incorporated by reference in this prospectus relating to Advance. Publicly available information concerning Advance may contain errors. Biglari Holdings has no knowledge that would indicate that any statements contained herein, including statements incorporated by reference, regarding Advance's operations, financial condition or condition in general, based upon such publicly filed reports and documents, are inaccurate, incomplete or untrue. However, Biglari Holdings was not involved in the preparation of such reports and documents.

Pursuant to Rule 409 under the Securities Act, Biglari Holdings has requested that Advance provide Biglari Holdings with the information required to furnish complete disclosure regarding the business, operations, financial condition and management of Advance. Biglari Holdings will amend or supplement this prospectus to include any and all information Biglari Holdings receives from Advance, if Biglari Holdings receives the information before the offer expires and Biglari Holdings considers it to be material, reliable and appropriate. As of the date of this prospectus, no such information has been received.

In addition, pursuant to Rule 437 under the Securities Act, Biglari Holdings has requested that (i) Advance cooperate in obtaining the consent of its independent registered public accounting firm and (ii) Advance's independent registered public accounting firm provide Biglari Holdings with their consent required for Biglari Holdings to incorporate by reference into this prospectus the audit report and internal control audit report included in Advance's Annual Report on Form 10-K for the fiscal year ended January 2, 2010. Advance has declined to furnish this consent from its independent registered public accounting firm. On May 13, 2010, under Section 7(a) of the Securities Act and Rule 437 promulgated thereunder, Biglari Holdings submitted to the SEC a request for a waiver of the requirement to include the consent of Advance's independent registered public accounting firm in the registration statement of which this prospectus is a part.

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SUMMARY

This summary highlights selected information from this prospectus, and may not contain all of the information that is important to you. To better understand the offer to holders of shares of Advance common stock, you should read this entire prospectus carefully, as well as those additional documents to which Biglari Holdings refers you. You may obtain the information incorporated by reference into this prospectus by following the instructions in the section captioned "Where You Can Find More Information."

The Companies

Biglari Holdings

Biglari Holdings is an Indiana corporation with principal executive offices at 175 East Houston Street, Suite 1300, San Antonio, Texas 78205. The telephone number of Biglari Holdings' executive offices is (317) 633-4100. Biglari Holdings is a diversified holding company.

In this prospectus, references to "Biglari Holdings" refer to Biglari Holdings Inc. and its subsidiaries, unless the context otherwise requires.

The name, business address, principal occupation or employment, five-year employment history and citizenship of each director and executive officer of Biglari Holdings and certain other information are set forth on Schedule I to this prospectus. During the last five years, neither Biglari Holdings nor, to Biglari Holdings' best knowledge, any of the persons listed on Schedule I of this prospectus (1) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (2) was a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Advance

Advance is a Delaware corporation with principal executive offices at 5008 Airport Road, Roanoke, Virginia 24012. The telephone number of Advance's executive offices is (540) 362-4911. Advance is a leading specialty retailer of automotive aftermarket parts, accessories, batteries and maintenance items primarily operating within the United States. Advance's stores carry an extensive product line for cars, vans, sport utility vehicles and light trucks. Advance serves both "do-it-yourself," or DIY, and "do-it-for-me," or Commercial, customers.

The Offer

Biglari Holdings is offering to exchange up to 1,409,367 shares of Advance common stock at an exchange ratio of one share of Advance common stock for 0.1179 shares of Biglari Holdings common stock, upon the terms and subject to the conditions contained in this prospectus and the accompanying letter of transmittal. In addition, you will receive cash instead of any fractional shares of Biglari Holdings common stock to which you may be entitled.

If more than 1,409,367 shares of Advance common stock are validly tendered and not properly withdrawn, tendered shares will be purchased on a pro rata basis.

On April 30, 2010, the last full trading day before Biglari Holdings announced the commencement of this offer and filed the original prospectus, the closing price of a share of Biglari Holdings common stock was \$391.25 and the closing price of a share of Advance common stock was \$45.13. Based on these closing prices and the exchange ratio in the offer of one share of Advance common stock for 0.1179 shares of Biglari Holdings common stock, the Biglari

Holdings offer had a value of \$46.13 per share of Advance common stock, representing a 2.2% premium over Advance's closing share price on April 30, 2010.

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The value of the offer will change as the market prices of Biglari Holdings common stock and Advance common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Biglari Holdings common stock. Stockholders are encouraged to obtain current market quotations for shares of Biglari Holdings and Advance common stock prior to making any decision with respect to the offer. See “Risk Factors” and “Comparative Market Price Data.”

Biglari Holdings estimates that it will incur approximately \$500,000 of fees and expenses in connection with the offer, including cash to be paid in lieu of fractional shares. See “Fees and Expenses.”

Reasons for the Offer

Biglari Holdings is seeking to acquire up to 1,409,367 shares of Advance common stock in the offer for investment purposes. Following the consummation of the offer, Biglari Holdings intends to evaluate its investment in the Advance common stock on a continual basis and may, from time to time, communicate with, make proposals to, or otherwise attempt to influence, Advance management, members of Advance’s board of directors and other stockholders of Advance regarding the capitalization, business, operations and future plans of Advance.

Following the consummation of the offer, Biglari Holdings may, from time to time, acquire additional shares of Advance common stock, dispose of shares of Advance common stock or formulate other purposes, plans or proposals regarding Advance or the Advance common stock, to the extent deemed advisable in light of its general investment policies, market conditions or other factors.

Ownership of Biglari Holdings After the Offer

Based on the exchange ratio for the offer, Biglari Holdings estimates that if the maximum 1,409,367 Advance shares are exchanged pursuant to the offer, former Advance stockholders would own, in the aggregate, approximately 10.4% of the outstanding shares of Biglari Holdings common stock. For a detailed discussion of the assumptions on which this estimate is based, see “The Offer—Ownership of Biglari Holdings After the Offer.”

