

FIRST AMENDMENT
TO
AMENDED AND RESTATED INCENTIVE AGREEMENT

This First Amendment, dated as of July 1, 2013 (this “**First Amendment**”), to the Amended and Restated Incentive Bonus Agreement, dated as of September 28, 2010 (the “**Agreement**”), is by and between Biglari Holdings Inc., an Indiana corporation (“**Company**”), and Sardar Biglari (“**Executive**”). All capitalized terms used and not otherwise defined herein have the respective meanings ascribed to them in the Agreement.

WITNESSETH:

WHEREAS, on April 30, 2010, Company and Executive entered into a Stock Purchase Agreement pursuant to which Executive sold to Company all of the outstanding shares of capital stock of Biglari Capital Corp., a Texas corporation (“**Biglari Capital**”), the general partner of The Lion Fund, L.P. (“**TLF I**”), for a purchase price of \$1.00 plus (i) an amount equal to Biglari Capital’s adjusted capital balance in its capacity as general partner of TLF I as of April 30, 2010, and (ii) an amount equal to the total incentive reallocation allocable to Biglari Capital for the period from January 1, 2010 through April 30, 2010;

WHEREAS, in connection with the foregoing transaction, Company and Executive entered into the Agreement;

WHEREAS, as of the date hereof, Company and Executive are entering into a Stock Purchase Agreement pursuant to which Executive is purchasing from Company all of the outstanding shares of capital stock of Biglari Capital for a purchase price of \$1,700,000 in cash;

WHEREAS, prior to such transaction, (i) Biglari Capital distributed to Company substantially all of the partnership interests held by it (other than the interest described in clause (ii)) in TLF I (including, without limitation, its then adjusted capital balance in its capacity as general partner of TLF I) and (ii) Biglari Capital retained a \$100,000 general partner interest in each of TLF I and TLF II;

WHEREAS, concurrently with such transaction, Company contributed securities to each of TLF I and The Lion Fund II, L.P., a newly formed limited partnership of which Biglari Capital is the general partner (“**TLF II**” and, together with TLF I, “**TLF**”), in exchange for limited partnership interests in each of TLF I and TLF II (the “**Contribution**”);

WHEREAS, in connection with the foregoing transactions, the parties hereto desire to amend the Agreement to exclude from the calculation of the Incentive Compensation Amount, with respect to any period from and after the date hereof, any realized or unrealized gains or losses and other amounts attributable to investments by Company and its subsidiaries in investment partnerships (or equivalent) in which Company or any of its subsidiaries is a limited partner (or equivalent) and Executive (or an affiliate of Executive other than Company or any of its subsidiaries) is the general partner (or equivalent), including, without limitation, TLF I and

TLF II to the extent they satisfy the foregoing criteria (“**Outside Investment Partnerships**”), and to make certain other changes described below.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree to amend the Agreement as follows:

Section 1.01. Amendment to Section 2(a)(i). Section 2(a)(i) of the Agreement is hereby amended by deleting such Section in its entirety and replacing it with the following:

(i) Company shall pay to Executive, determined as of the last day of each fiscal year of Company (including any fiscal year in which any of the events set forth in Section 5(a) occur) and also, solely with respect to Company’s fiscal year ending September 25, 2013 (“**Fiscal 2013**”), as of June 30, 2013 (each, an “**Incentive Compensation Calculation Date**”), incentive compensation equal to the Incentive Compensation Amount (as defined below) as of such Incentive Compensation Calculation Date; provided, however, that no duplicate Incentive Compensation Amount shall be paid to Executive in any fiscal year. The Incentive Compensation Amount shall be paid to Executive as promptly as practicable after each Incentive Compensation Calculation Date, and in no event later than 75 days after the end of each fiscal year (the “**Payment Date**”), subject to Section 6(c). The “**Incentive Compensation Amount**” means the amount computed (subject to proration (A) with respect to any fiscal year during the term of this Agreement in which any of the events set forth in Section 5(a) occurs, determined based on the date of such event, and (B) with respect to Fiscal 2013, determined based upon the periods from September 27, 2012 through June 30, 2013 (the “**First Fiscal 2013 Period**”) and from July 1, 2013 through September 25, 2013 (the “**Second Fiscal 2013 Period**”)) using the following formula where “x” equals 1.06 (subject to proration for the 2010 fiscal year, Fiscal 2013 (as described above) and any short fiscal year during the term of this Agreement with respect to which the Incentive Compensation Amount is determined), provided that in no event shall the Incentive Compensation Amount payable to the Executive with respect to any fiscal year exceed \$10 million:

$$(0.25)(\text{New Book Value} - ((\text{High Water Mark})(x)))$$

Section 1.02. Amendment to Section 2(a)(ii). The first two sentences of Section 2(a)(ii) of the Agreement are hereby amended by deleting such sentences in their entirety and replacing them with the following:

(ii) “**Book Value**” equals the amount of Total Shareholders’ Equity as set forth in the Consolidated Statement of Financial Position of Company, prepared in accordance with the accounting principles adopted by Company (as set forth in Company’s Annual Report on Form 10-K for the applicable fiscal year or, in the case of the First Fiscal 2013 Period, Company’s Annual Report on Form 10-K for Company’s fiscal year ended September 26, 2012), as of the applicable Incentive Compensation Calculation Date; provided, however, that Book Value as of the applicable Incentive Compensation Calculation Date shall be determined by reference to the consolidated net income and other comprehensive income of Company, but, commencing with respect to the Second Fiscal 2013 Period, shall be calculated without reference to any investments by Company and its

subsidiaries in any Outside Investment Partnerships, and appropriate adjustments to such Book Value shall be made for any dividends, shares issuances or buybacks and other factors in accordance with Exhibit A hereto (but Book Value for the next succeeding Incentive Compensation Calculation Date shall not reflect such prior adjustments); provided, however, that Book Value with respect to the First Fiscal 2013 Period shall be subject to offset to the extent of any decrease in Book Value that occurs with respect to the Second Fiscal 2013 Period (and, for purposes of determining any such offset, Book Value with respect to each such period shall be calculated without reference to (x) any investments by Company and its subsidiaries in any Outside Investment Partnerships and (y) any CAP Items related to any Outside Investment Partnerships, which, for purposes hereof, shall expressly include CAP Items related to the partnerships included within such definition prior to their becoming Outside Investment Partnerships).

Section 1.03. Amendment to Section 2(a)(iv). The first sentence of Section 2(a)(iv) of the Agreement is hereby amended by deleting such sentence in its entirety and replacing it with the following:

(iv) **“High Water Mark”** equals the highest Book Value after reduction for the Incentive Compensation Amount then paid (including, in the case of the Second Fiscal 2013 Period, the Incentive Compensation Amount with respect to the First Fiscal 2013 Period even though not then paid), as of any preceding Incentive Compensation Calculation Date (but without giving effect to any adjustments made with respect to such Incentive Compensation Calculation Date and, commencing with respect to the Second Fiscal 2013 Period, calculated without reference to (x) any investments by Company and its subsidiaries in any Outside Investment Partnerships and (y) any CAP Items related to any Outside Investment Partnerships, which, for purposes hereof, shall expressly include CAP Items related to the partnerships included within such definition prior to their becoming Outside Investment Partnerships).

Section 1.04 Amendment to Section 2(a). Section 2(a) of the Agreement is hereby amended by adding a new subsection (v) as follows:

(v) **“CAP Items”** means (A) any gains/losses (realized or unrealized) and earnings (including, without limitation, dividends) on securities, prior to the date of the Contribution, that were contributed to such Outside Investment Partnerships pursuant to the Contribution, (B) the aggregate cost to acquire such securities and (C) any other items on Company’s consolidated balance sheet related to consolidated affiliated partnerships.

Section 1.05. Amendment to Section 2(b). The second sentence of Section 2(b) of the Agreement is hereby amended by deleting such sentence in its entirety and replacing it with the following:

Company shall deliver to Executive, following approval by the Committee and within forty-five (45) days after the applicable Incentive Compensation Calculation Date (in the case of Fiscal 2013, September 25, 2013), a statement (the **“Incentive Compensation Statement”**) setting forth the New Book Value and Incentive Compensation Amount with respect to such Incentive Compensation Calculation Date (in the case of Fiscal 2013, with respect to both the

First Fiscal 2013 Period and the Second Fiscal 2013 Period) and showing its calculations in reasonable detail.

Section 1.06. Amendment to Section 4. Section 4 of the Agreement is hereby amended by deleting the text in each of paragraphs (a), (e), (f), (g) and (h) thereof and replacing such text with “Intentionally Omitted.” and by changing the heading of such section to “Definitions.”

