

STEAK & SHAKE CO  
Form 10-K  
December 14, 2009

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended September 30, 2009**

**OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from to**

**Commission file number 0-8445**

**THE STEAK N SHAKE COMPANY**

(Exact name of registrant as specified in its charter)

INDIANA

37-0684070

THE STEAK N SHAKE COMPANY

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(State or other jurisdiction of incorporation)

(I.R.S. Employer Identification No.)

36 S. Pennsylvania Street, Suite 500  
Indianapolis, Indiana

46204

(Address of principal executive offices)

(Zip Code)

**(317) 633-4100**

Registrant's telephone number, including area code

Securities registered pursuant to Sec. 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, stated value \$.50 per share

New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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  (Do not check if smaller reporting company)

Smaller reporting company

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of April 8, 2009 was approximately \$210,380,023 based on the closing stock price of \$8.44 per share on that day.

The number of shares of Common Stock outstanding at December 10, 2009 was 28,771,405.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement to be filed for its 2010 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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**PART I.**

**ITEM 1. BUSINESS.**

**General**

The Steak n Shake Company ( we , us or the Company ) is a diversified holding company. Steak n Shake Operations, Inc., ( Steak n Shake ) a wholly-owned subsidiary of the Company, is engaged primarily in the ownership, operation, and franchising of Steak n Shake restaurants. As of September 30, 2009, Steak n Shake had 412 company-owned restaurants and 73 franchised restaurants located in 21 states.

The Steak n Shake Company is led by Sardar Biglari, Chairman and Chief Executive Officer. Our long-term objective is to maximize intrinsic business value per share of the Company. (Intrinsic value is computed by taking all future cash flows into and out of the business and then discounting the resultant number at an appropriate interest rate.) Our strategy is to reinvest cash generated from our operating subsidiaries into any investments with the objective of achieving high risk-adjusted returns. Pursuant to a resolution of the Company's Board of Directors on June 17, 2009, all investment and other capital allocation decisions are made for the Company by Mr. Biglari.

Our fiscal year ends on the last Wednesday in September. Accordingly, every five or six years, our fiscal year contains 53 weeks. Fiscal year 2009 contained 53 weeks, while fiscal years 2008 and 2007 each contained 52 weeks. Our first, third, and fourth quarters contain 12 weeks and our second quarter contains 16 weeks (except in fiscal years when there are 53 weeks, in which case the fourth quarter contains 13 weeks).

Information related to our reportable segments may be found in Part II, Item 8 of this Form 10-K.

Our common stock is listed for trading on the New York Stock Exchange ( NYSE ). As a result, we are, subject to certain corporate governance standards as required by the NYSE and/or the Securities and Exchange Commission ( SEC ). Among other requirements, our Chief Executive Officer, as required by Section 303A.12(a) of the NYSE Listing Company Manual, must certify to the NYSE each year whether or not he is aware of any violations by the Company of NYSE corporate governance listing standards as of the date of the certification. On May 26, 2009, Mr. Biglari, certified to the NYSE that he was not aware of any violation by the Company of the NYSE corporate governance listing standards.

In addition, we are filing certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K.

**New Corporate Structure**

Effective July 1, 2009, we restructured our operations into a diversified holding company/sub- subsidiary format whereby significant operations are conducted through wholly-owned subsidiaries. This restructuring is not anticipated to have any tax impact and will have no impact on our financial reporting as we will continue to report consolidated financial statements.

## **Fiscal Year 2009 Developments**

### **Proposed Acquisition**

On October 22, 2009, we jointly announced with Western Sizzlin Corporation ( Western ) the execution of an agreement for Western to merge into a wholly-owned subsidiary of the Com pany. If completed, the merger agreement currently provides for us to issue and deliver to Western stockholders our subordinated debentures with a principal amount of approximately \$23.0 million, subject to adjustment as provided in the merger agreement. We have filed the appropriate documentation with the SEC related to this business combination.

### **Steak n Shake Operations, Inc.**

Steak n Shake is engaged primarily in the ownership, operation, and franchising of Steak n Shake restaurants. Steak n Shake is a classic American brand serving premium burgers

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and milk shakes. Founded in 1934 in Normal, Illinois, Steak n Shake offers its patrons full- service dining with counter and dining room seating, as well as drive-thru and carry-out service. Counter and dining room sales represent approximately 60% of the sales mix, while sales for off-premises dining represent approximately 40% of the sales mix. The mission of the restaurant chain is to constantly serve its patrons the highest quality burgers and shakes along with extending great service at the lowest possible prices.

With this mission Steak n Shake intends to lead and dominate the premium burger and milk shake segment of the restaurant industry. Steak n Shake aspires to be best-in-class in cleanliness, product, service, value, promotion, and menu. It is critical that the food be distinctive, savory, and priced to attract higher frequency of return. Steak n Shake has simplified its menu reducing it to clear and appealing choices. Steak n Shake continues to work on determining the most appetizing menu selections by simultaneously improving variety while discarding slow moving items.

**Balance Sheet**

On September 30, 2009, Steak n Shake entered into a new \$20 million Revolving Credit Agreement. This new credit agreement replaced a previous credit facility. The new credit agreement includes certain financial covenants and is guaranteed by the Company and two Steak n Shake subsidiaries. The Company will be held as a guarantor until Steak n Shake produces audited financial statements. Also, in 2009, we satisfied in full all outstanding borrowings under the Senior Note Agreement and Private Shelf Facility.

Steak n Shake and SNS Investment Company ( SIC ), another subsidiary of the Company, own the land and buildings of 156 properties and 16 parcels of land. Included in the 156 owned properties are 144 company-owned and operating restaurants, 8 improved properties, 2 restaurants that have been leased to franchisees, a division office, and a warehouse facility. At the end of fiscal year 2009, we have \$13.7 million in assets held for sale which includes the 8 improved properties, 1 office, and 14 parcels of land which were previously purchased for development.

TABLE OF CONTENTS**Geographic Concentration and Restaurant Locations**

During fiscal year 2009, approximately 50.1% of Steak n Shake's net sales were derived from six defined market areas: St. Louis, Missouri (12.3%); Indianapolis, Indiana (12.3%); Orlando, Florida (7.3%); Chicago, Illinois (6.4%); Atlanta, Georgia (5.9%); and Tampa, Florida (5.9%).

The following table lists the locations of the 485 Steak n Shake restaurants, including 73 franchised units, as of September 30, 2009:

	Company- Owned	Franchised	Total
Alabama	2	3	5
Arkansas		2	2
Florida	80	1	81
Georgia	23	7	30
Illinois	63	6	69
Indiana	68	2	70
Iowa	3		3
Kansas		4	4
Kentucky	14	1	15
Michigan	19		19
Mississippi		1	1
Missouri	39	21	60
North Carolina	6	6	12
Ohio	63		63
Oklahoma		4	4
Pennsylvania	6	1	7
South Carolina	1	2	3
Tennessee	9	8	17
Texas	16	1	17
West Virginia		1	1
Wisconsin		2	2
<b>Total</b>	<b>412</b>	<b>73</b>	<b>485</b>

**Restaurant Operations**

To provide an enjoyable dine-in, carry-out, or drive-thru experience, Steak n Shake must have competent and skilled restaurant management at each location. A typical Steak n Shake restaurant's management team consists of a general manager, a restaurant manager and other managers. The number of managers varies depending upon the sales volume of the unit. Each restaurant's general manager has primary responsibility for the day-to-day operations of the restaurant and is responsible for maintaining operating standards and procedures. The general manager holds the responsibility for the unit's profitability and his or her bonus is partially based on exceeding prior year cash flows. In addition to day-to-day operations, the general manager is involved in the planning and budgeting process for his or her restaurant.