Conditions of the Offer

Biglari Holdings’ obligation to exchange shares of Biglari Holdings common stock for shares of Advance common stock pursuant to the offer is subject to several conditions referred to below under “The Offer—Conditions of the Offer,” including the registration statement condition and the listing condition. Biglari Holdings’ offer is not conditioned on any minimum number of shares being tendered.

Expiration Date of the Offer

The offer is scheduled to expire at 5:00 p.m., New York City time, on Tuesday, June 1, 2010, unless extended by Biglari Holdings. For more information, you should read the discussion below under the caption “The Offer—Extension, Termination and Amendment.”

Extension, Termination and Amendment

To the extent legally permissible, Biglari Holdings reserves the right, in its sole discretion, at any time or from time to time:

- to extend, for any reason, the period of time during which the offer is open;

- to delay acceptance for exchange of, or exchange of, any shares of Advance common stock pursuant to the offer in order to comply in whole or in part with applicable law;

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- to terminate the offer and not accept or exchange any shares of Advance common stock not previously accepted or exchanged, upon the failure of any of the conditions of the offer to be satisfied prior to the expiration date; and
 - to waive any condition or otherwise amend the offer in any respect.

In addition, even if Biglari Holdings has accepted for exchange, but not exchanged, shares in the offer, it may terminate the offer and not exchange shares of Advance common stock that were previously tendered if completion of the offer is illegal or if a governmental authority has commenced or threatened legal action related to the offer. However, Biglari Holdings may not assert a non-regulatory condition after the expiration of the offer.

Procedure for Tendering Shares

The procedure for tendering shares of Advance common stock varies depending on whether you possess physical certificates or a nominee holds your certificates for you and on whether or not you hold your securities in book-entry form. Biglari Holdings urges you to read the section captioned “The Offer—Procedure for Tendering” as well as the accompanying letter of transmittal.

Withdrawal Rights

You can withdraw tendered shares at any time until the offer has expired and, if Biglari Holdings has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange.

Exchange of Shares of Advance Common Stock; Delivery of Shares of Biglari Holdings Common Stock

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Biglari Holdings will accept for exchange, and will exchange for Biglari Holdings common stock, up to 1,409,367 shares of Advance common stock validly tendered and not properly withdrawn promptly after the expiration date.

Cash Instead of Fractional Shares of Biglari Holdings Common Stock

Biglari Holdings will not issue certificates representing fractional shares of Biglari Holdings common stock pursuant to the offer. Instead, each tendering stockholder who would otherwise be entitled to a fractional share of Biglari Holdings common stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by the average of the closing prices, rounded to four decimal points, of Biglari Holdings common stock for the 15 consecutive trading day period ending on the third trading day before the expiration date.

Regulatory Approvals

Biglari Holdings does not believe that the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, is applicable to the proposed transaction, and is not aware of any other material filings that will be required or advisable with any regulatory authorities in connection with the proposed transaction.

Comparison of Shareholders' Rights

You will receive Biglari Holdings common stock if you tender your shares of Advance common stock in the offer. There are a number of differences between the rights of a stockholder of Advance and the rights of a

shareholder of Biglari Holdings. Biglari Holdings urges you to review the discussion in the section captioned “Comparison of Shareholders’ Rights.”

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Risk Factors

Biglari Holdings' business and the offer are subject to several risks. In deciding whether to tender your shares of Advance common stock pursuant to the offer, you should carefully read and consider the risk factors contained in the section captioned "Risk Factors."

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RECENT DEVELOPMENTS

On October 26, 2009, Biglari Holdings filed a Schedule 13D ownership statement with respect to its recent purchases for investment purposes of an aggregate of 172,500 shares of the Class A Common Stock, no par value per share, of Fremont Michigan InsuraCorp, Inc., or Fremont, (representing 9.9% of that corporation's outstanding Class A Common Stock) for an aggregate purchase price of approximately \$3,541,000. Fremont's Class A Common Stock is quoted on the OTC Bulletin Board under the trading symbol FMMH.OB. On December 21, 2009, Biglari Holdings announced its intent to acquire all of the remaining issued and outstanding shares of common stock of Fremont through an appropriate acquisition entity for \$24.50 per share, or an aggregate additional purchase price of approximately \$39 million. Of this proposed purchase price, 50% would be paid in cash, and 50% would be paid in newly-issued shares of common stock of Biglari Holdings. The offer, when made, will not be subject to any financing contingency, but would be subject to approval of the Michigan Office of Financial and Insurance Regulation and the waiver by Fremont of certain of its anti-takeover defenses. Fremont issued a press release on December 23, 2009, rejecting Biglari Holdings' offer.

Effective at the close of business on Friday, December 18, 2009, Biglari Holdings announced a 1-for-20 reverse stock split, and Biglari Holdings' common stock began trading at the split-adjusted price on Monday, December 21, 2009. No fractional shares were issued in connection with the reverse stock split, and Biglari Holdings shareholders instead became entitled to receive a cash payment in lieu of fractional shares based upon the average of the high and low trading prices on December 18, 2009. Biglari Holdings has paid an aggregate of \$711,422 to its shareholders or former shareholders in respect of the fractional interests created by the reverse stock split.

On March 30, 2010, Biglari Holdings, through its wholly-owned subsidiary, Grill Acquisition Corporation ("Grill Acquisition"), acquired 100% of the outstanding equity interests of Western Sizzlin Corporation ("Western"), pursuant to an Agreement and Plan of Merger between Biglari Holdings, Grill Acquisition and Western, dated as of October 22, 2009 (the "Merger Agreement"). Upon the consummation of the merger pursuant to the Agreement, Western merged with and into Grill Acquisition, with Western continuing as the surviving corporation and as a wholly-owned subsidiary of Biglari Holdings. Under the terms of the Merger Agreement, each share of Western's common stock was cancelled upon the completion of the merger and converted into the right to receive a pro rata portion of a new issue of 14% redeemable subordinated debentures due 2015 issued by Biglari Holdings (the "debentures") in the aggregate principal amount of \$22,959,000 (approximately \$8.07 principal amount of debentures per Western share), with cash paid in lieu of fractional debenture interests.

