

BIGLARI HOLDINGS INC.
Form 424B3
August 13, 2014

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-197403

PROSPECTUS

BIGLARI HOLDINGS INC.

344,261 SHARES OF COMMON STOCK
1,721,305 SUBSCRIPTION RIGHTS

We are offering at no cost to you, as a holder of our common stock, transferable rights to purchase our common stock. If you own common stock on August 19, 2014, the record date, you will be entitled to receive one right per share that you own. Every five (5) rights will entitle you to subscribe for one common share. The subscription price will be \$250.00 per whole share. This price represents approximately a 40.3% discount from the closing price of our common stock as of July 21, 2014, the last trading day immediately prior to the announcement of this offering, which was \$418.60 per share. Shareholders on the record date who fully exercise those distributed rights will also be entitled to purchase additional shares of common stock not purchased by other rights holders through their basic subscription privileges. The rights will be evidenced by Subscription Certificates and will expire at 5:00 p.m. New York City time on September 12, 2014, unless extended. We reserve the right to terminate the rights offering at any time for any reason prior to the expiration date.

Only rights aggregated to purchase whole shares of common stock are exercisable. Fractional shares will not be issued and exercises of rights will be rounded down. You must aggregate rights in multiples of five (5) rights to purchase shares of common stock you desire and are entitled to purchase in this offering. We will not issue fractional rights or cash in lieu of fractional shares underlying rights.

We expect the rights will be quoted on the New York Stock Exchange ("NYSE") under the symbol "BH WS". Our common stock is quoted on the NYSE under the symbol "BH."

Our principal executive offices are located at 17802 IH 10 West, Suite 400, San Antonio, Texas 78257. Our telephone number is (210) 344-3400.

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 3 OF THIS PROSPECTUS.

	Price Per Share	Proceeds to Biglari Holdings Inc.
Offering Price to Shareholders	\$250.00	\$86,065,250 (1)

(1) Assumes all rights are subscribed. Before deduction of estimated expenses of \$200,000, including legal and accounting fees, printing expenses and other miscellaneous expenses.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY

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REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 13, 2014.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	3
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	11
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	12
<u>DESCRIPTION OF SECURITIES TO BE REGISTERED</u>	13
<u>USE OF PROCEEDS</u>	13
<u>THE RIGHTS OFFERING</u>	14
<u>PLAN OF DISTRIBUTION</u>	24
<u>LEGAL MATTERS</u>	25
<u>EXPERTS</u>	25
<u>INCORPORATION BY REFERENCE</u>	25
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	26

Table of Contents

PROSPECTUS SUMMARY

This summary highlights important features of this offering and the information included or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under “Risk Factors.”

Unless the context otherwise requires, all references to “Biglari Holdings,” “the Company,” “we,” “us,” or “our” in this prospectus refer collectively to Biglari Holdings Inc., an Indiana corporation, and its subsidiaries.

Basic Subscription Privilege We will distribute to the holders of record of our common stock at the close of business on August 19, 2014, at no charge, one transferable subscription right for each share of common stock owned. Every five (5) rights will entitle the holder to subscribe for one share of common stock.

Only rights aggregated to purchase whole shares of common stock are exercisable. Fractional shares will not be issued and exercises of rights will be rounded down. You must aggregate rights in multiples of five (5) rights to purchase shares of common stock you desire and are entitled to purchase in this offering. We will not issue fractional rights or cash in lieu of fractional shares underlying rights.

Oversubscription Privilege Shareholders on the record date who fully exercise the rights distributed to them will also be entitled to subscribe for and purchase additional shares of common stock not purchased by other rights holders through their basic subscription privileges. The maximum number of shares you may purchase under the oversubscription privilege is equal to the number of shares you purchased under the basic subscription privilege.

You will be entitled to exercise your oversubscription privilege only if you are a shareholder on the record date and exercise your basic subscription privilege in full. The number of shares of common stock remaining after the exercise of all basic subscription privileges may not be sufficient to satisfy all requests for common stock pursuant to oversubscription privileges. In this event, you will be allocated additional common stock pro rata, based on the number of shares of common stock you purchased through the basic subscription privilege in proportion to the total number of common stock that you and other oversubscribing shareholders purchased through the basic subscription privilege.

Subscription Price \$250.00 in cash per share.

Common Stock Outstanding after Rights Offering	Assuming all rights are exercised, including those from the oversubscription privilege, an aggregate of approximately 344,261 shares will be sold.
Transferability of Rights	The rights are transferable, excluding oversubscription privileges, until the opening of trading on the expiration date. The rights are expected to be authorized for trading on the NYSE. Trading of the rights will be conducted on a regular-way basis from August 21, 2014 through the opening of trading on the expiration date. Any commissions in connection with the sale of rights will be paid by the selling rights holder. We cannot assure you a market for the rights will develop, or of the prices at which rights may be sold if a market does develop.

Table of Contents

Record Date	August 19, 2014.
Expiration Time	September 12, 2014, at 5:00 p.m., New York City time, unless extended.
Procedure for Exercising Rights	<p>If you want to exercise rights you must properly complete and sign the Subscription Certificate evidencing the rights. You must forward the Subscription Certificate, with full payment, to the subscription agent at or prior to the expiration time.</p> <p>YOU MAY NOT REVOKE AN EXERCISE OF RIGHTS UNLESS WE MAKE A SIGNIFICANT AMENDMENT TO THE TERMS OF THE OFFERING AFTER YOU HAVE EXERCISED.</p>
Issuance of Common Stock	We will deliver to you certificates representing common stock purchased upon exercise of the basic subscription and oversubscription privileges as soon as practicable after the expiration date. We anticipate this date to be approximately seven to 10 business days after the expiration date.
Use of Proceeds	The net cash proceeds from the sale of the common stock offered hereby, after payment of fees and expenses, are anticipated to be approximately \$85.9 million. The net proceeds will be used for general corporate purposes as well as for making acquisitions or investments. We have not identified any acquisitions or investments for which we intend to use the offering proceeds.
Risk Factors	There are substantial risks in connection with this offering that should be considered by you. See “Risk Factors.”
Amendment, Extension or Termination of Rights Offering	We reserve the right, in our discretion, to: (a) amend or modify the terms of this rights offering; (b) extend the expiration time to a later date; and (c) terminate the rights offering at any time for any reason.
Intentions of the Company’s Directors and The Lion Fund, L.P.	Our Board of Directors and The Lion Fund, L.P., which beneficially owns approximately 14.5% of our outstanding shares, advised us they intend to exercise the basic subscription privilege under rights received. They also might exercise their oversubscription privilege with respect to additional shares that become available for purchase. The expressed intention of the directors and The Lion Fund, L.P. does not constitute a binding obligation on their part.
Our Business	Biglari Holdings is a holding company owning subsidiaries engaged in a number of diverse business activities, including media, property and casualty insurance, as well as restaurants. The Company’s largest operating subsidiaries are involved in the franchising and operating of restaurants. All major operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Sardar Biglari, Chairman and Chief Executive Officer.