Section 1.07. Amendment to Section 5(a). Section 5(a) of the Agreement is hereby amended by deleting the words “If the Purchase Option is not exercised by Executive pursuant to Section 4 on or prior to, and expires on, the Option Expiration Date, then, upon the occurrence of any of the events set forth in Section 4(a),” and replacing them with the following:

“Following the third anniversary of the date of this Agreement, if (i) there is a Change of Control, (ii) Executive is terminated by Company without Cause or (iii) Executive resigns from his employment with Company for Good Reason,”

Section 1.08 Amendment to Section 6(d). Section 6(d) of the Agreement is hereby amended by deleting the addresses for notice provided therein and replacing them with the following addresses for notice:

(i) To Company:

Biglari Holdings Inc.
17802 IH 10 West, Suite 400
San Antonio, Texas 78257
Attention: Controller
Chairman of Governance, Compensation and
Nominating Committee
Facsimile: (210) 344-3411

(ii) To Executive:

Sardar Biglari
17802 IH 10 West, Suite 400
San Antonio, Texas 78257
Facsimile: (210) 344-3411

Section 1.09. Amendment to Exhibit A. The third bullet point of Exhibit A to the Agreement is hereby amended by deleting such bullet point in its entirety and replacing it with the following:

- Gains/losses (realized or unrealized) from investments (other than investments held by any Outside Investment Partnerships) are included in Book Value

Section 1.10. Amendment to Exhibit A. The last row of the table in Exhibit A to the Agreement is hereby amended by deleting such row in its entirety and replacing it with the following:

	Include in Book Value Calculation	Exclude from Book Value Calculation
<ul style="list-style-type: none"> ○ Unrealized and realized gains/losses on the mark to market of certain investments and derivatives classified as hedges (other than such investments and derivatives held by any Outside Investment Partnerships) 	X	

Section 2 General Provisions.

(a) Governing Law. This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of Indiana without regard to the conflict of laws principles thereof.

(b) Counterparts. This Amendment may be executed and delivered (including by facsimile or .pdf transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

(c) No Other Amendments. Other than as set forth above, the Agreement shall remain in full force and effect. On or after the date of this First Amendment, each reference in the Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import referring to the Agreement shall mean and be a reference to the Agreement as amended by this First Amendment, and this First Amendment shall be deemed to be a part of the Agreement. Notwithstanding the foregoing, references to the date of the Agreement, “the date hereof,” “the date of this Agreement” and similar references shall continue to refer to September 28, 2010, and references to the date of the First Amendment, “the date of the First Amendment” and similar references shall refer to July 1, 2013.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the day and year first written above.

BIGLARI HOLDINGS INC.

By: /s/ Bruce Lewis
Bruce Lewis
Controller

EXECUTIVE

/s/ Sardar Biglari
Sardar Biglari

AMENDED AND RESTATED INCENTIVE BONUS AGREEMENT

THIS AMENDED AND RESTATED INCENTIVE BONUS AGREEMENT (the “**Agreement**”), dated as of this 28th day of September, 2010, by and between BIGLARI HOLDINGS INC., an Indiana corporation (“**Company**”), and SARDAR BIGLARI (“**Executive**”).

WITNESSETH:

WHEREAS, the parties hereto desire to enter into this Incentive Bonus Agreement to define and set forth the terms and conditions of certain compensation to be paid to Executive by Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby covenanted and agreed by Company and Executive as follows:

1. Employment. Executive is currently the Chairman and Chief Executive Officer of Company. The terms and provisions of this Agreement shall apply during the term of employment of Executive with Company and for such periods after such term of employment as provided herein. Executive’s employment with Company is at-will and nothing contained herein shall be deemed to create any other employment relationship between Company and Executive.

2. Compensation and Other Benefits. Subject to the provisions of this Agreement, Company shall pay and provide the following compensation to Executive (together with Executive’s annual base salary, the “**Cash Compensation**”):

(a) Incentive Compensation.

(i) Company shall pay to Executive, determined as of the last day of each fiscal year of Company (including any fiscal year in which any of the events set forth in Section 4(a) occur) (“**Incentive Compensation Calculation Date**”), incentive compensation equal to the Incentive Compensation Amount (as defined below) as of such Incentive Compensation Calculation Date; provided, however, that no duplicate Incentive Compensation Amount shall be paid to Executive in any fiscal year. The Incentive Compensation Amount shall be paid to Executive as promptly as practicable after each Incentive Compensation Calculation Date, and in no event later than 75 days thereafter (the “**Payment Date**”), subject to Section 6(c). The “**Incentive Compensation Amount**” means the amount computed (subject to proration with respect to any fiscal year during the term of this Agreement in which any of the events set forth in Section 4(a) occurs, determined based on the date of such event) using the following formula where “x” equals 1.06 (subject to proration for the 2010 fiscal year and any short fiscal year during the term of this Agreement) with respect to which the Incentive Compensation Amount is determined, provided that in no event shall the Incentive Compensation Amount payable to the Executive with respect to any fiscal year exceed \$10 million:

$$(0.25)(\text{New Book Value} - ((\text{High Water Mark})(x)))$$

(ii) “**Book Value**” equals the amount of Total Shareholders’ Equity as set forth in the Consolidated Statement of Financial Position of the Company, prepared in

accordance with the accounting principles adopted by Company (as set forth in the Company's Annual Report on Form 10-K for the applicable fiscal year), as of the applicable Incentive Compensation Calculation Date. Book Value as of the applicable Incentive Compensation Calculation Date shall be determined by reference to the consolidated net income and other comprehensive income of the Company, and appropriate adjustments to such Book Value shall be made for any dividends, shares issuances or buybacks and other factors in accordance with Exhibit A hereto (but Book Value for the next succeeding Incentive Compensation Calculation Date shall not reflect such prior adjustments). The computations and procedures required to calculate Book Value, including without limitation, any accounting procedures used to implement any adjustments, allocations and other matters, shall be made in such reasonable manner as the Company in good faith shall determine to be appropriate and in accordance with Exhibit A hereto, and shall be subject to the approval of the Governance, Compensation and Nominating Committee (the "**Committee**") of the Board of Directors of the Company (the "**Board**").

(iii) "**New Book Value**" equals the Book Value as the most recent Incentive Compensation Calculation Date.

(iv) "**High Water Mark**" equals the highest Book Value after reduction for the Incentive Compensation Amount then paid, as of any preceding Incentive Compensation Calculation Date (but without giving effect to any adjustments made with respect to such Incentive Compensation Calculation Date). In the case of the first Incentive Compensation Calculation Date, such High Water Mark shall mean the Book Value as of July 7, 2010.

(b) New Book Value and the Incentive Compensation Amount with respect to each Incentive Compensation Calculation Date shall be determined by the Chief Financial Officer of Company in accordance with Section 2(a) and shall be subject to the approval of the Committee. Company shall deliver to Executive, following approval by the Committee and within forty-five (45) days after the applicable Incentive Compensation Calculation Date, a statement (the "**Incentive Compensation Statement**") setting forth the New Book Value and Incentive Compensation Amount with respect to such Incentive Compensation Calculation Date and showing its calculations in reasonable detail. Executive shall have a period of ten (10) days after the date on which the Incentive Compensation Statement is delivered to him (the "**Incentive Compensation Review Period**") to review the Incentive Compensation Statement, during which period Executive shall have access to the relevant books and records of Company. If Executive objects to the calculation of the New Book Value or the Incentive Compensation Amount as set forth on such Incentive Compensation Statement, Executive shall so inform Company in writing (the "**Incentive Compensation Objection**") on or before the last day of the Incentive Compensation Review Period, setting forth in reasonable detail the basis of the Incentive Compensation Objection and the adjustments to New Book Value and/or the Incentive Compensation Amount which Executive believes should be made. In the event that an Incentive Compensation Objection is not delivered to Company on or before the last day of the Incentive Compensation Review Period, Executive shall be deemed to have agreed to the Incentive Compensation Statement. In the event that an Incentive Compensation Objection is delivered to Company on or before the last day of the Incentive Compensation Review

Period, Company, through the Committee, and Executive shall attempt in good faith to reach an agreement with respect to any matters in dispute. If Company and Executive are unable to resolve all of their differences within five (5) days after delivery of the Incentive Compensation Objection to Company, they shall refer their remaining differences to a nationally recognized independent public accounting firm mutually agreed upon by the Committee and Executive, which may be Company's independent registered public accounting firm (the "**Accountants**"). The Accountants shall, based on those items as to which Company and Executive have agreed and the Accountants' determination regarding those items in dispute, make a recommendation as to the New Book Value and Incentive Compensation Amount with respect to the applicable Incentive Compensation Calculation Date within fifteen (15) days after submission of the dispute to the Accountants, but in no event later than two (2) business days prior to the Payment Date. The Accountants' determination shall be set forth in writing. Company shall pay the fees of the Accountants in connection therewith. The Committee shall consider the recommendation of the Accountants, but the Committee's final determination shall be conclusive and binding upon the parties hereto.