On April 8, 2010, Biglari Holdings filed Articles of Amendment to its Amended and Restated Articles of Incorporation (the "Amendment") with the Secretary of State of Indiana, pursuant to which, among other things, the name of the Company was changed from "The Steak n Shake Company" to "Biglari Holdings Inc.", effective immediately. The Amendment was approved by the Company's shareholders at the Company's Annual Meeting of Shareholders held on April 8, 2010.

On April 30, 2010, Biglari Holdings acquired Biglari Capital Corp. pursuant to a Stock Purchase Agreement, dated April 30, 2010, between Biglari Holdings and Sardar Biglari. Biglari Capital is the general partner of The Lion Fund, L.P., a Delaware limited partnership that operates as a private investment fund. In recognition of Mr. Biglari's increased responsibilities in overseeing the operations, investments and capital allocation of a diversified holding company, Biglari Holdings entered into the Incentive Bonus Agreement, dated April 30, 2010, with Mr. Biglari, subject to shareholder approval for purposes of Section 162(m) of the Internal Revenue Code of 1986. Subject to the terms and conditions of the Incentive Bonus Agreement, the agreement provides Mr. Biglari the opportunity to receive annual incentive compensation payments based on Biglari Holdings' book value growth for each fiscal year, and requires him to use an amount equal to at least 30% of his annual pre-tax incentive compensation (or an approximate minimum of 50% of his after-tax incentive compensation) to purchase shares of Biglari Holdings' common stock on

the open market and to hold such shares for a minimum of three years.

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FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements.” Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “seeks,” “could” or the negative terms or other variations on such terms or comparable terminology. Similarly, statements that describe Biglari Holdings’ objectives, plans or goals are forward-looking. Biglari Holdings’ forward-looking statements are based on management’s current intent, belief, expectations, estimates and projections regarding Biglari Holdings and its industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict, including those discussed below. Therefore, actual results may vary materially from what is expressed in or indicated by the forward-looking statements. Readers of this prospectus are cautioned not to place undue reliance on forward-looking statements since, while Biglari Holdings believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this prospectus and the material accompanying this prospectus.

RISK FACTORS

Risk Factors Relating to the Offer

The exchange ratio for the offer is fixed and will not be adjusted. Because the market price of shares of Biglari Holdings common stock may fluctuate, Advance stockholders cannot be sure of the market value of the shares of Biglari Holdings common stock that they will receive in the offer.

Subject to the terms and conditions of the offer, each outstanding share of Advance common stock that is accepted for exchange pursuant to the offer will be exchanged for 0.1179 shares of Biglari Holdings common stock. This exchange ratio is fixed and will not be adjusted in case of any increases or decreases in the price of Biglari Holdings common stock or Advance common stock. If the price of Biglari Holdings common stock declines (which may occur as a result of a number of reasons (many of which are out of Biglari Holdings’ control), including as a result of the risks described in this “Risk Factors” section), Advance stockholders will receive less value for their shares in the offer than the value calculated pursuant to the exchange ratio on the last full trading day before Biglari Holdings announced the commencement of this offer. Because the offer may not be completed until specified conditions have been satisfied or waived (please see the section of this prospectus entitled “The Offer — Conditions of the Offer”), a significant period of time may pass between the commencement of the offer and the time that Biglari Holdings accepts shares of Advance common stock for exchange. Therefore, at the time you tender your shares pursuant to the offer, you will not know the exact market value of the shares of Biglari Holdings common stock that will be issued to you if Biglari Holdings accepts your shares for exchange. Advance stockholders are urged to obtain current market quotations for Biglari Holdings and Advance common stock when they consider whether to tender their shares of Advance common stock pursuant to the offer.

Biglari Holdings has only conducted a review of Advance’s publicly available information and has not had access to Advance’s non-public information. Any unknown liabilities of Advance that cause a decrease in Advance’s share price in the future may have an adverse effect on Biglari Holdings’ profitability and results of operations.

To date, Biglari Holdings has only conducted a due diligence review of Advance’s publicly available information. Advance may be subject to liabilities that Biglari Holdings might have discovered if Biglari Holdings had been able to conduct a complete due diligence review of Advance’s non-public information. Any such currently unknown liabilities that come to light after the consummation of the offer may cause a decrease in Advance’s share price. Such a decline in Advance’s share price could, as a result of Biglari Holdings’ ownership of Advance shares,

have an adverse effect on Biglari Holdings' profitability and results of operations.

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Biglari Holdings' verification of the reliability of the Advance information included in, or omitted from, this prospectus pursuant to Biglari Holdings' due diligence review of Advance has been limited by the fact that Advance has not provided Biglari Holdings with the accounting and other records necessary for Biglari Holdings to fully assess the financial and operating condition of Advance.

In respect of all information relating to Advance presented in, incorporated by reference into or omitted from this prospectus, Biglari Holdings has relied upon publicly available information, including information publicly filed by Advance with the SEC. Although Biglari Holdings has no knowledge that would indicate that any statements contained or incorporated by reference herein regarding Advance's condition, including its financial or operating condition, based upon such publicly filed reports and documents, are inaccurate, incomplete or untrue, Biglari Holdings was not involved in the preparation of such reports and documents.

The market price of Biglari Holdings common stock may decline as a result of the offer.

The market price of Biglari Holdings' common stock may decline as a result of the offer. In particular, Biglari Holdings may issue up to 166,164 shares of Biglari Holdings common stock pursuant to the offer. The increase in the number of shares of Biglari Holdings common stock issued may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Biglari Holdings common stock.

Biglari Holdings will determine, in its reasonable discretion, whether or not the conditions to the offer have been satisfied, and the conditions to the offer are for Biglari Holdings' sole benefit.