Table of Contents

RISK FACTORS

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, INCLUDING THE INFORMATION UNDER “SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS,” BEFORE MAKING AN INVESTMENT IN OUR COMMON STOCK.

Risks Related to this Offering

The subscription price is not an indication of the value of our common stock. You may not be able to sell common stock purchased upon the exercise of your subscription rights at a price equal to or greater than the subscription price.

The subscription price per share of our common stock does not necessarily bear any relationship to any established criteria for valuation such as book value per share, cash flows, or earnings. As a result, you should not consider the subscription price as an indication of the current value of our common stock. We cannot assure you that you will be able to sell common stock purchased in this offering at a price equal to or greater than the subscription price.

This offering may cause the price of our common stock to decrease immediately, and this decrease may continue.

The subscription price per share represents a discount of approximately 41.0% from \$423.79, the average of the closing prices of our common stock over the 30-trading day period ended July 21, 2014, the last trading day immediately prior to the announcement of this offering, and a discount of approximately 40.3% from \$418.60, the closing price of our common stock on July 21, 2014. This discount, along with the number of shares of common stock we propose to issue and ultimately will issue if this offering is completed, may result in an immediate decrease in the market value of our common stock. This decrease may continue after the completion of this offering.

You may suffer dilution of your percentage of ownership of our common stock.

If you do not exercise your subscription rights and shares of common stock are purchased by other shareholders in this offering, your proportionate voting and ownership interest will be reduced. The percentage that your original shares of common stock represents of our expanded equity after exercise of the subscription rights will also be diluted. For example, if you own 25,000 shares of common stock before this offering, or approximately 1.5% of our outstanding common stock, and you exercise none of your subscription rights while all subscription rights are exercised by other shareholders (including through the oversubscription privilege), your percentage ownership would be reduced to approximately 1.2%. The magnitude of the reduction of your percentage ownership will depend upon the number of shares of common stock you hold and the extent to which you and others exercise subscription rights.

Once you exercise your subscription rights, you may not revoke the exercise even if there is a decline in the price of our common stock or if we decide to extend the expiration date of the subscription period.

The public trading market price of our common stock may decline after you elect to exercise your subscription rights. If that occurs, you will have committed to buy our common stock at a price above the prevailing market price. You will have an immediate unrealized loss. We may also, in our sole discretion, extend the expiration date of the subscription period. During any potential extension of time, the value of our common stock may decline below the subscription price. This may result in a loss on your investment upon the exercise of rights to acquire our common stock. If the expiration date is extended after you send in your subscription forms and payment, you still may not revoke or change your exercise of rights. We cannot assure you that following the exercise of subscription rights you will be able to sell your common stock at a price equal to or greater than the subscription price.

Table of Contents

You will not receive interest on subscription funds returned to you.

If we cancel this offering or if we are not able to fulfill your full oversubscription, we will not have any obligation with respect to the subscription rights except to return to you, without interest, any subscription payments and/or oversubscription payments you made that were not used to purchase common stock.

You need to act promptly and follow subscription instructions, otherwise your subscription may be rejected.

Shareholders who desire to purchase common stock in this offering must act promptly to ensure that all required forms and payments are actually received by the subscription agent prior to 5:00 p.m., New York City time, on the expiration date. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to your desired transaction, the subscription agent may reject your subscription or accept it to the extent of the payment received. Neither we nor our subscription agent undertakes to contact you concerning, or attempt to correct, an incomplete or incorrect subscription form or payment. We have the sole discretion to determine whether a subscription exercise properly follows the subscription procedures.

You may not receive all of the common stock for which you oversubscribe.

If an insufficient number of shares of common stock is available to fully satisfy all oversubscription privilege requests, the available common stock will be distributed proportionately among the eligible rights holders who exercised their oversubscription privilege based on the number of shares of common stock each such rights holder subscribed for under the basic subscription privilege.

You may not want to exercise your rights as the proceeds of this offering may be used to make acquisitions or investments that you may not have the opportunity to approve.

We expect that the net proceeds from this offering will be used for general corporate purposes as well as for making acquisitions or investments. We have not identified any acquisitions or investments for which we intend to use the offering proceeds. If you exercise your rights, you may not have an opportunity to evaluate the specific merits or risks of any potential future acquisitions or investments. As a result, you may be entirely dependent on our broad discretion and judgment in the selection of potential future acquisitions and investments.

Neither we, nor the subscription agent, will have any obligation to you if this offering is canceled, other than to refund your subscription payments, without interest.

Neither we, nor the subscription agent, will have any obligation to you if this offering is canceled, other than to refund your subscription payments, without interest.

If you sell your subscription rights, you may not be able to calculate your gain for tax purposes at the time of your sale.

A holder that sells subscription rights will recognize capital gain or loss depending on the amount realized upon the sale and the holder's tax basis (if any) in the subscription rights. If either (i) the fair market value of the subscription rights on the date such subscription rights are distributed is equal to at least 15% of the fair market value on such date of the common stock with respect to which the subscription rights are received, or (ii) the holder irrevocably elects to allocate part of the tax basis of such common stock to the subscription rights, then the holder's tax basis in the common stock will be allocated between the common stock and the subscription rights in proportion to their respective fair market values on the date the subscription rights are distributed. We intend to notify the holders whether the fair

market value of the subscription rights will equal or exceed 15% of the fair market value of the common stock to which the subscription rights relate as well as the fair market value of those subscription rights. However, such notification will be made by written communication that will be included with the share certificates that are mailed to those holders who exercise their subscription rights. It will not be available at the time of the sale of a holder's subscription rights. A selling holder's holding period in the subscription rights will include the holding period of the common stock in respect of which the rights were received. The holding period will not be affected by the allocation of tax basis described above.

Table of Contents

In the absence of a dual class structure of our common stock, we anticipate conducting additional rights offerings in the future.

We previously postponed a special meeting to implement a dual class structure of our common stock and thus gain increased flexibility in structuring acquisitions and financing transactions. In the absence of a dual class structure, we have conducted, and intend to conduct, rights offerings as an alternative means of financing future acquisitions or investments to augment our growth. If we are unable to effectuate a dual class structure to facilitate potential future acquisitions, we would expect to conduct additional rights offerings for this purpose. However, we have no current intentions to do so. While we cannot predict the terms of any future rights offerings, we would expect that any future rights offerings would present risks similar to those stated above.