An experienced, well trained general manager promotes compliance with our high standards for food quality, cleanliness, and guest service, ensures that all health and safety requirements are met and ensures compliance with applicable state labor laws.

Steak n Shake is in the process of implementing new training programs in pursuit of improving store level execution.

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**Guest Satisfaction and Quality Control**

Steak n Shake monitors guest satisfaction at company-owned units primarily through formal inspections by management and training personnel. Franchised restaurants are monitored through periodic inspections by franchise field operations personnel and through a mystery shopper program.

**Purchasing and Distribution Center Operations**

Steak n Shake operates one distribution center in Bloomington, Illinois from which food products (except for items purchased by the restaurants locally such as bakery goods, produce, and dairy products) and restaurant supplies are delivered to 107 company-owned and 11 franchised restaurants. The restaurants served by the distribution center are located in the Midwest (primarily in Illinois, Missouri, Iowa, and Wisconsin). Steak n Shake's semi-trailers handle refrigerated products, frozen products, and dry goods in the same delivery trip. The restaurants that are not serviced by the distribution center obtain company-approved food products and supplies from two separate independent distributors.

Purchases are negotiated centrally for most food and beverage products and supplies to ensure uniform quality, adequate quantities and competitive prices. Food and supply items undergo ongoing research, development and testing in an effort to maintain the highest quality products and to be responsive to changing consumer tastes.

**Franchising**

Steak n Shake's franchising program extends its brand to areas in which it has no current development plans for Company stores. Steak n Shake's expansion plans include seeking qualified new franchisees and expanding its relationships with current franchisees. Steak n Shake may also rebrand certain company-owned restaurants that are typically located in tertiary markets. During fiscal year 2009, Steak n Shake rebranded a total of seven company-owned restaurants to one existing franchisee.

Franchisees undergo a selection process supervised by the Vice President, Development, and require final approval by senior management. Steak n Shake typically seeks franchisees with both the financial resources necessary to fund successful development and significant experience in the restaurant/retail business. Steak n Shake assists franchisees with the development and ongoing operation of their restaurants. Steak n Shake's management personnel assists franchisees with site selection, approves all restaurant sites, and provides prototype plans, construction support and specifications. Steak n Shake's staff provides both on-site and off-site instruction to franchised restaurant management and associates.

All franchised restaurants are required to serve only Steak n Shake approved menu items. Access to services such as the distribution center and POS system enables franchisees to benefit from Steak n Shake's purchasing power. It also assists Steak n Shake in monitoring compliance with its quality standards and specifications.

**Competition**

The restaurant business is one of the most intensely competitive industries in the United States, with price, menu offerings, location, and service all being significant competitive factors. Steak n Shake's competitors include countless national, regional and local establishments. In all of Steak n Shake's market areas, there are established competitors with financial and other resources which are greater than Steak n Shake's. Steak n Shake faces competition for sites on which to locate new restaurants, as well as for restaurant associates and guests. The restaurant business is often

affected by changes in consumer tastes and by national, regional and local economic conditions and demographic trends. The performance of individual restaurants may be affected by factors such as traffic patterns, demographic factors, harsh weather conditions, and

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the type, number, and location of competing restaurants. Additional factors that may adversely affect the restaurant industry in general, and Steak n Shake's restaurants in particular, are increases in food, labor and associate benefit costs, negative publicity surrounding food quality or safety issues, and difficulty in attracting qualified management personnel and hourly associates.

### **Seasonal Aspects**

Steak n Shake has substantial fixed costs which do not decline in concert with sales. Steak n Shake's first and second quarters, which include the winter months, usually reflect lower average weekly unit volumes as compared to the third and fourth fiscal quarters.

Additionally, sales in the first two fiscal quarters can be adversely affected by severe winter weather. Steak n Shake may also be negatively impacted by adverse weather during the first and fourth quarters as a result of hurricanes and tropical storms in the Southeastern portion of the United States, in which Steak n Shake has a significant number of restaurants.

### **Employees**

Currently, Steak n Shake employs approximately 20,000 associates, of which approximately two-thirds are part-time hourly associates. Steak n Shake considers its employee relations to be good and believes that it is providing working conditions and wages that compare favorably with the industry.

### **Trademarks**

Steak n Shake®, Steak n Shake Famous For Steakburgers®, Famous For Steakburgers®, Takhomasak®, Faxes Original Steakburgers®, In Sight It Must Be Right®, Steak n Shake It's a Meal®, The Original Steakburger®, Wing and Circle® logo, Steak n Shake In Sight it Must be Right®, Takhomacup®, Takhomacard®, Banawber Banocolate®, Strawnilla®, Vanocha®, Sippable Sundaes®, Side-by-Side®, Bits n Pieces®, Exactly The Want It®, and the Company's storefront design® are among the federally registered trademarks and servicemarks Steak n Shake owns. Original Double Steakburger®, Takhomameal™, and Takhomaparty™ are among the trademarks and service marks Steak n Shake, LLC (SNS LLC), a subsidiary of Steak n Shake owns or for which federal registration applications are currently pending. SNS LLC protects its trademark rights by appropriate legal action whenever necessary.

### **Information Available on our Web Site**

We make available through a link on our web site, free of charge, our filings with the SEC as soon as reasonably practicable after we file them electronically with, or furnish them to, the SEC. The reports we make available include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, registration statements, and any amendments to those documents. In addition, corporate governance documents such as our Corporate Governance Guidelines, Code of Conduct Whistleblower Policy, Nominating and Corporate Governance Committee Charter, Compensation Committee Charter, and Audit Committee Charter are posted on our web site and are available without charge upon written request. Our web site link is [www.steaknshake.com](http://www.steaknshake.com) and the link to SEC filings and corporate governance documents is [www.steaknshake.com/investing.html](http://www.steaknshake.com/investing.html). Our web site and the information contained therein or connected thereto are not intended to be incorporated into this report on Form 10-K.



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**ITEM 1A. RISK FACTORS.**

An investment in our common stock involves a degree of risk. These risks should be considered carefully with the uncertainties described below, and all other information included in this Annual Report on Form 10-K, as well as other filings that we make from time to time with the SEC, before deciding whether to purchase our common stock. The occurrence of any of the following risks, or additional risks and uncertainties not currently known to us or that we currently deem immaterial, could harm our business, financial condition, results of operations, or cash flows. The trading price of our common stock could decline due to any of these risks and uncertainties, and you may lose part or all of your investment.

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

**We are dependent on our Chairman and CEO.**

We believe that our 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 our business, financial condition and results of operations of the Company and its subsidiary, Steak n Shake Operations, Inc. Investment decisions and all major capital allocation decisions are made for us and our 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 our business, since he is singularly responsible for business and investment activities.