The satisfaction or existence of any of the conditions to the offer will be determined by Biglari Holdings in its reasonable discretion. These conditions are for the sole benefit of Biglari Holdings and its affiliates and may be asserted by Biglari Holdings in its reasonable discretion regardless of the circumstances giving rise to any of these conditions or may be waived (to the extent legally permissible) by Biglari Holdings in its reasonable discretion in whole or in part at any time or from time to time before the expiration date, although all conditions to the offer must be satisfied or waived prior to the expiration of the offer. Biglari Holdings may terminate the offer if any of the conditions to the offer are not satisfied prior to the expiration date, as determined by Biglari Holdings in its reasonable discretion. Biglari Holdings also may amend the terms and conditions of the offer.

The receipt of Biglari Holdings common stock in exchange for Advance common stock in the offer is expected to be a taxable transaction for U.S. federal income tax purposes.

A stockholder who exchanges Advance common stock for Biglari Holdings common stock pursuant to the offer will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value on the date of acceptance for exchange pursuant to the offer of the Biglari Holdings common stock received and the holder's adjusted tax basis in the Advance common stock exchanged pursuant to the offer. Stockholders who recognize gain for U.S. federal income tax purposes may need or desire to sell a portion of the Biglari Holdings common stock they receive in the offer to satisfy the associated tax liability. Because tax matters are complicated, Biglari Holdings urges you to contact your own tax advisor to determine the particular tax consequences to you of the offer.

Upon your receipt of shares of Biglari Holdings common stock in the offer, you will become a shareholder in Biglari Holdings, which may change some of the rights and privileges you hold as a stockholder of Advance.

Biglari Holdings is an Indiana corporation governed by the Indiana Business Corporation Law, or the "IBCL," and by its articles of incorporation and bylaws. Advance is a Delaware corporation governed by the Delaware General

Corporation Law, or the “DGCL,” and by its certificate of incorporation and bylaws. Upon your receipt of shares of Biglari Holdings common stock in the offer, you will become a shareholder in Biglari Holdings, which may adversely affect some of the rights and privileges you hold as a stockholder of Advance. For a detailed discussion of the rights of Biglari Holdings shareholders versus the rights of Advance stockholders, see the section captioned “Comparison of Shareholders’ Rights.”

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Risk Factors Relating to Biglari Holdings' Business

Biglari Holdings is dependent on its Chairman and CEO.

Biglari Holdings believes that its success depends in large part on the services of Sardar Biglari, Chairman and Chief Executive Officer. The loss of the services of Mr. Biglari could have a material adverse effect upon Biglari Holdings' business, financial condition and results of operations of Biglari Holdings and its subsidiaries, including Steak n Shake Operations, Inc. and Western. Investment decisions and all major capital allocation decisions are made for Biglari Holdings and its subsidiaries by Mr. Biglari. If for any reason the services of Mr. Biglari were to become unavailable, there could be a material adverse effect on Biglari Holdings' business, since he is singularly responsible for business and investment activities.

Biglari Holdings may not be able to successfully consolidate business operations and realize the anticipated benefits of the merger with Western.

Realization of the anticipated benefits of the merger with Western, including anticipated synergies and overhead savings, will depend, in large part, on Biglari Holdings' ability to successfully eliminate redundant corporate functions and to consolidate public company and shared service responsibilities. Biglari Holdings will be required to devote significant management attention and resources to the consolidation of business practices and support functions while maintaining the independence of Biglari Holdings' and Western's standalone brands. The challenges Biglari Holdings may encounter include the following:

- consolidating redundant operations, including corporate functions;
- realizing targeted margin improvements at company-owned restaurants; and
- addressing differences in business cultures between Biglari Holdings and Western, preserving employee morale and retaining key employees, maintaining focus on providing consistent, high quality customer service, meeting Biglari Holdings' operational and financial goals and maintaining the operational goals of each of the standalone brands.

In particular, Biglari Holdings' ability to realize the targeted margin improvements at company-owned restaurants is subject to a number of risks, including general economic conditions, increases in food and supply costs, increased labor costs and other factors outside of Biglari Holdings' control.

The process of consolidating corporate level operations could cause an interruption of, or loss of momentum in, Biglari Holdings' business and financial performance. The diversion of management's attention and any delays or difficulties encountered in connection with the realization of corporate synergies and operational improvements could have an adverse effect on Biglari Holdings' business, financial results or financial condition. The consolidation and integration process may also result in additional and unforeseen expenses. There can be no assurance that the contemplated expense savings, improvements in store-level margins and synergies anticipated from the merger will be realized.

Results predicted in financial forecasts and projections considered by Biglari Holdings and Western may not be realized, which may adversely affect the market price or value of Biglari Holdings common stock.

Each of Biglari Holdings and Western reviewed and relied on, among other things, certain projected financial forecasts provided by the managements of Biglari Holdings and Western, respectively. A failure of the combined company to achieve those results could have a material adverse effect on Biglari Holdings' business, financial condition and operating results, as well as the market price and value of its common stock.

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Biglari Holdings faces continually increasing competition in the restaurant industry for guests, staff, locations, and new products, which may negatively impact operating performance.

Biglari Holdings' restaurant business is subject to intense competition with respect to prices, services, locations, qualified management personnel, and quality of food. Biglari Holdings competes with other food service operations, with locally-owned restaurants, and with other national and regional restaurant chains that offer the same or similar types of services and products. Some of Biglari Holdings' competitors may be better established in the markets where Biglari Holdings' restaurants are located. Changes in consumer tastes, changes in national, regional, or local economic conditions, changes in demographic trends, and changes in the numbers of competing restaurants are all factors that impact the sales and profitability of the restaurant business. There is active competition for management personnel. In addition, such factors as inflation, increased food, labor, equipment, fixture, and benefit costs, as well as difficulty in attracting qualified management and hourly employees may adversely affect the restaurant industry in general and Biglari Holdings' restaurants in particular.