Risks Relating to Our Business

We are dependent on our Chairman and CEO.

Our success depends on the services of Sardar Biglari, Chairman and Chief Executive Officer. All major operating, investment, and capital allocation decisions are made for the Company and its subsidiaries by Sardar Biglari, Chairman and Chief Executive Officer. Moreover, certain counterparties have requested and obtained a provision in their agreements with the right to terminate in the event Mr. Biglari ceases to be our Chairman and Chief Executive Officer. If for any reason the services of Mr. Biglari were to become unavailable, there could be a material adverse effect on our business.

Competition.

Each of our operating businesses faces intense competitive pressure within the markets in which they operate. Competition may arise domestically as well as internationally. While we manage our businesses with the objective of achieving long-term sustainable growth by developing and strengthening competitive advantages, many factors, including market changes, may erode or prevent the strengthening of competitive advantages. Accordingly, future operating results will depend to some degree on whether our operating units are successful in protecting or enhancing their competitive advantages. If our operating businesses are unsuccessful in these efforts, our periodic operating results may decline from current levels in the future.

The restaurant business is one of the most competitive industries. As there are virtually no barriers to entry into the restaurant business, competitors may include national, regional and local establishments. There may be established competitors with financial and other resources that are greater than the Company's Restaurant Operations capabilities. Restaurant businesses compete on the basis of price, menu, food quality, location, personnel and customer service. The restaurant business is often affected by changes in consumer tastes and by national, regional, and local economic conditions. The performance of individual restaurants may be impacted by factors such as traffic patterns, demographic trends, severe weather conditions, and competing restaurants. Additional factors that may adversely affect the restaurant industry include, but are not limited to, food and wage inflation, safety, and food-borne illness.

Unfavorable economic, societal and political conditions could hurt our operating businesses.

Our operating businesses are subject to normal economic cycles affecting the economy in general or the industries in which we operate. To the extent that the recovery from the economic recession continues to be slow or the economy worsens for a prolonged period of time, one or more of our significant operations could be materially harmed. In addition, we depend on having access to borrowed funds through the capital markets at reasonable rates. To the extent that access to the credit is restricted or the cost of funding increases, our business could be adversely affected.

Table of Contents

As a result of our international expansion, we may become subject to increased risks from unstable political conditions and civil unrest. Further, terrorism activities deriving from unstable conditions or acts intended to compromise the integrity or security of our computer networks and information systems could produce losses to our international operations, as well as our operations based in the United States. Our business operations could be adversely affected directly through the loss of human resources or destruction of production facilities and information systems.

The restaurant industry has been affected by economic factors, including the deterioration of global, national, regional and local economic conditions, declines in employment levels, and shifts in consumer spending patterns. The disruptions experienced in the global 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 could adversely impact the availability of financing for our franchisees' expansions and operations.

Our cash flows and financial position could be negatively impacted if we are unable to comply with the restrictions and covenants in Steak n Shake's debt agreements.

The Company's subsidiaries currently maintain debt instruments, including Steak n Shake Operations, Inc.'s ("Steak n Shake") credit agreement, dated as of March 19, 2014, with the lenders party thereto (the "Credit Facility"). Covenants in the debt agreements impose operating and financial restrictions, including requiring operating subsidiaries to maintain certain financial ratios and thereby restricting, among other things, their ability to incur additional indebtedness and make distributions to the Company. Their failure to comply with these covenants and restrictions could constitute an event of default that, if not cured or waived, could result, among other things, in the acceleration of their indebtedness, which could negatively impact our operations and business and may also significantly affect our ability to obtain additional or alternative financing. In such event, our cash flows may not be sufficient to fully repay this indebtedness and we cannot assure you that we would be able to refinance or restructure this debt. In addition, the restrictions contained in these debt instruments could adversely affect our ability to finance our operations, acquisitions or investments.

Steak n Shake's ability to make payments on the Credit Facility and to fund operations depends on its ability to generate cash, which is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. Steak n Shake may not generate sufficient cash flow from operations to service this debt or to fund its other liquidity needs.

We may be required to recognize additional impairment charges on our long-lived assets and goodwill, 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 for impairment annually or more frequently if circumstances indicate impairment may have occurred. Expected cash flows associated with an asset over its estimated useful life are the key factor in determining the recoverability of the carrying value of the asset. 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 estimated undiscounted cash flows over an asset's estimated useful life 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.

We periodically evaluate our goodwill to determine whether all or a portion of their carrying values may no longer be recoverable, in which case a charge to income may be necessary. Estimated fair values developed based on our assumptions and judgments might be significantly different if other reasonable assumptions and estimates were to be used. If estimated fair values are less than the carrying values of goodwill in future impairment tests, or if significant impairment indicators are noted relative to other intangible assets subject to amortization, we may be required to record impairment losses against future income. Any future evaluations requiring an impairment of our goodwill and other intangible assets could materially affect our results of operations and shareholders' equity in the period in which the impairment occurs.

Table of Contents

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. If assets are determined to be impaired, the determination of an asset's fair value, which is generally measured by discounting estimated future cash flows, is also subject to significant judgment, including the determination of a discount rate that is commensurate with the risk inherent in the projected cash flows. If the assumptions underlying these judgments change in the future, we may be required to realize further impairment charges for these assets.

Our historical growth rate and performance are not indicative of our future growth or financial results.

Our historical growth must be viewed in the context of the recent opportunities available to us as a result of our access to capital at a time when market conditions resulted in unprecedented asset acquisition opportunities. When evaluating our historical growth and prospects for future growth, it is also important to consider that while our business philosophy has remained relatively constant, our mix of business, distribution channels and areas of focus have changed and will continue to change. Our dynamic business model makes it difficult to assess our prospects for future growth.

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

The cost, availability and quality of ingredients Restaurant Operations use to prepare their food is subject to a range of factors, many of which are beyond their control. A significant component of our restaurant business' 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, our 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.

We face a variety of risks associated with doing business in foreign markets.

There is no assurance that our international operations will be profitable. Our international operations are subject to all of the risks associated with our domestic operations, as well as a number of additional risks, varying substantially country by country. These include, inter alia, international economic and political conditions, corruption, social and ethnic unrest, foreign currency fluctuations, differing cultures and consumer preferences. Our expansion into international markets could also create risks to our brands.

In addition, we may become subject to foreign governmental regulations that impact the way we do business with our international franchisees and vendors. These include antitrust and tax requirements, anti-boycott regulations, international trade regulations, the USA Patriot Act, the Foreign Corrupt Practices Act, and applicable local law. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business and our financial condition.