3. Purchase of Company Stock. Executive shall use an amount equal to 30% of the amount payable to Executive pursuant to Section 2 hereof (such amounts payable pursuant to Section 2, "**Incentive Payments**"), without regard to any taxes that may be withheld pursuant to Section 6(c) hereof, to purchase shares of Company's common stock (the "**Shares**"). Executive shall purchase the Shares on the open market within 120 calendar days of receipt of any Incentive Payments, provided that if the Executive is restricted from buying the Shares for at least 90 calendar days of such 120 calendar days pursuant to Company's insider trading policy, Executive will use his reasonable best efforts to purchase the Shares as promptly thereafter as practicable, subject to any restrictions imposed by Company's insider trading policy. Executive shall be required to hold the Shares for a minimum of three (3) years from the date of purchase, unless one of the events set forth in Section 4(a) occurs. Executive shall notify Company upon his purchase of any Shares pursuant to this provision. The Committee and Executive shall work together in good faith to establish appropriate procedures to implement and monitor compliance with the provisions of this Section 3, which may include, without limitation, placing stop transfer instructions with respect to such Shares or holding such Shares in a custodial account.

4. Purchase Option.

(a) If, on or prior to the third anniversary of this Agreement (the "**Option Expiration Date**"), (i) there is a "Change in Control" (as defined below), (ii) Executive is terminated by Company without "Cause" (as defined below) or (iii) Executive resigns from his employment with Company for "Good Reason" (as defined below), Executive shall have the option, exercisable by written notice to Company given within 30 days after the occurrence of any such event, to purchase Biglari Capital Corp. from Company for a purchase price (the "**Purchase Option Price**") equal to the sum of (x) the Adjusted Capital (as defined in the Amended and Restated Agreement of Limited Partnership, dated as of July 1, 2002, of The Lion Fund, L.P., as the same may be amended (the "**Partnership Agreement**")) balance, if any, of Biglari Capital Corp., in its capacity as general partner of The Lion Fund, L.P., as of the Purchase Option Closing Date (as defined below), plus (y) the total Incentive Reallocation (as defined in, and

calculated in accordance with Section 5.02 of, the Partnership Agreement) for the period from January 1 of the year in which such event occurs through the close of business on the Purchase Option Closing Date (the **“Purchase Option”**). If, and to the extent that, Company shall have received distributions from Biglari Capital Corp. in respect of such Adjusted Capital balance or Incentive Reallocation prior to the date of purchase, the amount to be paid to Company pursuant to the immediately preceding sentence is to be reduced by the amount of such prior distributions. The closing of such purchase shall take place on a date mutually agreeable to Company and Executive, but in no event later than 30 days after Executive’s exercise of the Purchase Option (the **“Purchase Option Closing Date”**). On the Purchase Option Closing Date, Company shall deliver the certificate or certificates representing the shares of capital stock of Biglari Capital Corp., duly endorsed in blank for transfer or accompanied by a separate stock power duly executed in blank for transfer, against payment therefor by wire transfer of immediately available funds. Company shall convey such shares to Executive free and clear of all liens, claims and encumbrances.

(b) **“Change in Control”** means (i) the consummation of a merger or consolidation of Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity’s issued shares or securities outstanding immediately after such merger, consolidation or other reorganization is owned, directly or indirectly, by persons who were not shareholders of Company immediately prior to such merger, consolidation or other reorganization; (ii) the sale, transfer or other disposition of all or substantially all of Company’s assets; (iii) the replacement of a majority of the Board over a two-year period from the directors who constituted the Board at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board then still in office who either were members of the Board at the beginning of such period or whose election as a member of the Board was previously so approved; (iv) any transaction as a result of which any person, other than Executive or his affiliates, is the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of Company representing at least 50% of the total voting power represented by Company’s then outstanding voting securities.

(c) **“Cause”** means (i) Executive is convicted of a felony involving moral turpitude or (ii) Executive is guilty of willful gross neglect or willful gross misconduct in carrying out his duties, resulting, in either case, in material economic harm to Company.

(d) **“Good Reason”** means the occurrence of any of the following without Executive’s prior written consent: (i) a material reduction in Executive’s salary unless such reduction is in connection with a company-wide reduction in officers’ salaries; (ii) a material diminution in Executive’s duties, or the assignment to Executive of duties materially inconsistent with his authority, responsibilities and reporting requirements; (iii) the failure of the Board or a committee thereof to nominate Executive for election to the Board, Chairman of the Board and Chief Executive Officer, (iv) Company or the Board requires Executive to relocate his principal place of employment to a location other than San Antonio, Texas unless such relocation is temporary or the

result of exigent circumstances; (v) the failure of Company to obtain the assumption in writing of its obligations to perform this Agreement by any successor to all or substantially all of the business or assets of Company not later than the effective date of such transaction; or (vi) a material breach of this Agreement by Company. In the event that Executive elects to terminate his employment for Good Reason, he shall notify Company in writing of the grounds for such termination within thirty (30) calendar days of the commencement of such condition and Company shall have thirty (30) calendar days from receipt of such notice to cure such condition.