The recent disruptions in the overall economy and the financial markets may adversely impact Biglari Holdings' restaurant business.

The restaurant industry has been affected by current economic factors, including the deterioration of national, regional and local economic conditions, declines in employment levels, and shifts in consumer spending patterns. The recent disruptions in the overall economy and volatility in the financial markets have reduced, and may continue to reduce, consumer confidence in the economy, negatively affecting consumer restaurant spending, which could be harmful to Biglari Holdings' financial position and results of operations. As a result, decreased cash flow generated from Biglari Holdings' business may adversely affect Biglari Holdings' financial position and its ability to fund its operations. In addition, macroeconomic disruptions, as well as the restructuring of various commercial and investment banking organizations, could adversely affect Biglari Holdings' ability to access the credit markets. The disruption in the credit markets may also adversely affect the availability of financing for Biglari Holdings' franchisees' expansions and operations, and could impact its vendors' ability to meet supply requirements. There can be no assurance that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets, or increase liquidity and the availability of credit.

Biglari Holdings' financial position could be negatively impacted if a subsidiary of Biglari Holdings is unable to comply with the restrictions and covenants to its debt agreements.

A subsidiary of Biglari Holdings currently maintains a debt instrument which includes restrictions and covenants that require quarterly compliance. If this subsidiary fails to meet those restrictions and covenants its operations and business may be negatively impacted, which in turn could negatively impact the financial position of Biglari Holdings.

Biglari Holdings may be required to recognize additional impairment charges on its long-lived assets, which would adversely affect its results of operations and financial position.

Long-lived assets, including restaurant sites, leasehold improvements, other fixed assets, and amortized intangible assets are reviewed when indicators of impairment are present. Expected cash flows associated with an asset are the key factor in determining the recoverability of the asset. Identifiable cash flows are generally measured at the restaurant level. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance. Management's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, changes in economic conditions, changes to Biglari Holdings' business model or changes in operating performance. If the sum of the undiscounted cash flows is less than the carrying value of the asset, Biglari Holdings recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value

of the asset.

Judgments made by management related to the expected useful lives of long-lived assets and Biglari Holdings' ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions and changes in operating performance. As the ongoing expected cash flows and carrying amounts of long-lived assets are assessed, these factors could cause Biglari Holdings to realize a material impairment charge.

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Fluctuations in commodity and energy prices and the availability of commodities, including beef, fried products, poultry, and dairy, could affect Biglari Holdings' restaurant business.

A significant component of Biglari Holdings' costs is related to food commodities, including beef, fried products, poultry, and dairy products, which can be subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand, changes in international commodity markets, and other factors. If there is a substantial increase in prices for these food commodities, Biglari Holdings' results of operations may be negatively affected. In addition, Biglari Holdings' restaurants are dependent upon frequent deliveries of perishable food products that meet certain specifications. Shortages or interruptions in the supply of perishable food products caused by unanticipated demand, problems in production or distribution, disease or food-borne illnesses, inclement weather, or other conditions could adversely affect the availability, quality, and cost of ingredients, which would likely lower revenues, damage Biglari Holdings' reputation, or otherwise harm its business.

The inability of Biglari Holdings' franchisees to operate profitable restaurants may negatively impact its financial performance.

Biglari Holdings operates a franchise program and collects royalties, and marketing and service fees from the franchisees. The ability of franchisees to generate profits impacts its overall profitability.

Growth within the existing franchise base is dependent upon many of the same factors that apply to Biglari Holdings' company-owned restaurants, and sometimes the challenges of opening profitable restaurants prove to be more difficult for Biglari Holdings' franchisees. For example, franchisees may not have access to the financial or management resources that they need to open or continue operating the restaurants contemplated by their franchise agreements. In addition, Biglari Holdings' continued growth is also partially dependent upon our ability to find and retain qualified franchisees in new markets, which may include markets in which the Steak n Shake brand is less well known. Furthermore, the loss of any of Biglari Holdings' franchisees due to financial concerns and/or operational inefficiencies could impact Biglari Holdings' profitability and the Steak n Shake brand.

Franchisees are required to operate their restaurants according to Biglari Holdings' guidelines. Biglari Holdings provides training opportunities to franchise operators to fully integrate them into Biglari Holdings' operating strategy. However, since Biglari Holdings does not have control over these restaurants, it cannot give assurance that there will not be differences in product quality or that there will be adherence to all of its guidelines at these franchised restaurants. In order to mitigate these risks, Biglari Holdings requires that franchisees focus on the quality of their operations, and it expects full compliance with its standards.

Due to Biglari Holdings' smaller restaurant base and geographic concentration, its operating results could be materially and adversely affected by the negative performance of, or the decision to close, a small number of restaurants.

Biglari Holdings' restaurant base is smaller and less geographically diverse than many other restaurant chains. Accordingly, poor operating results in one or more markets or the decision to close even a relatively small number of underperforming restaurants could materially and adversely affect its business, financial conditions, results of operations, or cash flows.

Changes in guest preferences for casual dining styles or menu items could adversely affect Biglari Holdings' financial performance.

Changing guest preferences, tastes, and dietary habits can adversely impact Biglari Holdings' restaurant business and financial performance. Biglari Holdings' restaurants offer a large variety of entrees, side dishes, and desserts, and their

continued success depends, in part, on the popularity of their product offerings and casual style of dining. A change in guest preferences away from this dining style or these offerings in favor of other dining styles or offerings may have an adverse effect on Biglari Holdings' business.

The inability to attract qualified associates, an increase in labor costs, or labor shortages could harm Biglari Holdings' business.