The inability of Restaurant Operations' franchisees to operate profitable restaurants may negatively impact our financial performance.

Restaurant Operations operate franchise programs and collect royalties and marketing and service fees from their franchisees. Growth within the existing franchise base is dependent upon many of the same factors that apply to our Restaurant Operations' company-operated restaurants, and sometimes the challenges of opening profitable restaurants prove to be more difficult for the 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, our Restaurant Operations' 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 and Western Sizzlin brands are less well known. Furthermore, the loss of any franchisees due to financial concerns and/or operational inefficiencies could impact our Restaurant Operations' profitability. Moreover, if our franchisees do not successfully operate or market restaurants in a manner consistent with our standards, our restaurant brands' reputations could be harmed, which in turn could adversely affect our business and operating results.

Table of Contents

Adverse weather conditions or losses due to casualties could negatively impact our operating performance.

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 and Western Sizzlin Corporation's ("Western") 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. Our sales and operating results may be negatively affected by these harsh weather conditions, which could make it more difficult for guests to visit our restaurants, necessitate the closure of restaurants for a period of time or costly repairs due to physical damage or lead to a shortage of employees resulting from unsafe road conditions or an evacuation of the general population.

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 or penalties, damage our reputation, and lower profits.

We are subject to various global, federal, state, and local laws and regulations affecting our business. Changes in existing laws, rules and regulations applicable to us, or increased enforcement by governmental authorities, may require us to incur additional costs and expenses necessary for compliance. 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, Restaurant Operations 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 and Western 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 our 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. Further national, state and local government initiatives, such as mandatory health insurance coverage, "living wage" or other proposed increases in minimum wage rates could adversely affect our business.

Our investment activities are now conducted primarily through outside investment partnerships: The Lion Fund, L.P. and The Lion Fund II, L.P.

As a result of our sale of Biglari Capital Corp. ("Biglari Capital"), general partner of The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, the "investment partnerships"), to Mr. Biglari, and the contribution of our investments to these funds in exchange for limited partner interests, our investment activities are now conducted mainly through these outside investment partnerships. Under the terms of their partnership agreements, each contribution made by the Company to the investment partnerships is subject to a five-year lock-up period, and any distribution upon our withdrawal of funds will be paid out over a two-year period. As a result of these provisions, our capital invested in the investment partnerships may be subject to an increased risk of loss of all or a significant portion of value, and we may become unable to meet our capital requirements.

Table of Contents

In connection with the sale of Biglari Capital, we also entered into a Shared Services Agreement with Biglari Capital pursuant to which we agreed to provide certain services to Biglari Capital (e.g., use of space at our corporate headquarters) in exchange for a 6% hurdle rate for the Company and its subsidiaries (as compared to a 5% hurdle rate for all other limited partners), above which Biglari Capital is entitled to receive an incentive reallocation in its capacity as general partner of the investment partnerships. There can be no assurance that the benefit, if any, we may realize from this increased hurdle rate will enable us to recoup our costs incurred in performing services for Biglari Capital under the Shared Services Agreement.

Our investment activities may involve the purchase of securities on margin.

We may purchase securities on margin in connection with our investment activities. If we do so, a significant decrease in the value of the securities that collateralize the margin line of credit could result in a margin call. If we do not have sufficient cash available from other sources in the event of a margin call, we may be required to sell those securities at a time when we prefer not to sell them, which could result in material losses.

Our investments are unusually concentrated and fair values are subject to a loss in value.

Our investments are concentrated in outside limited partnerships, which generally invest in common stocks. A significant decline in the major values of these partnerships may produce a large decrease in our consolidated shareholders' equity and can have a material adverse effect on our consolidated book value per share and earnings.

We are subject to the risk of possibly becoming an investment company under the Investment Company Act of 1940.

Because we are a holding company and a significant portion of our assets may, from time to time, consist of investments in entities in which we do not have a controlling interest, we run the risk of inadvertently becoming an investment company, which would require us to register under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we operate our business, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies.

To avoid becoming and registering as an investment company under the Investment Company Act, we monitor the value of our investments and structure transactions accordingly. As a result, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, events beyond our control, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings or adverse developments with respect to our ownership of certain of our subsidiaries, could result in our inadvertently becoming an investment company. If it were established that we were an investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the Securities and Exchange Commission (the "SEC"), that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period it was established that we were an unregistered investment company.

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. We may also become subject to these risks in the international markets in which we plan to operate.

Table of Contents

Litigation could have a material adverse effect on our financial position, cash flows and results of operations.

We are or may be from time to time a party to various legal actions, investigations and other proceedings brought by employees, consumers, suppliers, shareholders, government agencies or other third parties in connection with matters pertaining to our business, including related to our investment activities. The outcome of such matters is often difficult to assess or quantify and the cost to defend future proceedings may be significant. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any negative allegation regarding our Company, our business or our products could adversely affect our reputation. While we believe that the ultimate outcome of routine legal proceedings individually and in the aggregate will not have a material impact on our financial position, we cannot assure that an adverse outcome on, or reputational damage from, any of these matters would not, in fact, materially impact our business and results of operations for the period when these matters are completed or otherwise resolved.

Certain agreements with our Chairman and CEO may deter a change of control.

We have entered into a license agreement with Sardar Biglari, Chairman and Chief Executive Officer, under which Mr. Biglari has granted the Company an exclusive license to use his name when connected to the provision of certain products and services, and a sublicense agreement with Steak n Shake that, among other things, grants Steak n Shake the right to use the trademark “Steak n Shake by Biglari.” In the event of a change of control of the Company, Mr. Biglari would be entitled to receive revenue-based royalty payments related to the usage of his name under the terms of the license agreement for a defined period of no less than five years. Revenue-based royalties derived from Steak n Shake’s restaurants (including Company operated and franchised locations), products and brands, would be included in calculating these royalty payments. A change of control would also enable franchisees to terminate their franchise agreement with us. In addition, we have an incentive agreement with Mr. Biglari, in which he is entitled to receive performance-based annual incentive payments contingent on the growth of the Company’s adjusted book value in each fiscal year. In the event of a change in control after the third anniversary of the incentive agreement, Mr. Biglari would receive specified payments thereunder. The combination of these provisions along with others referenced (e.g., contracts cancellable if Mr. Biglari is no longer Chairman and CEO) altogether could have the effect of preventing a transaction involving a change of control of the Company or deterrence of a potential proxy contest.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following table shows selected consolidated financial data. The selected consolidated financial data as of September 25, 2013 and September 26, 2012 and for our fiscal years ended 2013, 2012 and 2011 are derived from our audited consolidated financial statements incorporated by reference in this prospectus. The selected consolidated financial data as of September 28, 2011, September 29, 2010 and September 30, 2009 and for our fiscal years ended 2010 and 2009 are derived from our audited consolidated financial statements which are not incorporated by reference in this prospectus. The selected consolidated financial data as of July 2, 2014 and for each of the 40 weeks ended July 2, 2014 and July 3, 2013 are derived from our unaudited consolidated financial statements incorporated by reference in this prospectus. The selected consolidated financial as of July 3, 2013 are derived from our unaudited consolidated financial statements which are not incorporated by reference in this prospectus. The selected consolidated financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto contained in our annual and quarterly reports filed with the SEC, including those incorporated by reference in this prospectus.