(e) In the event Executive exercises the Purchase Option, Company shall provide to Executive a good faith estimate of the Purchase Option Price, which estimate shall be prepared as of the close of business on a date that is no more than three (3) business days prior to the Purchase Option Closing Date (the **“Estimated Purchase Option Price”**). The purchase price payable on the Purchase Option Closing Date shall be based on the Estimated Purchase Option Price.

(f) Company shall deliver, or cause to be delivered, to Executive, within twenty (20) days after the Purchase Option Closing Date, a statement (the **“Purchase Option Statement”**) setting forth the Purchase Option Price and showing its calculations in reasonable detail. Executive shall have a period of ten (10) days after the date on which the Purchase Option Statement is delivered to him (the **“Purchase Option Review Period”**) to review the Purchase Option Statement, during which period Executive shall have access to the relevant books and records of Company. If Executive objects to the calculation of the Purchase Option Price as set forth on such Purchase Option Statement, Executive shall so inform Company in writing (the **“Purchase Option Objection”**) on or before the last day of the Purchase Option Review Period, setting forth in reasonable detail the basis of the Purchase Option Objection and the adjustments to the Purchase Option Price which Executive believes should be made. In the event that a Purchase Option Objection is not delivered to Company on or before the last day of the Purchase Option Review Period, Executive shall be deemed to have agreed to the Purchase Option Statement. In the event that a Purchase Option Objection is delivered to Company on or before the last day of the Purchase Option Review Period, Company and Executive shall attempt in good faith to reach an agreement with respect to any matters in dispute. If Company and Executive are unable to resolve all of their differences within ten (10) days after delivery of the Purchase Option Objection to Company, they shall refer their remaining differences to the Accountants. The Accountants shall, based on those items as to which Company and Executive have agreed and the Accountants’ determination regarding those items in dispute, finally determine the Purchase Option Price within twenty (20) days after submission of the dispute to the Accountants. The Accountants’ determination shall be set forth in writing and shall be conclusive and binding upon the parties hereto, absent manifest error. Company shall pay the fees of the Accountants in connection therewith.

(g) The **“Final Purchase Option Price”** shall be (i) if no Purchase Option Objection is sent to Company prior to the end of the Purchase Option Review Period, the Purchase Option Price set forth on the Purchase Option Statement delivered by Company, (ii) if a Purchase Option Objection is made but finally determined between

Company and Executive prior to referring any such dispute to the Accountants, the Purchase Option Price so finally determined; and (iii) if a Purchase Option Objection is sent to the Accountants, the Purchase Option Price finally determined by the Accountants.

(h) If the Final Purchase Option Price is greater than the Estimated Purchase Option Price, then Executive shall pay the amount of such excess to Company within five (5) business days after the determination of the Final Purchase Option Price. If the Final Purchase Option Price is less than the Estimated Purchase Option Price, then Company shall pay the amount of such difference to Executive within five (5) business days after the determination of the Final Purchase Option Price.

5. Severance Payment.

(a) If the Purchase Option is not exercised by Executive pursuant to Section 4 on or prior to, and expires on, the Option Expiration Date, then, upon the occurrence of any of the events set forth in Section 4(a), Executive will be entitled to receive a payment (the **“Severance Payment”**) equal to 299% of the average annual Cash Compensation paid to Executive since the date of this Agreement, payable sixty (60) days after the occurrence of such event (the **“Severance Payment Date”**). Notwithstanding the foregoing, if all or any portion of the Severance Payment, either alone or together with other payments and benefits which Executive receives or is then entitled to receive from Company or otherwise, would constitute a “parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the **“Code”**) (or a similar or successor provision), Company shall reduce such Severance Payment hereunder to the extent necessary so that no portion of the Severance Payment shall be subject to the excise tax imposed by Section 4999 of the Code (or a similar or successor provision). In no event shall Executive be entitled to receive more than one Severance Payment hereunder.