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Biglari Holdings' associates are essential to the operation of its restaurants and its ability to deliver an enjoyable dining experience to its guests. If Biglari Holdings is unable to attract and retain enough qualified restaurant personnel at a reasonable cost, or if they do not deliver an enjoyable dining experience to the guests, its results may be negatively affected. Many Biglari Holdings associates are paid wages that relate to federal and state minimum wage rates. Any increases in the minimum wage rates may significantly increase Biglari Holdings' restaurant operating costs. In addition, since Biglari Holdings' business is labor-intensive, shortages in the labor pool or other inflationary pressure could increase labor costs, which could harm Biglari Holdings' financial performance. Additionally, competition for qualified employees could require Biglari Holdings to pay higher wages or provide greater benefits, which could result in higher labor costs.

Adverse weather conditions or losses due to casualties could negatively impact Biglari Holdings' operating performance.

Although Biglari Holdings maintains, and requires franchisees to maintain, property and casualty insurance to protect against property damage caused by casualties and natural disasters, instances of inclement weather, flooding, hurricanes, fire, and other acts of nature can adversely impact sales in several ways. Many of Biglari Holdings' restaurants are located in the Midwest and Southeast portions of the United States. During the first and second fiscal quarters, restaurants in the Midwest may face harsh winter weather conditions. During the first and fourth fiscal quarters, restaurants in the Southeast may experience hurricanes or tropical storms. These harsh weather conditions may make it more difficult for guests to visit Biglari Holdings' restaurants, or may necessitate the closure of Biglari Holdings' restaurants for a period of time due to physical damage or a shortage of employees resulting from unsafe road conditions or an evacuation of the general population. If guests are unable to visit Biglari Holdings' restaurants, or if the restaurants are closed as the result of inclement weather, Biglari Holdings' sales and operating results may be negatively affected.

Unfavorable publicity could harm Biglari Holdings' business.

Restaurant chains such as those operated by Biglari Holdings can be adversely affected by publicity resulting from complaints or litigation alleging poor food quality, food-borne illness, personal injury caused by food tampering, adverse health effects (including obesity), or other concerns stemming from one or a limited number of restaurants. Regardless of whether the allegations or complaints are valid, given Biglari Holdings' restaurants' geographic concentration, unfavorable publicity relating to just one restaurant could adversely affect public perception of the entire brand, which could immediately and severely damage sales, and accordingly, profits. If guests become ill from food-borne illnesses, Biglari Holdings could also be forced to temporarily close some restaurants. In addition, instances of food-borne illnesses or food tampering, even those occurring solely at the restaurants of competitors, could, due to negative publicity about the restaurant industry, adversely affect sales.

Ownership and leasing of significant amounts of real estate exposes Biglari Holdings to possible liabilities.

Steak n Shake Operations, Inc. and SNS Investment Company, or "SIC", own the land and building or lease the land and/or the building for the Steak n Shake restaurants. Accordingly, they are subject to all of the risks associated with owning and leasing real estate. In particular, the value of their assets could decrease, and their costs could increase because of changes in the investment climate for real estate, demographic trends, supply or demand for the use of restaurants in an area, or liabilities for environmental conditions. Generally the leases cannot be canceled. If Biglari Holdings decides to close an underperforming existing store, or if it decides not to open a planned future store, they may, nonetheless, be committed to perform their obligations under the applicable lease including, among other things, paying the base rent for the remainder of the lease term. In addition, as their leases expire, they may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause them to close stores in desirable locations.

Biglari Holdings is subject to health, employment, environmental, and other government regulations, and failure to comply with existing or future government regulations could expose Biglari Holdings to litigation, damage Biglari Holdings' reputation, and lower profits.

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Biglari Holdings is subject to various federal, state, and local laws and regulations affecting its business. Restaurant operations are also subject to licensing and regulation by state and local departments setting standards for health, food preparation, sanitation, and safety; federal and state labor laws (including applicable minimum wage requirements, overtime, working and safety conditions, child labor, tip credits, and citizenship requirements); federal and state laws prohibiting discrimination; and other laws regulating the design and operation of facilities, such as the Americans with Disabilities Act of 1990. If Biglari Holdings fails to comply with any of these laws, it may be subject to governmental action or litigation, and its reputation could be accordingly harmed. Injury to Biglari Holdings' reputation would, in turn, likely reduce revenues and profits.

The development and construction of restaurants is subject to compliance with applicable zoning, land use, and environmental regulations. Difficulties in obtaining, or failure to obtain, the required licenses or approvals could delay or prevent the development of a new restaurant in a particular area.

In recent years, there has been an increased legislative, regulatory, and consumer focus on nutrition and advertising practices in the food industry. As a result, Biglari Holdings may become subject to regulatory initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food products, which could increase expenses. The operation of the Biglari Holdings franchise system is also subject to franchise laws and regulations enacted by a number of states, and to rules promulgated by the U.S. Federal Trade Commission. Any future legislation regulating franchise relationships may negatively affect Biglari Holdings' operations, particularly Biglari Holdings' relationship with franchisees. Failure to comply with new or existing franchise laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales.

Biglari Holdings may not be able to adequately protect its intellectual property, which could decrease the value of its brand and products.

The success of Biglari Holdings' business depends on the continued ability to use the existing trademarks, service marks, and other components of its brands to increase brand awareness and further develop branded products. While Biglari Holdings takes steps to protect its intellectual property, its rights to its trademarks could be challenged by third parties or Biglari Holdings' use of these trademarks may result in liability for trademark infringement, trademark dilution, or unfair competition, adversely affecting our profitability.

Biglari Holdings' investment activities could require registration as an Investment Company.

Biglari Holdings has historically been principally engaged in the ownership, operation, and franchising of restaurants and recently transformed into a diversified holding company. In the future, Biglari Holdings may inadvertently fall within the definition of an investment company under the Investment Company Act of 1940, as amended, in part if it owns investment securities having a value exceeding 40% of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis. Although investment securities currently represent less than 40% of Biglari Holdings' total assets, determined based on its current market capitalization (excluding government securities and cash items), the value of the investment securities that it holds, and the total value of its assets, can change significantly from time to time. As a result, Biglari Holdings could fail to satisfy the 40% test in part if the value of its investment positions increases substantially, or if the value of its non-investment assets decreases substantially.