Selected Financial Data

(dollars in thousands except per share data)

	40 Weeks Ended		52 Weeks Ended		
	July 2, 2014	July 3, 2013	Fiscal 2013(2)(4)	Fiscal 2012(2)(3)	Fiscal 2011(2)(3)
Revenue:					
Total net revenues	\$ 600,142	\$ 576,323	\$ 755,822	\$ 740,207	\$ 709,200
		2,371	45,620	2,420	
Conversion and redemption of OP units	37,216	1	615	203,140	2
Grants of common shares				76,807	1
Share-based compensation expense (SFAS No. 123 (R))	82,749	1	4,789		
Deferred stock compensation associated with variable accounting (APB No. 25)					
Issuance of shares in public offering	2,002,670	20	149,195		
Balance, end of period	56,761,321	\$ 568	\$ 1,272,841	54,212,112	\$ 542
Accumulated dividends in excess of net income		\$ (437,817)		\$ (416,026)	

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Balance, beginning of year				
Net income		94,271		79,484
Dividends declared to common shareholders		(101,256)		(85,001)
Dividends declared to preferred shareholders		(8,607)		(8,607)
Balance, end of period	\$	(453,409)	\$	(430,150)

Treasury shares, at cost				
Balance, beginning of year	(1,480,360)	\$ (28,794)	(1,480,201)	\$ (28,786)
Unvested shares forfeited	(834)	(13)	(158)	(8)
Balance, end of period	(1,481,194)	\$ (28,807)	(1,480,359)	\$ (28,794)

Deferred compensation on unvested shares				
Balance, beginning of year		\$ (9,704)		\$ (8,641)
Cumulative effect of change in accounting principle		9,704		
Shares issued, net of forfeitures				(3,380)
Vesting of shares				2,268
Balance, end of period		\$		\$ (9,753)

Notes receivable from issuance of common shares				
Balance, beginning of year		\$ (1,792)		\$ (2,083)
Loans paid		196		291
Balance, end of period		\$ (1,596)		\$ (1,792)

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Accumulated other comprehensive income (loss) Balance, beginning of year	\$ 2,678	\$ 2,321
Change due to recognizing gain on securities		60
Change in valuation on interest rate swaps	(1,493)	660
Change due to termination of hedge relationship (included in income)	(1,185)	
Balance, end of period	\$	\$ 3,041
Comprehensive income		
Net income	\$ 94,271	\$ 79,484
Adjustments to unrealized gains on securities		60
Adjustments to unrealized gains on interest-rate swap	(1,493)	660
Total comprehensive income	\$ 92,778	\$ 80,204

The accompanying notes are an integral part of these consolidated statements.

Table of Contents

Federal Realty Investment Trust
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
	(In thousands)	
OPERATING ACTIVITIES		
Net income	\$ 94,271	\$ 79,484
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization, including discontinued operations	72,318	68,311
Gain on sale of real estate	(23,866)	(17,347)
Equity in income from real estate partnership	(533)	(349)
Minority interests	3,483	4,003
Other, net	(1,582)	8,119
Changes in assets and liabilities net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(2,457)	(2,750)
Increase in prepaid expenses and other assets	(4,356)	(3,567)
Decrease in accounts payable, security deposits and prepaid rent	(472)	(2,074)
Increase in accrued expenses	3,649	1,035
Net cash provided by operating activities	140,455	134,865
INVESTING ACTIVITIES		
Acquisition of real estate	(224,274)	(67,455)
Capital expenditures - development and redevelopment	(62,450)	(87,825)
Capital expenditures - other	(17,408)	(15,211)
Proceeds from sale of real estate	82,345	61,379
Investment in real estate partnership	(4,958)	
Leasing costs	(6,155)	(5,267)
(Issuance) repayment of mortgage and other notes receivable, net	(382)	12,666
Net cash used in investing activities	(233,282)	(101,713)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility and bridge loan, net of costs	20,460	41,000
Issuance of senior debentures, net of costs	376,214	
Repayment of senior debentures	(40,500)	
Repayment of mortgages, capital leases and notes payable	(254,022)	(3,366)
Issuance of common shares	156,955	7,530
Dividends paid to common and preferred shareholders	(105,079)	(88,799)
Distributions to minority interests	(3,416)	(3,419)
Net cash provided by (used in) financing activities	150,612	(47,054)
Increase (decrease) in cash and cash equivalents	57,785	(13,902)
Cash and cash equivalents at beginning of year	8,639	30,475
Cash and cash equivalents at end of period	\$ 66,424	\$ 16,573

The accompanying notes are an integral part of these consolidated statements.

Table of Contents

Notes to Consolidated Financial Statements

September 30, 2006

(Unaudited)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

Federal Realty Investment Trust (the Trust) is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated, affluent communities with relatively high barriers to entry in strategic metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, as well as in California.

We operate in a manner intended to enable us to qualify as a real estate investment trust (or REIT) for federal income tax purposes. A REIT that distributes at least 90% of its taxable income to its shareholders each year and meets certain other conditions is not taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, federal income taxes on our REIT taxable income have been and are generally not expected to be material. We are obligated to pay state taxes, generally consisting of franchise or gross receipts taxes in certain states. Such state taxes also have not been material.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, each of which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Internal Revenue Code of 1986 (the Code). A TRS is subject to federal and state income taxes. The sales of condominiums at Santana Row, which began in August 2005, were conducted through a TRS. Other than the sales of these condominiums, our TRS activities have not been material.

Basis of Presentation

Our consolidated financial statements include the accounts of the Trust, its subsidiaries, and all entities in which the Trust has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity. The equity interests of other investors are reflected as minority interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures, which we do not control, using the equity method of accounting.