**Failure to complete our proposed merger with Western Sizzlin Corporation could negatively impact the stock price, future business, and financial results of the Company.**

If the merger is not completed, the ongoing business of the Company may be adversely affected and, without realizing any of the benefits of having completed the merger, the Company will be subject to a number of risks, including the following:

the current market price of the Company's common stock may reflect a market assumption that the merger will occur and a failure to complete the merger could result in a negative perception of the Company by equity investors and result in a decline in the market price of the common stock of the Company;

the Company will be required to pay some or all transaction costs relating to the merger, whether or not the merger is completed; and

matters relating to the merger (including integration planning) may require substantial commitments of time and resources by the Company's management, which could otherwise have been devoted to other opportunities that may have been beneficial to us as a separate company.

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**We face continually increasing competition in the restaurant industry for guests, staff, locations, and new products, which may negatively impact operating performance.**

Our restaurant business is subject to intense competition with respect to prices, services, locations, qualified management personnel, and quality of food. We compete 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 our competitors may be better established in the markets where our 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 our restaurants in particular.

**The recent disruptions in the overall economy and the financial markets may adversely impact our 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 our financial position and results of operations. As a result, decreased cash flow generated from our business may adversely affect our financial position and our ability to fund our operations. In addition, macroeconomic disruptions, as well as the restructuring of various commercial and investment banking organizations, could adversely affect our ability to access the credit markets. The disruption in the credit markets may also adversely affect the availability of financing for Steak n Shake's 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.

**Our cash flows and financial position could be negatively impacted if Steak n Shake is unable to comply with the restrictions and covenants to our debt agreements.**

Steak n Shake currently maintains a debt instrument which includes restrictions and covenants that require quarterly compliance. If Steak n Shake fails to meet those restrictions and covenants our operations and business may be negatively impacted.

**We may be required to recognize additional impairment charges on our long-lived assets, which would adversely affect our 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 our business model or changes in operating performance. If the sum of the undiscounted cash flows is less than the carrying value of the asset, we recognize 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 our 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 us 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 our restaurant business.**

A significant component of Steak n Shake's 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, our results of operations may be negatively affected. In addition, Steak n Shake 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 our reputation, or otherwise harm our business.

**The inability of Steak n Shake's franchisees to operate profitable restaurants may negatively impact our financial performance.**

Steak n Shake operates a franchise program and collects royalties, and marketing and service fees from the franchisees. The ability of franchisees to generate profits impacts our overall profitability.

Growth within the existing franchise base is dependent upon many of the same factors that apply to Steak n Shake's company-owned restaurants, and sometimes the challenges of opening profitable restaurants prove to be more difficult for Steak n Shake's 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, Steak n Shake's 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 Steak n Shake's franchisees due to financial concerns and/or operational inefficiencies could impact Steak n Shake's profitability and brand.

Franchisees are required to operate their restaurants according to Steak n Shake's guidelines. Steak n Shake provides training opportunities to franchise operators to fully integrate them into Steak n Shake's operating strategy. However, since Steak n Shake 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, Steak n Shake requires that franchisees focus on the quality of their operations, and it expects full compliance with its standards.

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

Steak n Shake's 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 our business, financial conditions, results of operations, or cash flows.

**Changes in guest preferences for casual dining styles or menu items could adversely affect our financial performance.**

Changing guest preferences, tastes, and dietary habits can adversely impact our restaurant business and financial performance. Steak n Shake offers a large variety of entrees, side dishes, and desserts, and our continued success depends, in part, on the popularity of our product

offerings and casual style of dining. A change in guest preferences away from this dining style or Steak n Shake's offerings in favor of other dining styles or offerings may have an adverse effect on our business.

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**The inability to attract qualified associates, an increase in labor costs, or labor shortages could harm Steak n Shake s business.**

Steak n Shake s associates are essential to the operation of its restaurants and its ability to deliver an enjoyable dining experience to our guests. If Steak n Shake 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, our results may be negatively affected. Many Steak n Shake associates are paid wages that relate to federal and state minimum wage rates. Any increases in the minimum wage rates may significantly increase our restaurant operating costs. In addition, since Steak n Shake s business is labor-intensive, shortages in the labor pool or other inflationary pressure could increase labor costs, which could harm our financial performance. Additionally, competition for qualified employees could require us 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 our operating performance.**

Although Steak n Shake 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 Steak n Shake s 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 Steak n Shake s restaurants, or may necessitate the closure of Steak n Shake 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 Steak n Shake restaurants, or if the restaurants are closed as the result of inclement weather, our sales and operating results may be negatively affected.

**Unfavorable publicity could harm our business.**

Restaurant chains such as Steak n Shake 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 Steak n Shake s 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, Steak n Shake 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 us to possible liabilities.**

Steak n Shake and 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 Steak n Shake decides to close an under

performing 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.

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**We are subject to health, employment, environmental, and other government regulations, and failure to comply with existing or future government regulations could expose us to litigation, damage our reputation, and lower profits.**

We are subject to various federal, state, and local laws and regulations affecting our 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 we fail to comply with any of these laws, we may be subject to governmental action or litigation, and our reputation could be accordingly harmed. Injury to our 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, Steak n Shake 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 Steak n Shake 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 our operations, particularly Steak n Shake's 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.

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

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

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**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.**

**Office, Warehouse, and Distribution Facilities:**

Use	Location	Own/Lease
Distribution Center	Bloomington, IL	Lease
Warehouse	Bloomington, IL	Own
Executive Office	Indianapolis, IN	Lease

**Restaurant Properties:**

As of September 30, 2009, Steak n Shake operated 268 leased and 144 owned restaurants located primarily in the Midwest and Southeast portions of the United States. In the past we have assisted qualified franchisees with financing by purchasing or leasing land, constructing the restaurant, and then leasing or subleasing the land and building to the franchisee. We lease the land and building for these properties as the primary lessee. As of September 30, 2009, we had the following interests in properties that are being operated by franchisees pursuant to lease or sublease agreements:

Franchised Location	Own/Lease
Columbus, GA	Lease
Macon, GA	Lease
Macon, GA	Own
Warner Robins, GA	Lease
Lawrence, KS	Lease
Olathe, KS	Own
Overland Park, KS	Lease
Topeka, KS	Lease
Columbia, MO	Lease
Kansas City, MO	Lease
Lee s Summit, MO	Lease
Chattanooga, TN	Lease
Houston, TX	Ground Lease

Additionally, we own a Jeffersontown, Kentucky property no longer in operation that we lease to a third party. We have land and building lease obligations on former restaurants in Rolling Meadows, Illinois and Columbus, Ohio that are subleased to third parties.

Sublease rentals cover substantially all of our obligations under the primary leases.

We believe that our properties are suitable, adequate, well-maintained, and sufficient for the operations contemplated. See Geographic Concentration and Restaurant Locations in Item I for additional information regarding our restaurant properties.

We may not be able to adequately protect our intellectual property, which could decrease the value of our 24 and anc



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**ITEM 3. LEGAL PROCEEDINGS.**

The Company and its subsidiaries are engaged in various legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management believes, based on examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided in our consolidated financial statements is not likely to have a material adverse effect on our results of operations, financial position, or cash flows.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matters were submitted to a vote of shareholders during the fourth quarter of the fiscal year covered by this report.