If Biglari Holdings decides to register as an investment company, then it would become subject to various provisions of the Investment Company Act and the regulations adopted under such Act, which are very extensive and could adversely affect its operations. For example, Biglari Holdings might be prohibited from entering into or continuing transactions with certain of its affiliates.

Risk Factors Relating to the Business of Biglari Holdings' Western Subsidiary

Western is dependent on key personnel.

Western believes that its success depends in part on the services of Sardar Biglari, its Chairman, President and Chief Executive Officer, and Robyn B. Mabe, Vice President and Chief Financial Officer. The loss of the services of Mr. Biglari or Mrs. Mabe could have a material adverse effect upon Western's business, financial condition and results of operations. Qualified replacements may not be available in a timely manner, if at all. Western's continued growth will also depend on its ability to attract and retain additional skilled management personnel.

Western's wholly-owned subsidiary, Western Properties, Inc. serves as the general partner of a private investment limited partnership, Western Real Estate, L.P., which had no limited partners in 2008 but intends to operate as a private real estate investment partnership.

In December 2007, Western formed Western Properties, Inc., a Delaware corporation, as a wholly-owned subsidiary. Western Properties is the general partner of Western Real Estate, L.P., a Delaware limited partnership also formed in December 2007. There were no limited partners in the partnership at December 31, 2008 and the sole activity of these entities has been the purchase in 2007 by the limited partnership of 23 acres of real property in Bexar County, Texas from an unaffiliated third party. It is the intention of Western Real Estate, L.P., to operate as a private limited partnership investing in real estate, however, this venture is in the formative stages and there is no guarantee that it will be successful.

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Western's investments in marketable securities, including through Western Acquisitions L.P., are highly concentrated.

Western's investments in marketable securities, including through Western Acquisitions, L.P., are highly concentrated. A decline in the market value of these investments may result in a decrease in Biglari Holdings' stock price.

Western's investment activities, including through Western Acquisitions, L.P., may involve the purchase of securities on margin.

Western may purchase securities on margin in connection with its investment activities, including through Western Acquisitions, L.P. If Western does so, a significant decrease in the value of the securities that collateralize the margin line of credit could result in a margin call. If Western does not have sufficient cash available from other sources in the event of a margin call, it may be required to sell those securities at a time when it would prefer not to sell them.

Western's investment activities could require registration as an Investment Company.

Western has historically been principally engaged in franchising and operating restaurants and it does not presently intend to change its principal business. However, Western may inadvertently fall within the definition of an investment company under the Investment Company Act of 1940, as amended, in part if it owns investment securities having a value exceeding 40% of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis. Although investment securities currently represent less than 40% of its total assets, determined based on Western's current market capitalization (excluding government securities and cash items), the value of the investment securities that it holds, and the total value of its assets, can change significantly from time to time. As a result, Western could fail to satisfy the 40% test in part if the value of its investment positions increases substantially, or if the value of its non-investment assets decreases substantially. Failure to satisfy the 40% test does not automatically mean that Western would be required to register under the Investment Company Act, and Western's board of directors has not adopted any strict numerical limit on its investment activities.

If Western's investment activities inadvertently result in it being determined to be an investment company and it fails to register as an investment company, Western might be unable to enforce contracts with third parties, and third parties could seek rescission of transactions with it undertaken during the period that it was an unregistered investment company, subject to equitable considerations set forth in the Investment Company Act. In addition, Western might be subject to monetary penalties or injunctive relief, or both, in an action brought against it by the SEC.

If Western decides to register as an investment company, then it would become subject to various provisions of the Investment Company Act and the regulations adopted under such Act, which are very extensive and could adversely affect its operations. For example, Western might be prohibited from entering into or continuing transactions with certain of its affiliates.

Western is experiencing a decline in its franchise base.

Western has experienced steady declines in its existing franchise base for the past several years. Since January 1, 2005, Western had a total of 44 closures and currently has a total of 109 franchised restaurants. Of the 44 closed restaurants the majority were Western brand restaurants. The average annual sales of its franchised restaurants are approximately \$1.6 million. The average annual sales of the closed restaurants were \$1.0 million or less. The closures of franchised restaurants were caused by their operating at a competitive disadvantage which stemmed from such factors as location, facility, lack of reinvestment and mismanagement, among others factors. There is no guarantee that these reasons will be eliminated. Moreover, these closures occurred during generally favorable economic conditions and it is possible that this trend could accelerate given the present economic downturn. Western is striving to reverse this trend by revitalizing its franchise models. However, maintaining and growing Western's existing

franchise base is dependent upon many of the same factors that apply to its Company-owned restaurants. Sometimes the challenges of operating profitable restaurants prove to be more difficult for Western's franchisees. For example, franchisees may not have access to the financial or management resources that they need to operate their restaurants. Accordingly, there is no assurance that Western will be successful in doing so and as a result its franchise base may continue to decline regardless of the economic environment.

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Due to Western's smaller restaurant base and geographic concentration, its operating results could be materially and adversely affected by the negative performance of, or the decision to close, a small number of restaurants.

Western's restaurant base, both franchised and Company-owned, is smaller and less geographically diverse than many other restaurant chains. Accordingly, poor operating results in one or more of Western's markets or the decision to close even a relatively small number of underperforming restaurants could materially and adversely affect Western's business, financial condition, results of operation, or cash flows.

Western's restaurants operate in a highly competitive environment.

Western's restaurants, both franchised and Company-owned, operate in a highly competitive industry comprised of a large number of restaurants, including national and regional restaurant chains and franchised restaurant operations, as well as locally-owned, independent restaurants. Price, restaurant location, food quality, service and attractiveness of facilities are important aspects of competition. The competitive environment is often affected by factors beyond a particular restaurant management's control, including changes in the public's taste and eating habits, population and traffic patterns and economic conditions. New competitors may emerge at any time. Western may not be able to compete successfully against its competitors in the future. Competition may have a material adverse effect on Western's operations or earnings.