Stock-Based Compensation

Cumulative Effect of Change in Accounting Principle

Prior to January 1, 2006, we accounted for stock based compensation under the recognition and measurement provisions of Accounting Principle Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations, as permitted by Financial Accounting Standard (SFAS) No. 123, Accounting for Stock-Based Compensation. Under APB No. 25, no stock based compensation costs were recognized in the Statement of Operations for stock options as our options granted had an exercise price equal to the market value of our common shares on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment, using the modified-prospective-transition method. Under this transition method, compensation cost recognized beginning January 1, 2006 includes: (a) compensation costs for all share-based payments granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Prior to January 1, 2006, we used the Black-Scholes model to value stock options and we intend to continue to use this model to value stock options issued subsequent to January 1, 2006.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

On January 1, 2006, we recorded the cumulative effect of adopting SFAS No. 123(R). This cumulative effect resulted in decreasing accrued liabilities by \$3.3 million and increasing shareholder equity by \$3.3 million. These balance sheet changes related to deferred compensation on unvested shares. Under SFAS No. 123(R), deferred compensation is no longer recorded at the time unvested shares are issued. Share-based compensation expense is now recorded over the requisite service period with an offsetting credit to equity (generally additional paid-in capital).

Share-Based Compensation Subsequent to the Adoption of SFAS No. 123(R)

A summary of share-based compensation expense included in net income for the nine and three months ended September 30, 2006 is as follows:

	Nine Months Ended September 30, 2006	Three Months Ended September 30, 2006
	(In thousands)	
Share-based compensation incurred		
Grants of common shares	\$ 3,977	\$ 1,596
Grants of options	813	305
	4,790	1,901
Capitalized share-based compensation	(464)	(157)
Share-based compensation expensed	\$ 4,326	\$ 1,744

If we had not adopted SFAS No. 123(R), our net income for the nine and three months ended September 30, 2006 would have excluded share-based compensation related to options of \$0.8 million and \$0.3 million, respectively, and included variable stock compensation related to our performance shares of \$0.9 million and \$0.4 million, respectively. Under SFAS No. 123(R), the compensation associated with our unvested performance shares is now fixed at their grant-date fair value. Accordingly, if we had not adopted SFAS No. 123(R), our income from continuing operations, net income, basic earnings per share and dilutive earnings per share for the nine and three months ended September 30, 2006 would not have been materially different. While there are certain differences between SFAS No. 123 and 123(R), we believe the pro forma disclosures under SFAS No. 123 presented below approximate the effect of SFAS No. 123(R) for the nine and three months ended September 30, 2005.

Pro Forma Information for Period Prior to Adoption of SFAS No. 123(R)

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123 to our stock based compensation for the nine and three months ended September 30, 2005.

	Nine Months Ended September 30, 2005	Three Months Ended September 30, 2005
	(In thousands, except per share data)	

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Net income, as reported	\$ 79,484	\$ 30,680
Add: stock-based employee compensation cost included in net income	2,980	1,040
Deduct: stock-based employee compensation cost under the fair value method for all rewards	(3,475)	(1,250)
Pro forma net income	\$ 78,989	\$ 30,470
Earnings Per Share:		
Basic, as reported	\$ 1.35	\$ 0.53
Basic, pro forma	\$ 1.34	\$ 0.52
Diluted, as reported	\$ 1.34	\$ 0.52
Diluted, pro forma	\$ 1.33	\$ 0.52

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)****Earnings Per Share**

The following table provides a reconciliation between basic and diluted earnings per share:

	Nine Months Ended September 30, 2006		Three Months Ended September 30, 2005	
	2006	2005	2006	2005
	(In thousands, except per share data)			
NUMERATOR				
Income from continuing operations	\$ 70,741	\$ 62,499	\$ 25,082	\$ 21,263
Preferred stock dividends	(8,607)	(8,607)	(2,869)	(2,869)
Income from continuing operations available for common shareholders	62,134	53,892	22,213	18,394
Results from discontinued operations	23,530	16,985	(98)	9,417
Net income available for common shareholders, basic and dilutive	\$ 85,664	\$ 70,877	\$ 22,115	\$ 27,811
DENOMINATOR				
Weighted average common shares outstanding - basic	52,923	52,443	53,187	52,618
Effect of dilutive securities:				
Stock options	397	539	385	531
Unvested stock	98		104	
Weighted average common shares outstanding dilutive (1)	53,418	52,982	53,676	53,149
EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	\$ 1.17	\$ 1.03	\$ 0.42	\$ 0.35
Discontinued operations	0.45	0.32		0.18
	\$ 1.62	\$ 1.35	\$ 0.42	\$ 0.53
EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	\$ 1.16	\$ 1.02	\$ 0.41	\$ 0.34
Discontinued operations	0.44	0.32		0.18
	\$ 1.60	\$ 1.34	\$ 0.41	\$ 0.52

- (1) The conversion of operating partnership units is anti-dilutive for the periods presented. Accordingly, operating partnership units have been excluded from the weighted average common shares used to compute diluted EPS.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)****Consolidated Statements of Cash Flows Supplemental Disclosures**

The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows:

	Nine Months Ended September 30, 2006 2005	
	(In thousands)	
Total interest costs incurred	\$ 77,560	\$ 69,967
Interest capitalized	(2,377)	(4,413)
Interest expense	\$ 75,183	\$ 65,554
Cash paid for interest	\$ 65,645	\$ 59,524
Cash paid for income taxes	\$ 3,621(1)	\$ 82

(1) Cash paid for income taxes for the nine months ended September 30, 2006 includes \$3.2 million related to the sales of condominiums at Santana Row which were conducted through a TRS.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 was issued to reduce the diversity in practice associated with certain aspects of recognition, disclosure and measurement related to accounting for uncertain income tax positions. We are required to adopt FIN 48 effective January 1, 2007. We are in the process of evaluating the impact of FIN 48.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108), Considering the Effects of Prior Year Misstatements in Current Year Financial Statements. SAB 108 was issued to provide consistency between how registrants quantify financial statement misstatements. Historically, there have been two widely-used methods for quantifying the effects of financial statement misstatements. These methods are commonly referred to as the roll-over method and the iron curtain method. The roll-over method quantifies the amount by which the current income statement is misstated. The iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated.

SAB 108 establishes an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each the income statement, balance sheet and the related disclosures. This approach is commonly referred to as the dual approach. We are required to adopt SAB 108 during the fourth quarter of 2006 in connection with the preparation of our annual financial statements for the year ending December 31, 2006. We do not expect SAB 108 to have a material impact to our material impact on our financial position, results of operations or cash flows.