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TABLE OF CONTENTS**PART II.****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY,  
RELATED STOCKHOLDER MATTERS AND ISSUER  
PURCHASES OF EQUITY SECURITIES.****Market Price Range/Stock Trading**

Our common stock is traded on the New York Stock Exchange ( NYSE ) under the symbol SNS. The high and low closing sales prices for our common stock, as reported on the NYSE for each quarter of the past two fiscal years, are shown below:

	2009		2008	
	High	Low	High	Low
First Quarter	<b>\$ 8.89</b>	<b>\$ 2.93</b>	\$ 15.98	\$ 10.43
Second Quarter	<b>\$ 8.44</b>	<b>\$ 4.94</b>	\$ 11.24	\$ 7.39
Third Quarter	<b>\$ 11.73</b>	<b>\$ 7.68</b>	\$ 8.12	\$ 6.05
Fourth Quarter	<b>\$ 12.10</b>	<b>\$ 8.11</b>	\$ 8.53	\$ 5.58

We did not pay cash dividends on our common stock during the last two fiscal years. As of December 7, 2009, there were approximately 19,500 shareholders of which approximately 3,000 were shareholders of record of our common stock.

**Comparison of Five-Year Cumulative Total Return**

The preceding stock price performance graph and related information shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent that we specifically incorporate it by reference into such filings.

The Equity Compensation Plan Information required by Item 201(d) of Regulation S-K will be contained in our definitive Proxy Statement for the 2010 Annual Meeting of Shareholders, to be filed on or before January 28, 2010, and such information is incorporated herein by reference.

TABLE OF CONTENTS**ITEM 6. SELECTED FINANCIAL DATA**

**SELECTED FINANCIAL AND OPERATING DATA**  
**The Steak n Shake Company**  
**(Amounts in \$000s except per share data)**

	53 Weeks Ended September 30, 2009	52 Weeks Ended September 24, 2008	September 26, 2007	September 27, 2006	September 28, 2005
Statement of Operations Data:					
Total revenues	<b>\$ 627,042</b>	\$ 610,061	\$ 654,142	\$ 638,822	\$ 606,912
Net earnings (loss)	<b>\$ 5,998</b>	\$(22,979 )	\$ 11,808	\$ 28,001	\$ 30,222
Per Share Data:					
Basic earnings (loss) per common and common equivalent share	<b>\$ 0.21</b>	\$(0.81 )	\$ 0.42	\$ 1.01	\$ 1.10
Diluted earnings (loss) per common and common equivalent share	<b>\$ 0.21</b>	\$(0.81 )	\$ 0.42	\$ 1.00	\$ 1.08
Basic weighted average shares (in thousands)	<b>28,484</b>	28,254	28,018	27,723	27,500
Diluted weighted average shares and share equivalents (in thousands)	<b>28,591</b>	28,254	28,216	28,039	28,059
Statement of Financial Position Data:					
Total assets	<b>\$ 514,496</b>	\$ 520,136	\$ 565,214	\$ 542,521	\$ 474,657
Long-term debt:					
Obligations under leases	<b>130,076</b>	134,809	139,493	143,996	147,615
Other long-term debt	<b>48</b>	15,783	16,522	18,802	6,315
Shareholders equity	<b>\$ 291,861</b>	\$ 283,579	\$ 303,864	\$ 287,035	\$ 252,975
Other Data:					
Number of restaurants:					
Company-owned	<b>412</b>	423	435	429	399
Franchised	<b>73</b>	68	57	48	49
	<b>485</b>	491	492	477	448
Approximate number of employees	<b>20,000</b>	20,000	22,000	23,000	21,500
Approximate number of shareholders	<b>19,500<sup>(1)</sup></b>	8,000	8,000	12,000	13,500

Represents the approximate number of shareholders as of December 7, 2009. The Company performed a detailed (1) analysis of registered and beneficial shareholders to arrive at 2009 information. Prior year data was provided by third parties.

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## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The Steak n Shake Company  
(Years ended September 30, 2009, September 24, 2008, and September 26, 2007)  
(Amounts in \$000s, except per share data)

In the following discussion, the term same store sales refers to the sales of only those units open 18 months as of the beginning of the current fiscal period being discussed and which remained open through the end of the fiscal period.

We have a 52/53 week fiscal year ending on the last Wednesday in September. Fiscal year 2009, which ended on September 30, 2009 contained 53 weeks, while fiscal years 2008 and 2007, which ended on September 24, 2008 and September 26, 2007, respectively, each contained 52 weeks.

For an understanding of the significant factors that influenced our performance during the past three fiscal years, the following discussion should be read in conjunction with the consolidated financial statements and related notes found elsewhere in this Annual Report.

### **Fiscal Year 2009**

In fiscal year 2009, net sales increased 2.8% to \$622,944 as compared to \$606,076 in fiscal year 2008. The inclusion of the fifty-third week in 2009 contributed \$10,635 in net sales, on a same store basis. Adjusting for this extra week, the 1.0% increase is a result of same store sales increasing 4.1% during fiscal year 2009. Net earnings for fiscal year 2009 were \$5,998, or \$0.21 per diluted share, compared to a net loss of (\$22,979), or (\$0.81) per diluted share in the prior fiscal year. Fiscal year 2009 results included \$2,645 (\$1,613, or \$0.06 per diluted share, net of tax) of non-cash impairment and restaurant closing charges. In comparison, fiscal year 2008 results included \$14,858 (\$9,212, or \$0.33 per diluted share, net of tax) of non-cash impairment charges and store closing costs, including charges related to a group of stores that we closed in the fourth quarter of fiscal year 2008 and restaurants that were impaired because the carrying values of their underlying assets exceeded their expected future undiscounted cash flows.

During fiscal year 2009, Steak n Shake closed 4 underperforming restaurants and franchised seven restaurants to franchisees, which brought the total company-owned units to 412 as of September 30, 2009. Also during fiscal year 2009, Steak n Shake franchisees closed two restaurants, bringing the total number of franchised units to 73 on September 30, 2009.

Management, during the fourth quarter of fiscal year 2008, enacted a change in strategic direction under which we began to operate in a manner designed to generate cash. The planned changes in 2008 resulted in lower general and administrative expenses in 2009. Refer to Part I, Item I of this Form 10-K for more information.

During third quarter of fiscal year 2009 we announced that The Steak n Shake Company is operating as a diversified holding company. Its most significant subsidiary is Steak n Shake Operations, Inc. which engages in the business of operating, developing, and franchising restaurants.

## **Critical Accounting Estimates**

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates and our assumptions based on historical experience and other factors that are believed to be relevant under the circumstances. Actual results may differ from these estimates under different assumptions or circumstances.

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We believe the following critical accounting estimates represent our more significant judgments and estimates used in preparation of our consolidated financial statements.

### **Long-lived Assets Impairment and Classification as Held for Sale**

We review Steak n Shake restaurants for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment. We test for impairment by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total estimated future cash flows are less than the carrying amount of the asset, the carrying value is written down to the estimated fair value, and a loss is recognized in earnings. The future cash flows expected to be generated by an asset requires significant judgment regarding future performance of the asset, fair market value if the asset were to be sold, and other financial and economic assumptions.

We sell restaurants that have been closed due to underperformance and land parcels that we do not intend to develop in the future. We classify an asset as held for sale in the period during which each of the following conditions is met: (a) management has committed to a plan to sell the asset; (b) the asset is available for immediate sale in its present condition; (c) an active search for a buyer has been initiated; (d) completion of the sale of the asset within one year is probable; (e) the asset is being marketed at a reasonable price; and (f) no significant changes to the plan of sale are expected. There is judgment involved in estimating the timing of completing the sale of an asset.