(b) The determination of whether the Severance Payment shall be reduced as provided in Section 5(a) and the amount of any such reduction (the **“Severance Payment Reduction”**) shall be made by the Chief Financial Officer of Company and shall be subject to the approval of the Committee. Company shall deliver to Executive, following approval by the Committee and within ten (10) days after the occurrence of any of the events set forth in Section 4(a) entitling Executive to receive the Severance Payment, a statement (the **“Severance Payment Statement”**) setting forth the Severance Payment Reduction and its determination thereof in reasonable detail. Executive shall have a period of ten (10) days after the date on which the Severance Payment Statement is delivered to him (the **“Severance Payment Review Period”**) to review the Severance Payment Statement, during which period Executive shall have access to the relevant books and records of Company. If Executive objects to the Severance Payment Reduction or the calculation thereof as set forth on such Severance Payment Statement, Executive shall so inform Company in writing (the **“Severance Payment Objection”**) on or before the last day of the Severance Payment Review Period, setting forth in reasonable detail the basis of the Severance Payment Objection. In the event that a Severance Payment Objection is not delivered to Company on or

before the last day of the Severance Payment Review Period, Executive shall be deemed to have agreed to the Severance Payment Statement. In the event that a Severance Payment Objection is delivered to Company on or before the last day of the Severance Payment Review Period, Company, through the Committee, and Executive shall attempt in good faith to reach an agreement with respect to any matters in dispute. If Company and Executive are unable to resolve all of their differences within ten (10) days after delivery of the Severance Payment Objection to Company, they shall refer their remaining differences to the Accountants. The Accountants shall, based on those items as to which Company and Executive have agreed and the Accountants' determination regarding those items in dispute, make a recommendation as to the Severance Payment Reduction, if any, within twenty (20) days after submission of the dispute to the Accountants, but in no event later than two (2) business days prior to the Severance Payment Date. The Accountants' determination shall be set forth in writing. Company shall pay the fees of the Accountants in connection therewith. The Committee shall consider the recommendation of the Accountants, but the Committee's final determination shall be conclusive and binding upon the parties hereto.

6. General Provisions.

(a) Release. Executive covenants and agrees that he shall not be entitled to the Severance Payment unless Executive unconditionally releases, within sixty (60) days after the date of the event giving rise to payment of the Severance Payment, Company and its subsidiaries and affiliates, and their respective directors, officers, employees and stockholders, or any of them, from any and all claims, liabilities or obligations under any severance or termination arrangements of Company or any of its subsidiaries or affiliates.

(b) Shareholder Vote. No Incentive Payments under this Agreement shall be made to Executive prior to the approval of this Agreement in a separate vote by a majority vote of Company's shareholders in accordance with the procedures set forth in Treasury Regulation Section 1.162-27(e)(4). In the event that shareholder approval is not obtained at the first meeting of shareholders at which approval of this Agreement is submitted for shareholder approval, this Agreement shall terminate immediately and be of no further force or effect. It is the express intention of the parties that Incentive Payments to be made to Executive constitute "qualified performance based compensation" for purposes of Section 162(m) of the Code. This Agreement is intended to comply with the requirements of Treasury Regulations Section 1.162-27 and shall be interpreted and administered in accordance therewith.

(c) Tax Withholding; Section 409A. All amounts paid to Executive hereunder shall be subject to all applicable federal, state and local wage withholding. This Agreement is intended to comply with the requirements of Section 409A of the Code ("**409A**") and shall in all respects be administered in accordance with 409A. All payments not otherwise exempt from 409A which are to be made after a termination of employment under this Agreement may only be made after a "separation from service" under 409A. If upon Executive's "separation from service" (within the meaning of 409A) from Company, Executive is then a "specified employee" (as defined by and

determined in accordance with 409A), then solely to the extent necessary to comply with 409A and avoid the imposition of taxes under 409A, Company shall defer payment of “nonqualified deferred compensation,” subject to 409A, which is payable as a result of and would otherwise be paid within six (6) months following such separation from service, until the earlier of (a) the first business day of the seventh month after Executive’s separation from service, or (b) ten (10) days after Company receives written notice of Executive’s death. All such delayed payments shall be paid in a lump sum without accrual of interest. To the extent permissible by law, each payment and each installment described in this Agreement shall be considered a separate payment from each other payment or installment for purposes of 409A.

(d) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or overnight courier, or facsimile, in any case delivered to the applicable address set forth below:

(i) To Company:

Biglari Holdings Inc.
175 East Houston Street, Suite 1300
San Antonio, Texas 78205
Attention: Chief Financial Officer
Chairman of Governance, Compensation and
Nominating Committee
Facsimile: (317) 633-4105

(ii) To Executive:

Sardar Biglari
9311 San Pedro Avenue, Suite 1440
San Antonio, Texas 78216
Facsimile: (210) 344-3411

or to such other persons or other addresses as either party may specify to the other in writing. Any such notice shall be deemed to have been given upon receipt.

(e) Representation by Company. Company represents that (i) the execution of this Agreement and the provisions herein have been duly authorized by Company, including, where necessary, by the Board and the Committee, (ii) the execution, delivery and performance of this Agreement does not violate any law, regulation, order, decree, agreement, plan or corporate governance document of or applicable to Company, and (iii) upon the execution and delivery of this Agreement, it shall be the valid and binding obligation of Company enforceable in accordance with its terms.