NOTE B REAL ESTATE

The following table provides a summary of significant acquisitions made by us and our consolidated affiliates during the nine months ended September 30, 2006:

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Date	Property	City, State	Gross	
			Leasable Area (In square feet)	Purchase Price (1) (In millions)
January 20, 2006	4900 Hampden Lane	Bethesda, MD	35,000	\$ 12.0
January 27, 2006	7770 Richmond Hwy	Alexandria, VA	60,000	\$ 9.9
June 29, 2006	Town Center of New Britain	New Britain, PA	126,000	\$ 12.8
August 24, 2006	Key Road Plaza	Keene, NH	76,000	\$ 14.5
August 24, 2006	Riverside Plaza	Keene, NH	218,000	\$ 24.0(2)
August 24, 2006	Bath Shopping Center	Bath, ME	101,000	\$ 22.8(3)
August 24, 2006	Linden Square	Wellesley, MA	261,000	\$ 99.6(4)
August 24, 2006	North Dartmouth	North Dartmouth, MA	183,000	\$ 27.5
August 25, 2006	Chelsea Commons	Chelsea, MA	180,000	\$ 20.1(5)
September 13, 2006	Rockville Town Square	Rockville, MD	53,000	\$ 3.4(6)

- (1) If not specifically noted, the net assets acquired that were allocated to other assets for above market leases and liabilities for below market leases were not significant.
- (2) Approximately \$0.4 million and \$3.9 million of the net assets acquired were allocated to other assets for above market leases and liabilities for below market leases, respectively.
- (3) Approximately \$2.2 million of the net assets acquired were allocated to other assets for above market leases. Purchase price includes the assumption of debt with a fair value of approximately \$11.1 million.
- (4) Approximately \$2.2 million and \$1.1 million of the net assets acquired were allocated to other assets for above market leases and liabilities for below market leases, respectively.
- (5) Approximately \$2.5 million and \$0.1 million of the net assets acquired were allocated to other assets for above market leases and liabilities for below market leases, respectively. Purchase price includes the assumption of debt with a fair value of approximately \$8.0 million.
- (6) Purchase price was for one retail condominium unit of the project. We intend to acquire additional retail condominium units totaling approximately 135,000 square feet over the next several months to complete the project.

On October 16, 2006, we acquired the leasehold interest in Melville Mall, a 247,700 square feet shopping center located in Huntington, New York, under a 20 year master lease. Additionally, we loaned the owner of Melville Mall \$34.2 million secured by a second mortgage on the property. We have an option to purchase the shopping center on or after October 16, 2021 for a price of \$5.0 million plus the assumption of the first mortgage and forgiveness of the second mortgage. As a result of these transactions, we control this property and retain substantially all of the economic benefits and risks associated with it. Accordingly, beginning October 16, 2006, we will consolidate this property and its operations.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

The following table provides a summary of significant dispositions made by us and our consolidated affiliates during the nine months ended September 30, 2006:

Date	Property	City, State	Gross Leasable Area (In square feet)	Sales Price (In millions)	Gain (In millions)
Various	Condominiums at Santana Row (89 units) (1)	San Jose, CA	N/A	\$ 64.1	\$ 16.4(2)
June 5, 2006	Greenlawn Plaza	Huntington, NY	102,000	\$ 20.4	\$ 7.4(3)

(1) As of September 30, 2006, we had sold all of the 219 condominium units we currently intend to sell at Santana Row.

(2) Gain of \$16.4 million is net of \$2.2 million in taxes.

(3) This property was contributed to our real estate partnership in which we own a 30% interest. Accordingly, we recognized a partial gain of \$7.4 million on this sale related to the 70% equity interest contributed.

Warranty reserves for condominium units sold at Santana Row are established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. Our warranty and latent construction defect reserve is calculated based upon historical industry experience and current known factors. Variables used in the calculation of the warranty reserves, as well as the adequacy of the reserve based on the number of condominium units still under warranty, are reviewed on a periodic basis. Claims are directly charged to the reserves as they arise. Although we consider the warranty reserves to be adequate, there can be no assurance that the reserve will prove to be adequate over time to cover losses due to the difference between the assumptions used to estimate the warranty reserves and actual losses.

During the third quarter of 2006, when we closed on the sale of the last unit, we reassessed and increased our warranty reserve by \$2.5 million. This increase reduced our gain on sale of condominium units. The warranty reserve is included in accounts payable and accrued expenses.

NOTE C. MORTGAGE NOTE RECEIVABLE

On August 4, 2006, we amended the \$17.7 million second mortgage note receivable which is secured by a hotel in San Jose, California. The amended note decreased the interest from 14% to 9% per annum, requires monthly payments of principal and interest based on a 15-year amortization schedule and matures on August 20, 2016.

NOTE D. REAL ESTATE PARTNERSHIP

In July 2004, we entered into a joint venture arrangement (the Partnership) by forming a limited partnership with affiliates of Clarion Lion Properties Fund (Clarion), a discretionary fund created and advised by ING Clarion Partners. We own 30% of the equity in the Partnership, and Clarion owns 70%. We and Clarion both hold a 0.1% general partner interest in the Partnership, and our remaining interests in the Partnership are held in the form of limited partner interests. The Partnership plans to acquire up to \$350.0 million of stabilized, supermarket-anchored shopping centers in the Trust s East and West regions. Federal Realty and Clarion have committed to contribute to the Partnership up to \$37.0 million and \$86.0 million, respectively, of equity capital to acquire properties. No assurances can be made that we will identify properties that meet the acquisition requirements of the Partnership. We are the manager of the Partnership and its properties, earning fees for acquisitions, dispositions, management, leasing, and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. As of September 30, 2006, we have made total cumulative contributions of \$14.4 million and received total distributions of \$1.6 million. We account for our interest in the Partnership using the equity method.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

The following tables provide summarized operating results and the financial position of the Partnership:

	Nine Months Ended September 30, 2006		Three Months Ended September 30, 2005	
	(In thousands)			
OPERATING RESULTS				
Revenue	\$ 7,489	\$ 6,181	\$ 3,139	\$ 1,992
Expenses				
Depreciation and amortization	1,972	1,569	867	524
Other operating expenses	1,836	1,598	687	435
Interest expense	2,433	1,849	1,076	614
Total expenses	6,241	5,016	2,630	1,573
Net income	\$ 1,248	\$ 1,165	\$ 509	\$ 419
Our share of net income from real estate partnership	\$ 533	\$ 349	\$ 196	\$ 126

	September 30, 2006	December 31, 2005
	(In thousands)	
BALANCE SHEETS		
Real estate, net	\$ 124,403	\$ 79,050
Cash	2,094	1,452
Other assets	4,425	3,599
Total assets	\$ 130,922	\$ 84,101
Mortgages payable	\$ 77,425	\$ 47,225
Other liabilities	6,988	5,506
Partners' capital	46,509	31,370
Total liabilities and partners' capital	\$ 130,922	\$ 84,101
Our share of unconsolidated debt	\$ 23,228	\$ 14,168
Our investment in real estate partnership	\$ 10,581	\$ 9,375

For mortgage notes totaling \$36.7 million at September 30, 2006 that are secured by three properties owned by subsidiaries of the Partnership, we are the guarantor for the obligations of the joint venture which are commonly referred to as non-recourse carve-outs. We are not guaranteeing repayment of the debt itself. The Partnership indemnifies us for any loss we incur under these guarantees.