### **Insurance Reserves**

We self-insure a significant portion of expected losses under our workers compensation, general liability, and auto liability insurance programs. We purchase reinsurance for individual and aggregate claims that exceed predetermined limits. We record a liability for all unresolved claims and our estimates of incurred but not reported ( IBNR ) claims at the anticipated cost to us. The liability estimate is based on information received from insurance companies, combined with management's judgments regarding frequency and severity of claims, claims development history, and settlement practices. Significant judgment is required to estimate IBNR claims as parties have yet to assert a claim, and therefore the degree to which injuries have been incurred and the related costs have not yet been determined. Additionally, estimates about future costs involve significant judgment regarding legislation, case jurisdictions, and other matters.

We self-insure our group health insurance risk. We record a liability for our group health insurance for all applied claims and our estimate of claims incurred but not yet reported. Our estimate is based on information received from our insurance company and claims processing practices.

Our reserve for self-insured liabilities at September 30, 2009 and September 24, 2008 were \$5,455 and \$6,374, respectively. The decrease reflects a reduction in our group health insurance reserves due to changes in the number of employees eligible to receive benefits, which were partially offset by an increase in the size and number of open workers compensation claims.

### **Income Taxes**

We record deferred tax assets or liabilities based on differences between financial reporting and tax basis of assets and liabilities using currently enacted rates and laws that will be in effect when the differences are expected to reverse. We record deferred tax assets to the extent we believe there will be sufficient future taxable income to utilize those assets prior to their expiration. To the extent deferred tax assets would be unable to be utilized, we would record a valuation allowance against the unrealizable amount and record that amount as a charge against earnings. Due to changing tax

laws and state income tax rates, significant judgment is required to estimate the effective tax rate expected to apply to tax differences that are expected to reverse in the future. We must also make estimates about the sufficiency of taxable income in

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future periods to offset any deductions related to deferred tax assets currently recorded. Based on 2009 results, a change of 1 percentage point in the annual effective tax rate would have an impact of \$72 on net earnings.

In June 2006, the Financial Accounting Standards Board ( FASB ) issued guidance for determining how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

### **Goodwill and Other Intangible Assets**

Under FASB guidance, we are required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The analysis of potential impairment of goodwill requires a two-step approach. The first step is the estimation of fair value of each reporting unit. If step one indicates that impairment potentially exists, the second step is performed to measure the amount of impairment, if any. Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. We use both market and income approaches to derive fair value. The valuation methodology and underlying financial information included in our determination of fair value require significant judgments to be made by management. The judgments in these two approaches include, but are not limited to, comparable market multiples, long-term projections of future financial performance, and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results.

### **Leases**

Steak n Shake and SIC lease certain properties under operating leases. Many of these lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. Rent expense is recognized on a straight-line basis over the expected lease term, including cancelable option periods when failure to exercise such options would result in an economic penalty. Steak n Shake and SIC use a time period for their straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the rent commencement date of the lease term is the earlier of the date when they become legally obligated for the rent payments or the date when they take access to the grounds for build out. As the assumptions inherent in determining lease commencement and expiration dates and other related complexities of accounting for leases involve significant judgment, management has determined that lease accounting is critical.

TABLE OF CONTENTS**Results of Operations**

In the following table is set forth the percentage relationship to total revenues, unless otherwise noted, of items included in Consolidated Statements of Operations for the periods indicated:

	2009	2008	2007
Revenues:			
Net sales	<b>99.3%</b>	99.3 %	99.4 %
Franchise fees	<b>0.7</b>	0.7	0.6
Total revenues	<b>100.0</b>	100.0	100.0
Costs and expenses:			
Cost of sales <sup>(1)</sup>	<b>26.5</b>	27.2	25.3
Restaurant operating costs <sup>(1)</sup>	<b>51.9</b>	53.4	49.6
General and administrative	<b>5.8</b>	8.3	8.8
Depreciation and amortization	<b>5.0</b>	5.5	4.9
Marketing	<b>5.3</b>	4.7	4.4
Interest	<b>2.2</b>	2.3	2.1
Rent	<b>2.5</b>	2.4	2.1
Pre-opening costs	<b>0.0</b>	0.2	0.4
Asset impairments and provision for restaurant closings	<b>0.4</b>	2.4	0.8
Loss on sale or abandonment of assets	<b>0.0</b>	0.5	0.1
Other income, net	<b>(0.4)</b>	(0.3 )	(0.3 )
Earnings (loss) before income taxes and noncontrolling interest	<b>1.1</b>	(5.7 )	2.3
Income taxes	<b>0.2</b>	(1.9 )	0.5
Noncontrolled interest	<b>0.0</b>	0.0	0.0
Net earnings (loss)	<b>1.0%</b>	(3.8 )%	1.8 %

- (1) Cost of sales and restaurant operating costs are expressed as a percentage of net sales.  
(Amounts in \$000s)

**Fiscal Year 2009 Compared with Fiscal Year 2008****Net Earnings (Loss)**

We recorded net earnings of \$5,998, or \$0.21 per diluted share for the current fiscal year, as compared with a net loss of (\$22,979), or \$(0.81) per diluted share in fiscal year 2008. The increase was primarily driven by the increase in same store sales, decreases in cost of sales and restaurant operating costs, and \$2,645 (\$1,613, net of tax) of non-cash impairment and restaurant closing charges, which had an impact of \$0.06 per diluted share. Comparatively, fiscal year 2008 net loss included \$14,858 (\$9,212, net of tax) of non-cash impairment and store closing costs, which had an impact of \$0.33 per diluted share.

**Net Sales**

In fiscal year 2009, net sales increased 2.8% from \$606,076 to \$622,944 primarily due to the increase in Steak n Shake's same-store sales. The inclusion of the fifty-third week in 2009 contributed \$10,635 in net sales, on a same store basis. Adjusting for this extra week, the 1.0% increase is a result of same store sales increasing 4.1% during

fiscal year 2009. The increase in same store sales resulted from an increase in guest traffic of 10.1%, which was partially offset by a 6.0% decrease in average guest expenditure.

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Franchise fees increased 2.8% during fiscal year 2009. Steak n Shake's number of franchised units increased from 68 at the end of fiscal year 2008 to 73 at the end of fiscal year 2009. The additional fees received from the increase in franchised units were offset by a program by which certain franchises were forgiven royalty payment to increase their marketing expenditures by the same amount. To participate in the program, Steak n Shake required the franchisee to conform to the company's marketing plan. This program was initiated during the second quarter of fiscal year 2009.

**Cost and Expenses**

Cost of sales was \$164,974 or 26.5% of net sales, compared with \$165,115 or 27.2% of net sales in fiscal year 2008. The decrease as a percentage of net sales reflected a favorable product mix shift, lower commodity costs (primarily beef and dairy products), and a focus on store-level efficiency. Additionally, for 2009 and 2008, we reclassified disposable paper and plastic costs from restaurant operations into cost of sales because management internally evaluates these costs under one line item.

