

DOW JONES
INDUSTRIALS 9,398.19

36.58

NASDAQ 2,009.35



10.63

BLOOMBERG
INDIANA INDEX 321.90

3.60

S&P 500 1,012.73



6.92

Steak n Shake merger big for CEO

IN \$22.9M DEAL, CHAIN TO BUY WESTERN SIZZLIN, WHICH BIGLARI ALSO LEADS

By Ted Evanoff

ted.evanoff@indystar.com

The Texas investor who took control of Steak n Shake in a boardroom coup stands to gain a windfall by merging the Indianapolis cheeseburger chain and his Virginia steakhouse chain.

Western Sizzlin Corp. of Roanoke, Va., announced Thursday it intends to merge with Steak n Shake Co. and become a subsidiary of the 75-year-old Indianapolis company.

Steak n Shake would pay Western's stockholders \$22.95 million under the terms of the deal.

Texas investor Sardar Biglari's Lion Fund is Western's largest stockholder and a leading stockholder in Steak n Shake.

Steak n Shake stock declined 32 cents Thursday, closing at \$10.85 a share.

Investment adviser John Gordon said the stock's falloff in price reflects investors' coolness to the deal.

"There's a reaction against financial

engineering," said Gordon, of Pacific Management Consulting in San Diego. "In terms of ongoing business streams, I'd be looking for any synergies, but I don't think there will be. These are two different companies and two different restaurant concepts."



Steak n Shake CEO Sardar Biglari took over Western Sizzlin in 2007.

21 states, could raise money for the payment to Western stockholders by selling bonds or debentures, which are kinds of IOUs purchased by investors.

The announcement, which was issued by both companies, did not explain the reason for the merger. Biglari and Steak n Shake officials did not return telephone calls seeking comment.

Steak n Shake, which operates 490 restaurants employing 20,000 full- and part-time workers in

Biglari was fresh from the takeover of Western Sizzlin in 2007 when he launched a proxy fight for control of struggling Steak n Shake.

The young investor, then 29, spent more than \$16 million to amass a block of stock used to force out the Indianapolis company's senior executives and place himself at the top in June 2008.

Since then, Steak n Shake has trimmed its menu, focused on burgers, introduced lower-priced meals and begun sprucing up its white-tile eateries. The company earned \$2.2 million in the quarter ending April 8 after running up losses totaling \$22.4 million over the previous nine months.

Reflecting the uptick in profits, Biglari's annual salary rose in June to \$900,000 from \$280,000. But the bigger payoff could come in the merger.

Under the terms of the deal, each share

STEAK N SHAKE

» **WHAT:** Full-service, casual-dining restaurants famous for Steakburgers and shakes.

» **HEADQUARTERS:** Indianapolis.

» **HISTORY:** Gus Belt started Steak n Shake in 1934 in Normal, Ill.

» **EMPLOYEES:** 20,000 (2008).

» **CHIEF EXECUTIVE OFFICER:** Sardar Biglari.

» **LOCATIONS:** 490 restaurants in 21 states; 70 locations in Indiana.

» **2008 NET SALES:** \$610 million.

» **2008 NET INCOME:** (\$23 million) loss.

WESTERN SIZZLIN

» **WHAT:** Known for their flame-grilled steaks and fully stocked salad bars.

» **HEADQUARTERS:** Roanoke, Va.

» **HISTORY:** Nick Pascarella opened his first restaurant in 1962 in Augusta, Ga., and began franchising four years later.

» **EMPLOYEES:** Not available.

» **CHIEF EXECUTIVE OFFICER:** Sardar Biglari.

» **LOCATIONS:** 125 locations in 19 states. None in Indiana.

» **2008 NET SALES:** \$17.2 million.

» **2008 INCOME:** (\$6.3 million) loss.

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