The inability of Western's franchisees to operate profitable restaurants may negatively impact its financial performance.

Under the agreements Western has with its franchisees, Western collects royalties and other fees from its franchisees. As a result, the ability of Western's franchisees to generate profits and pay royalties to Western impacts its overall profitability and brand recognition.

Western is highly dependent on attracting and retaining qualified employees while also controlling labor costs.

Western is extremely dependent upon the availability of qualified restaurant personnel. Availability of staff varies widely from location to location. If restaurant management and staff turnover trends increase, Western would suffer higher direct costs associated with recruiting and retaining replacement personnel. Western could suffer from significant indirect costs, including restaurant disruptions due to management changeover and potential delays in new store openings due to staff shortages. Competition for qualified employees exerts upward pressure on wages paid to attract personnel, resulting in higher labor costs, together with greater expense to recruit and train them. Many of Western's employees are hourly workers whose wages are likely to be impacted by an increase in the federal or state minimum wage. An increase in the minimum wage may require an increase or create pressure to increase the pay scale for Western's employees. A shortage in the labor pool or other general inflationary pressures or changes could also increase Western's labor costs.

Western is dependent upon the timely delivery of fresh ingredients.

Western's restaurant operations are dependent on timely deliveries of fresh ingredients, including fresh produce, dairy products and meat. The cost, availability and quality of the ingredients Western uses to prepare its food is subject to a range of factors, many of which are beyond its control. Fluctuations in weather, supply and demand and economic and political conditions could adversely affect the cost, availability and quality of Western's ingredients. Historically, when operating expenses increased due to inflation or increases in food costs, Western generally has been able to offset these higher costs by increasing its menu prices. Western may not be able to recover increased costs in the future because competition may limit or even prohibit such future increases. If the variety or quality of Western's food products declines due to the lack or lower quality of its ingredients or due to interruptions in the flow of fresh

ingredients and similar factors, customer traffic may decline and negatively affect Western's sales.

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Western may not be able to adequately protect its intellectual property, which could decrease the value of its brand and products.

The success of Western's business depends on its continued ability to use the existing trademarks, service marks, and other components of its brand to increase brand awareness and further develop branded products. While Western takes steps to protect its intellectual property, Western's rights to its trademarks could be challenged by third parties or its use of the trademarks may result in liability for trademark infringement, trademark dilution, or unfair competition, adversely affecting Western's profitability.

General economic factors may adversely affect Western's results of operations.

National, regional, and local economic conditions, such as recessionary economic cycles or a worsening economy, could adversely affect disposable consumer income and consumer confidence. Unfavorable changes in these factors or in other business and economic conditions affecting Western's customers could reduce customer traffic in some or all of its restaurants, impose practical limits on its pricing and increase its costs. Any of these factors could lower Western's profit margins and have a material adverse affect on its results of operations. The impact of inflation on food, beverages, labor, utilities and other aspects of Western's business can negatively affect its results of operations. Although Western attempts to offset inflation through periodic menu price increases, cost controls and incremental improvement in operating margins, it may not be able to completely do so. This may negatively affect Western's results of operations.

Western is vulnerable to changes in economic conditions and consumer spending patterns that could harm its business, financial condition, results of operations and cash flow.

The restaurant industry has been affected by the current economic factors, including the deterioration of national, regional and local economic conditions, rising unemployment and shifts in consumer spending patterns. The recent disruptions in the overall economy have reduced and may continue to reduce, consumer confidence in the economy, negatively affecting consumer restaurant spending, which could be harmful to Western's financial position and operating results. As a result, decreased cash flow generated by Western's business may adversely affect its financial position and its ability to fund its operations. In addition, macro economic disruptions, as well as the restructuring of various commercial and investment banking organizations, could adversely affect Western's ability to access the credit markets. The disruption in the credit markets may also adversely affect the availability of financing for its franchisees' operations, and could impact Western's vendors' ability to meet Western's supply requirements. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets, or increase liquidity and the availability of credit.

Furthermore, Western could experience reduced customer traffic or limitations on the prices it can charge for its products, either of which could reduce Western's sales and profit margins and have a material adverse effect on its financial condition and results of operations.

Changes in guest preferences for casual dining styles or menu items could adversely affect Western's financial performance.

Changing guest preferences, tastes, and dietary habits can adversely impact Western's business and financial performance. Western's restaurant models offer a varied entrees, side dishes, salads and desserts. Western's continued success depends, in part, on the popularity of its product offerings and casual style of dining. A change in guest preferences away from this style or Western's offerings in favor of other dining styles or offerings may have an adverse impact on its business.

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Western faces the risk of adverse publicity and litigation relating to food-borne illness, employment and other matters that could have a material adverse affect on its business and financial performance.

Western may be the subject of complaints or litigation from customers alleging illness, injury or other food quality, health or operational concerns. While the risk of food-borne illness is real, whether it results from improper operations, new diseases or from chemicals in certain food products, the risk would generally only affect a limited number of Western's restaurants. As soon as any food issues became known to Western, those food items that were potentially at risk would be no longer served to customers.

While the risk of food-borne illness or injury would likely be localized, the risk of the adverse publicity that might result from such an incident is more generalized and accordingly much greater. The general public's response to adverse publicity relating to Western's restaurant brands could materially adversely affect a significant number of its restaurants. This could be true whether the allegations underlying the adverse publicity are valid or whether Western is liable.

Furthermore, more generalized health concerns about the consumption of beef or chicken due to reported incidents of diseases such as Bovine Spongiform Encephalopathy ("mad cow disease") or Avian Influenza ("bird flu") could lead to changes in customer preferences, reduce consumption of Western's products and adversely affect its financial performance. These events could also reduce the available supply of beef or chicken or significantly raise the prices of beef or chicken.