Restaurant operating costs were \$323,617 or 51.9% of net sales compared to \$323,859 or 53.4% of net sales in fiscal year 2008. Total labor and fringes as a percentage of sales decreased from 39.1% in 2008 to 38.1% in the current fiscal year because of several initiatives that were implemented to increase productivity and labor efficiency.

General and administrative expenses decreased \$10,616 (22.5%) to \$36,671 for fiscal 2009. Of the decrease, \$3,906 resulted from lower salaries, wages, and fringes due to reductions in staffing made late in fiscal year 2008 and \$1,629 resulted from a reduction of travel and relocation costs. Legal and professional costs also contributed an additional \$1,648 of cost savings that were partially offset by approximately \$632 related to acquisition costs resulting from our proposed merger with Western.

Depreciation and amortization expense was \$31,369 or 5.0% of total revenues, versus \$33,659 or 5.5% of total revenues in fiscal year 2008. The decrease relates primarily to units closed in the fourth quarter of 2008.

Rent expense increased slightly as a percentage of total revenues primarily as a result of entering into sale-leaseback contracts during the fourth quarter of prior year.

During 2009, Steak n Shake opened no new restaurants as compared to opening nine new restaurants during fiscal year 2008 and incurring \$1,272 of pre-opening costs.

Marketing expense was \$33,304, or 5.3% of total revenues, versus \$28,700 or 4.7% of total revenues in fiscal year 2008.

Interest expense was \$13,736 or 2.2% of total revenues, versus \$14,011 or 2.3% of total revenues in fiscal year 2008. During 2009, we repaid and terminated our Senior Note Agreement and Private Shelf Facility with The Prudential Insurance Company.

Loss on sale or abandonment of assets decreased \$2,987 from prior year to \$151. Prior year loss included significant property write offs.

Asset impairments and provision for restaurant closings for fiscal year 2009 was \$2,645 or 0.4% of total revenues, versus \$14,858 or 2.4% of total revenues in fiscal year 2008. \$1,274 of the fiscal year 2009 charge represented an adjustment to record the related assets for previously closed units at the lower of their carrying values or fair values less cost. The fiscal year 2008 charge included \$8,858 related to restaurants for which operating performance was significantly below our expectations, and the carrying values of these properties exceeded the expected future

undiscounted cash flows to be generated by the underlying assets; \$5,009 related to stores Steak n Shake closed during the fourth fiscal quarter of 2008; \$514 related to a fee for early termination of a lease for a store that was closed during fiscal year 2009; and \$477 related to stores involved in a sale-leaseback transaction whose net book values exceeded their fair values.

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Our fiscal year 2009 effective income tax rate decreased to 16.2% from 33.9% in the prior fiscal year. The prior fiscal year's effective tax rate was higher primarily due to the proportionate effect of increased federal income tax credits when compared to annual pre-tax earnings (loss).

## **Fiscal Year 2008 Compared with Fiscal Year 2007**

### **Net Earnings**

We recorded a net loss of (\$22,979), or (\$0.81) per diluted share in fiscal year 2008, compared with net earnings of \$11,808, or \$0.42 per diluted share, for fiscal year 2007. The decrease was primarily driven by the decline in same store sales, increases in cost of sales and restaurant operating costs, and \$14,858 (\$9,212, net of tax) of non-cash impairment and store closing costs, which had an impact of \$0.33 per diluted share. Comparatively, fiscal year 2007 earnings included \$5,176 (\$3,209, net of tax) of net non-cash impairment, which had an impact of \$0.11 per diluted share.

### **Net Sales**

For fiscal year 2008, net sales decreased 6.8% from \$650,416 to \$606,076 primarily because of a decline in same store sales. Same store sales decreased 7.1% caused by a decline in guest traffic of 10.0%, which was partially offset by a 2.9% increase in average guest expenditure. The increase in average guest expenditure resulted primarily from menu price increases of 3.3%.

Franchise fees increased 7.0% during fiscal year 2008. The increase was primarily the result of growth in the number of franchised units from 57 at the end of fiscal year 2007 to 68 at the end of fiscal year 2008. The increase in franchise fees was offset by a decrease in franchisee same store sales of 7.3%, which resulted in lower royalty fees accrued.

### **Cost and Expenses**

Cost of sales was \$165,115 or 27.2% of net sales, compared with \$164,623 or 25.3% of net sales in fiscal year 2007. The increase as a percentage of net sales reflected higher commodity costs (primarily dairy, beef, and fried products), a focus on menu items with higher percentage food cost (including improved entrée salads, chicken sandwiches, and the introduction of fruit sides), and operational inefficiencies from implementing that product mix.

Restaurant operating costs were \$323,859 or 53.4% of net sales compared to \$322,618 or 49.6% of net sales in fiscal year 2007. Higher utility costs and repairs and maintenance caused an increase of \$2,510 over the prior fiscal year, which included \$355 of incremental repairs and maintenance related to strategic changes executed in the fourth fiscal quarter. Outside services increased \$1,060 in fiscal year 2008 due to the addition of a new contractor and more frequent snow removal services attributable to unfavorable weather conditions during the second fiscal quarter. These increases were offset by a decline in labor and fringes of \$2,640 during fiscal year 2008.

General and administrative expenses decreased \$9,637 (16.9%) to \$47,287 for fiscal 2008. Specifically, \$5,360 of the decrease resulted from lower salaries, wages, and fringes due to reductions in staffing that occurred during the fourth quarter of fiscal year 2007 and during fiscal year 2008. Planned cutbacks in outside consulting services and bonuses and stock compensation contributed an additional \$3,450 of cost savings, and travel and relocation expenses declined \$1,270. These reductions were partially offset by a \$2,540 increase in the loss on disposal and abandonment of assets and a \$1,780 increase in legal and professional services. In fiscal year 2008, general and administrative expense included severance costs of approximately \$2,400, \$500 in proxy-related fees, and \$435 in consulting fees for a fixed

asset tax study. Fiscal year 2007 General and administrative expense included \$1,900 of restructuring and severance expenses.

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Depreciation and amortization expense was \$33,659 or 5.5% of total revenues, versus \$32,185 or 4.9% of total revenues in fiscal year 2007. The increase was primarily due to the addition of nine new restaurants, the new POS system put in service during fiscal year 2008, restaurant equipment, and the impact of negative same store sales on fixed costs.

Rent expense increased slightly as a percentage of total revenues primarily as a result of the decline in same store sales, as well as increases in rental rates for new unit leases.

Pre-opening expense decreased 52.7% to \$1,272 due to opening fewer new restaurants in fiscal year 2008 compared to fiscal year 2007. We opened nine new restaurants during fiscal year 2008 compared to sixteen in fiscal year 2007. The decrease is also due to variances in the timing of when pre-opening costs are incurred in relation to when the stores are opened. All the company-owned restaurant openings for fiscal year 2008 were completed in the first and second quarters.

Asset impairments and provision for restaurant closings for fiscal year 2008 was \$14,858 or 2.4% of total revenues, versus \$5,176 or 0.8% of total revenues in fiscal year 2007. The fiscal year 2008 charge included \$8,858 related to restaurants for which operating performance was significantly below our expectations, and the carrying values of these properties exceeded the expected future undiscounted cash flows to be generated by the underlying assets; \$5,009 related to stores closed during the fourth fiscal quarter of 2008; \$514 related to a fee for early termination of a lease for a store that was closed in fiscal year 2009; and \$477 related to stores involved in a sale-leaseback transaction whose net book values exceeded their fair values. The fiscal year 2007 asset impairment and provision for restaurant closings of \$5,176 related to the planned closure or sale of fourteen restaurant properties and was offset by the impact of net gains on properties sold in excess of previously recorded impairments.