(f) Assignment; Assumption of Agreement. No right, benefit or interest hereunder shall be subject to assignment, encumbrance, charge, pledge, hypothecation or setoff by Executive in respect of any claim, debt, obligation or similar process, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal personal representatives. This Agreement shall be binding upon and shall inure to the benefit of Company, its successors and assigns. Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation, operation of law or otherwise) to all or substantially all of the business or assets of Company to assume expressly and to agree to perform this Agreement in the same manner and to the same extent that Company would be required to perform it if no such succession or assignment had taken place. The term "Company" as used herein shall include any such successors and assigns.

(g) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties hereto; *provided, however*, that no such amendment, modification, waiver or discharge shall be effective without the affirmative vote of a majority of the Shares present and cast on any such proposal at a meeting called for such purpose, if such amendment, modification, waiver or discharge would materially increase the benefits to the Executive hereunder, including, without limitation, any modification or amendment that would reasonably be expected to increase the Incentive Compensation Amount. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(h) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(i) Governing Law and Arbitration. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Indiana, without giving effect to that body of law relating to choice of laws. Any controversy, dispute or claim between the parties relating to this Agreement shall be resolved by binding arbitration in Indiana, in accordance with the rules of the American Arbitration Association.

(j) Entire Agreement. This Agreement contains the entire agreement of Executive, Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements, term sheets, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof are superseded hereby.

(k) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first written above.

BIGLARI HOLDINGS INC.

By: /s/ Duane E. Geiger
Name: Duane E. Geiger
Title: Interim Chief Financial Officer

EXECUTIVE

/s/ Sardar Biglari
Sardar Biglari

EXHIBIT A

Determination of Book Value

- Book Value is to be determined prior to the calculation of the Incentive Compensation Amount for the applicable period
- Gains/losses generated from the operations of Company and its subsidiaries are included in Book Value
- Gains/losses (realized or unrealized) from investments are included in Book Value
- Accounting adjustments that are required to be made directly to equity or other comprehensive income (except for unrealized investment gain/losses on available for sale securities) may be excluded depending on the nature of the item. These adjustments include such items as cumulative impact of a change in accounting principle, adjustments for postretirement medical or pension related items as applicable, and cumulative translation adjustments for investments in foreign subsidiaries. Exclusion of these items would require approval by the Committee.
- Other unusual or infrequently occurring transactions will be evaluated for inclusion or exclusion in the calculation of Book Value by the Committee. General principles, subject to final approval by the Committee, include the following:

	Include in Book Value Calculation	Exclude from Book Value Calculation
Items Generally Considered to be of an Ordinary Course Operating Nature:		
• Impairments of fixed assets	X	
• Impairment of goodwill or other intangible assets	X	
• Gain/loss on sale or disposal of assets	X	
• Casualty losses or gains from insurance proceeds (tangible assets or business interruption)	X	
• Restructuring charges	X	
• Gain/loss on discontinued operations	X	
• Gain/loss on extinguishment of debt	X	

	Include in Book Value Calculation	Exclude from Book Value Calculation
<ul style="list-style-type: none"> • Settlement of a lawsuit arising out of a fact, event or condition existing or occurring subsequent to Executive's appointment as CEO 	X	
<ul style="list-style-type: none"> • Settlement of a lawsuit arising out of a fact, event or condition existing or occurring prior to Executive's appointment as CEO 		X
Items Resulting from Application or Interpretation of Accounting Standards:		
<ul style="list-style-type: none"> • Cumulative effect of an adoption of a mandatory accounting standard (e.g. FIN 48, FAS 123R) 		X
<ul style="list-style-type: none"> • Gain on bargain purchase resulting from the application of SFAS 141(R) to a business combination 		X
<ul style="list-style-type: none"> • Impact of a discretionary change in accounting policy 	X	
<ul style="list-style-type: none"> • Stock compensation related matters and impact of employee/board exercise/vesting of stock options and restricted shares 	X	
<ul style="list-style-type: none"> • Adjustments to Other Comprehensive Income for items such as: <ul style="list-style-type: none"> ○ Minimum pension liability adjustments ○ Foreign currency translation adjustments ○ Unrealized and realized gains/losses on the mark to market of certain investments and derivatives classified as hedges 		
		X
		X
	X	

Any adjustments made to Book Value as of an Incentive Compensation Calculation Date shall not be carried forward in determining Book Value as of any succeeding Incentive Compensation Calculation Date.