Our fiscal year 2008 effective income tax rate increased to 33.9% from 20.6% in the prior fiscal year. The prior fiscal year's effective tax rate was lower primarily due to the proportionate effect of increased federal income tax credits when compared to annual pre-tax (loss) earnings.

## **Restaurant Closings**

Steak n Shake permanently closed four and thirteen company-owned restaurants in fiscal years 2009 and 2008, respectively. All of the restaurants closed in fiscal year 2009 and ten of the restaurants closed in fiscal year 2008 were located near other company-owned stores that continue to operate. Therefore, the results of operations of these restaurants are not presented as discontinued operations and continue to be included in continuing operations in the Consolidated Statement of Operations.

Three restaurants closed in fiscal year 2008 and two restaurants closed in fiscal year 2007 were not located near other company-owned stores, and we do not expect to have significant continuing involvement in the operations after disposal. Although these restaurants meet the definition of discontinued operations, as defined in FASB ASC paragraph 205-20-45-1, *Reporting Discontinued Operations* (ASC paragraph 205-20-45-1), we have not segregated the results of operations as the amounts are immaterial. Net loss after tax related to the combined total of the five restaurants was approximately \$20, \$845, and \$751 for fiscal years 2009, 2008, and 2007, respectively. The after-tax losses in fiscal years 2008 and 2007 include \$583 and \$515 of asset impairment charges, net of tax, respectively.

Seven of the thirteen restaurants that closed during fiscal year 2008 were owned properties, and the net book value of the assets of these properties was transferred to assets held for sale in the Statement of Financial Position during the quarter ended September 24, 2008.

## Effects of Governmental Regulations and Inflation

Most Steak n Shake employees are paid hourly rates related to federal and state minimum wage laws. Any increase in the legal minimum wage would directly increase our operating costs. We are also subject to various federal, state and local laws related to zoning, land use, safety standards, working conditions, and accessibility standards. Any changes in these laws that require improvements to our restaurants would increase our operating costs. In addition, we are subject

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to franchise registration requirements and certain related federal and state laws regarding franchise operations. Any changes in these laws could affect our ability to attract and retain franchisees.

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

### **Liquidity and Capital Resources**

We generated \$52,309, \$24,430, and \$43,431 in cash flows from operations during fiscal years 2009, 2008, and 2007, respectively, based primarily upon timing of receipts and payment of disbursements related to operating activities.

Net cash provided by investing activities of \$4,949 during fiscal year 2009 was primarily a result of proceeds from disposal of property and equipment of \$13,517. Steak n Shake transferred seven restaurants to an existing franchisee during fiscal year 2009. Net cash used in financing activities of \$12,718 during fiscal year 2009 resulted primarily from principal payments on long-term debt of \$16,448 as described below under Senior Note Agreement .

Net cash used in investing activities of \$16,592 during fiscal year 2008 resulted primarily from capital expenditures of \$31,443. We opened nine new restaurants during fiscal year 2008 and transferred eight restaurants to franchisees. In addition, in fiscal year 2008, we received proceeds of \$14,851 from the sale of one restaurant and eleven parcels of land classified as held for sale, and from the transfer of three company-owned buildings and various equipment to franchisees. Net cash used in financing activities of \$2,480 during fiscal year 2008 included net payments on the Revolving Credit Facility ( Facility ) of \$13,005. During fiscal year 2008, we also sold eleven restaurants to a third party and simultaneously entered into a lease for each property. In conjunction with this sale-leaseback transaction, we received net proceeds of \$15,993.

Net cash used in investing activities of \$60,110 during fiscal year 2007 resulted primarily from capital expenditures of \$68,643. During fiscal year 2007, we opened sixteen new company-owned restaurants, rebuilt three restaurants, replaced two restaurants, and transferred two restaurants to franchisees. We received proceeds of \$8,533 from the sale of eight properties during fiscal year 2007. Net cash provided by financing activities of \$13,356 during fiscal year 2007 resulted primarily from \$15,000 of borrowings under the Senior Note Agreement.

Our balance sheet continues to maintain significant liquidity. We intend to meet our working capital needs of our operating subsidiaries principally through anticipated cash flows generated from operations, existing credit facilities, and the sale of excess properties. We continually review available financing alternatives. In addition, we may consider, on an opportunistic basis, strategic decisions to create value and improve operating performance.

#### **Revolving Credit Facility**

As of September 30, 2009, Steak n Shake's Revolving Credit Facility ( Facility ) allows it to borrow up to \$20,000, bears interest based on LIBOR plus 275 basis points, and is scheduled to expire February 15, 2011. At September 30, 2009, outstanding borrowings under the Facility were \$18,500 at an interest rate of 3.3%. At September 24, 2008, outstanding borrowings under the Facility were \$14,180 at an interest rate of 5.2%. We had \$522 and \$848 in standby letters of credit outstanding as of September 30, 2009 and September 24, 2008, respectively.

The Facility contains restrictions and covenants customary for credit agreements of these types which, among other things, require Steak n Shake to maintain certain financial ratios as well as restrict certain distributions to the parent company. Additionally, the Facility is guaranteed by

the Company and two Steak n Shake subsidiaries. The Company will be held as a guarantor until Steak n Shake produces audited financial statements. These restrictions and covenants included requirements to limit the ratio of total liabilities to tangible net worth (as defined in the credit agreement) to a maximum of 1.50 and to maintain a minimum fixed charge coverage ratio (as defined in the credit agreement) of 1.75. Steak n Shake was in compliance with all covenants under the Facility as of September 30, 2009.

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The Facility is secured with the deposit accounts, accounts receivable, inventory, equipment, general intangibles, chattel paper, software, and all other personal property.

**Senior Note Agreement**

As of September 24, 2008, we had outstanding borrowings under the Senior Note Agreement and Private Shelf Facility (the Senior Note Agreement ) totaling \$16,429.

During fiscal year 2009, we prepaid in full all obligations due on the Senior Note Agreement. As a result of these prepayments, we incurred \$1,042 in prepayment penalties, which are included in interest expense in the Condensed Consolidated Statement of Operations.

The carrying amounts for debt reported in the Consolidated Statement of Financial Position do not differ materially from their fair market values at September 30, 2009.

**Contractual Obligations**

Our significant contractual obligations and commitments as of September 30, 2009 are shown in the following table.

Contractual Obligations	Payments due by period				Total
	Less than 1 year	1 3 years	3 5 years	More than 5 years	
Long-term debt <sup>(1)(2)</sup>	\$ 18,525	\$ 50	\$ 4	\$	\$ 18,579
Capital leases and finance obligations <sup>(1)</sup>	14,359	30,703	29,502	49,464	124,028
Operating leases <sup>(3)</sup>	11,723	23,728	21,788	85,793	143,032
Purchase commitments <sup>(4)</sup>	2,345	70			2,415
Other Long-term liabilities <sup>(5)</sup>				370	370
Total	\$ 46,952	\$ 54,551	\$ 51,294	\$ 135,627	\$ 288,424

(1) Includes principal and interest.

(2) Includes outstanding borrowings under the Facility as of September 30, 2009.

(3) Excludes amounts to be paid for contingent rents.

(4) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms. Excludes agreements that are cancelable without penalty.

(5) Includes liabilities for Non-Qualified Deferred Compensation Plan. Excludes our unrecog nized tax benefits of \$1,470 as of September 30, 2009 because we cannot make a reliable estimate of the timing of cash payments.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements other than operating leases entered into in the normal course of business.

**New Accounting Standards**

See Note 1 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.



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**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES  
ABOUT MARKET RISK.**

Our primary market risk exposure with regard to financial instruments is to changes in interest rates. We invest excess cash primarily in cash equivalents due to their relatively low credit risk. Interest rates on these securities are based upon market rates at the time of purchase and remain fixed until maturity.

At September 30, 2009 the Revolving Credit Facility bore interest at a rate based upon LIBOR plus 275 basis points. Historically, we have not used derivative financial instruments to manage exposure to interest rate changes. At September 30, 2009, a hypothetical 100 basis point increase in short-term interest rates would have an impact of approximately \$113 on our net earnings.

Steak n Shake purchases certain food products which may be affected by volatility in commodity prices due to weather conditions, supply levels, and other market conditions.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
The Steak n Shake Company  
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of The Steak n Shake Company and subsidiaries (the Company) as of September 30, 2009 and September 24, 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended September 30, 2009, September 24, 2008, and September 26, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Steak n Shake Company and subsidiaries as of September 30, 2009 and September 24, 2008, and the results of their operations and their cash flows for the years ended September 30, 2009, September 24, 2008, and September 26, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 14, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

As discussed in Note 11 to the consolidated financial statements, effective September 27, 2007, the Company changed its method of accounting for income tax uncertainties.

/s/ Deloitte & Touche LLP  
Indianapolis, Indiana  
December 14, 2009



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**REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
The Steak n Shake Company  
Indianapolis, Indiana

We have audited the internal control over financial reporting of The Steak n Shake Company and subsidiaries (the Company ) as of September 30, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.



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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended September 30, 2009 of the Company and our report dated December 14, 2009 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the change in method of accounting for income tax uncertainties.

/s/ Deloitte & Touche LLP  
Indianapolis, Indiana  
December 14, 2009

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## Management's Report on Internal Control Over Financial Reporting

The management of The Steak n Shake Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company's board of directors, principal executive and principal financial officers, and effected by management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company;

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material impact on the financial statements; and

Ensure that material information relating to the company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period which this report is being prepared.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the effectiveness of its internal control over financial reporting as of September 30, 2009 based on the criteria set forth in a report entitled *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, we have concluded that, as of September 30, 2009, our internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the Company's internal control over financial reporting and their report is included herein.

/s/ Sardar Biglari  
Sardar Biglari  
Chairman and Chief Executive Officer

/s/ Duane E. Geiger  
Duane E. Geiger  
Interim Chief Financial Officer, Vice President and  
Controller

TABLE OF CONTENTS**Consolidated Statements of Operations**

**The Steak n Shake Company**  
**(Years ended September 30, 2009, September 24, 2008, and**  
**September 26, 2007)**  
**(Amounts in \$000s, except share and per share data)**

	2009 (53 Weeks)	2008 (52 Weeks)	2007 (52 Weeks)
Revenues			
Net sales	<b>\$622,944</b>	\$606,076	\$650,416
Franchise fees	<b>4,098</b>	3,985	3,726
Total revenues	<b>627,042</b>	610,061	654,142
Costs and expenses			
Cost of sales	<b>164,974</b>	165,115	164,623
Restaurant operating costs	<b>323,617</b>	323,859	322,618
General and administrative	<b>36,671</b>	47,287	56,924
Depreciation and amortization	<b>31,369</b>	33,659	32,185
Marketing	<b>33,304</b>	28,700	28,644
Interest	<b>13,736</b>	14,011	14,015
Rent	<b>15,929</b>	14,717	13,961
Pre-opening costs		1,272	2,689
Asset impairments and provision for restaurant closings	<b>2,645</b>	14,858	5,176
Loss on sale or abandonment of assets	<b>151</b>	3,138	601
Other income, net	<b>(2,546)</b>	(1,771 )	(2,165 )
Total costs and expenses	<b>619,850</b>	644,845	639,271
Earnings (loss) before income taxes and noncontrolling interest	<b>7,192</b>	(34,784 )	14,871
Income taxes	<b>1,163</b>	(11,805 )	3,063
Noncontrolling interest	<b>31</b>		
Net earnings (loss)	<b>\$5,998</b>	\$(22,979 )	\$11,808
Basic earnings (loss) per common and common equivalent share	<b>\$0.21</b>	\$(0.81 )	\$0.42
Diluted earnings (loss) per common and common equivalent share	<b>\$0.21</b>	\$(0.81 )	\$0.42
Weighted average shares and equivalents			
Basic	<b>28,483,551</b>	28,254,129	28,018,014
Diluted	<b>28,590,986</b>	28,254,129	28,215,647

*See accompanying Notes to Consolidated Financial Statements.*



TABLE OF CONTENTS**Consolidated Statements of Financial Position**

**The Steak n Shake Company**  
**(Amounts in \$000s, except share and per share data)**

	September 30, 2009	September 24, 2008
Assets		
Current assets:		
Cash and cash equivalents	<b>\$ 51,395</b>	\$ 6,855
Investments	<b>3,001</b>	
Receivables, net of allowance of \$538 and \$341, respectively	<b>7,660</b>	15,622
Inventories	<b>6,595</b>	6,795
Deferred income taxes	<b>3,910</b>	3,260
Assets held for sale	<b>13,733</b>	25,395
Other current assets	<b>4,421</b>	3,009
Total current assets	<b>90,715</b>	60,936
Property and equipment, net	<b>399,635</b>	432,690
Goodwill	<b>14,503</b>	14,503
Other intangible assets, net	<b>1,567</b>	1,765
Other assets	<b>8,076</b>	10,242
Total assets	<b>\$ 514,496</b>	\$ 520,136
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable	<b>\$ 22,293</b>	\$ 25,302
Accrued expenses	<b>30,381</b>	31,685
Revolving credit	<b>18,500</b>	14,180
Current portion of obligations under leases	<b>4,339</b>	4,417
Current portion of long-term debt	<b>20</b>	733
Total current liabilities	<b>75,533</b>	76,317
Deferred income taxes	<b>9,388</b>	2,209
Other long-term liabilities	<b>7,404</b>	7,439
Obligations under leases	<b>130,076</b>	134,809
Long-term debt	<b>48</b>	15,783
Total liabilities	<b>222,449</b>	236,557
Commitments and contingencies		
Noncontrolling interest	<b>186</b>	
Shareholders' equity		
Common stock \$0.50 stated value, 50,000,000 shares authorized shares issued: 30,332,839	<b>15,166</b>	15,166
Additional paid-in capital	<b>129,282</b>	128,526
Retained earnings	<b>167,731</b>	161,733
Accumulated other comprehensive income	<b>112</b>	

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Treasury stock at cost: 1,555,938 shares in 2009; 1,760,531 shares in 2008	<b>(20,430)</b>	(21,846 )
Total shareholders equity	<b>291,861</b>	283,579
Total liabilities and shareholders e		