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The following table provides a summary of significant acquisitions made by the Partnership, which is an unconsolidated subsidiary, during the nine months ended September 30, 2006:

Date	Property	City, State	Gross	
			Leasable Area (In square feet)	Purchase Price (In millions)
June 5, 2006	Greenlawn Plaza (1)	Huntington, NY	102,000	\$ 20.4
June 8, 2006	Barcroft Plaza	Falls Church, VA	90,000	\$ 25.1

(1) This property was acquired from the Trust.

Table of Contents

Notes to Consolidated Financial Statements

September 30, 2006

(Unaudited)

NOTE E DEBT

On March 10, 2006, we repaid our 6.99% medium term notes with a principal amount of \$40.5 million. These notes were repaid with funds borrowed on our revolving credit facility.

On July 17, 2006, we issued \$120.0 million of fixed rate notes, which mature on July 15, 2012 and bear interest at 6.0%, and \$130.0 million of fixed rate notes, which mature on January 15, 2017 and bear interest at 6.2%. Our net proceeds from these note offerings after issuance discounts and underwriting fees were \$247.9 million. These proceeds, along with \$2.4 million borrowed on our revolving credit facility, were used to repay all the principal of our \$150.0 million five-year term loan due October 2008 and \$100.0 million three-year term loan due October 2006 and \$0.3 million of related accrued interest on July 17, 2006.

In order to hedge our exposure to interest rate fluctuations on the \$150.0 million five-year term loan due October 2008, we entered into an interest rate swap in January 2004, which fixed the LIBOR portion of the interest rate on this term loan at 2.401% through October 8, 2006. The full notional amount of this swap qualified as a cash flow hedge until we repaid this term loan on July 17, 2006. On July 17, 2006, we did not redesignate this swap and the related \$1.2 million included in accumulated other comprehensive income was recognized into earnings.

On July 28, 2006, we replaced our revolving credit facility with a new \$300.0 million unsecured revolving credit facility. This new revolving credit facility matures on July 27, 2010, subject to a one-year extension at our option, and initially bears interest at LIBOR plus 42.5 basis points. The spread over LIBOR is subject to adjustment based on our credit rating.

In connection with the acquisitions of Bath Shopping Center and Chelsea Commons on August 24, 2006 and August 25, 2006, respectively, we assumed two mortgage notes, one in connection with each property, with fair values of approximately \$11.1 million and \$8.0 million, respectively. The Bath Shopping Center and Chelsea Commons mortgages mature on July 1, 2028 and January 15, 2031, respectively, and bear interest at 7.13% and 5.36%, respectively. Both notes require monthly payments of principal and interest.

On August 24, 2006, we entered into a \$150 million unsecured credit agreement (the Bridge Loan) bearing interest at LIBOR plus 42.5 basis points and maturing on December 29, 2006. The Bridge Loan was used to provide interim financing for the acquisition of properties and was fully repaid on September 19, 2006, using the proceeds from the issuance of common stock.

On September 28, 2006, we reopened the 6.0% and 6.2% fixed rate notes that were initially issued on July 17, 2006. We issued an additional \$55.0 million of fixed rate notes, which mature on July 15, 2012 and bear interest at 6.0%, and an additional \$70.0 million of fixed rate notes, which mature on January 15, 2017, and bear interest at 6.2%. The additional note issuances are fully fungible, rank equally with and form a single issue and series with the initial notes issued on July 17, 2006. Our net proceeds from September 2006 note offerings after issuance premiums, underwriting fees and accrued interest were \$130.1 million. These proceeds were used to reduce the borrowings under our unsecured credit facility and for general corporate purposes.

During the nine and three months ended September 30, 2006, the maximum amount of borrowings outstanding under our revolving credit facility was \$246.0 million and the average amount of borrowings outstanding was \$107.4 million and \$128.5 million, respectively. Our revolving credit facility had a weighed average interest rate, before amortization of debt fees, of 5.48% and 5.81% for the nine and three months ended September 30, 2006, respectively.

Our credit facility and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholder s equity and debt coverage ratios and a maximum ratio of debt to net worth. At September 30, 2006, we were in compliance with all loan covenants.

NOTE F COMMITMENTS AND CONTINGENCIES

We are currently a party to various legal proceedings. Other than as described below, we do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of

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operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us (1) as owner of the properties due to certain matters relating to the operation of the properties by the tenant, and (2) where appropriate, due to certain matters relating to the ownership of the properties prior to their acquisition by us.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

We have one tenant related matter at Brunswick Shopping Center expected to go to trial in 2006. Based on the facts of this matter and advice from our legal counsel, we believe that we will prevail. If, however, we are unsuccessful in our defense of this matter, there is a possibility that there will be a material adverse impact on our net income.

We also have one litigation matter filed against us in May 2003 which alleges that a one page document entitled Final Proposal, which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave the plaintiff the option to require that we acquire the property at a price determined in accordance with a formula included in the Final Proposal. The plaintiff is seeking an unspecified amount of monetary damages. A trial as to liability only was held and on June 27, 2006, a jury rendered a verdict against us. We have filed a motion for judgment as a matter of law or, in the alternative, for a new trial. We are also requesting that the court certify the case for immediate appeal in the event the motion for judgment as a matter of law and motion for a new trial are denied. A hearing on these motions was held in September 2006. The court has not yet ruled on either of these motions. If our motions are denied and we are not successful in having the jury verdict reversed by an immediate appeal, the case will proceed to a trial on the issue of damages which will not occur for at least nine months. The complaint did not specify the amount of damages claimed and we cannot make a reasonable estimate of potential damages until experts are retained and additional discovery is completed on the damages issue. If we are not successful in overturning the jury verdict, there likely will be a material adverse impact on our net income in the period in which we would pay the damages awarded.

NOTE G SHAREHOLDERS EQUITY

On September 19, 2006, we issued 2.0 million common shares at \$74.51 per share (after deducting underwriting discounts and fees) netting approximately \$149.2 million in cash proceeds before other expenses of the offering. The proceeds were used on an interim basis to repay debt from the acquisition of three properties in New England and for general corporate purposes. Ultimately, the proceeds will be used to redeem our currently outstanding Series B preferred shares on November 27, 2006 at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date of approximately \$0.16 per share, for an aggregate redemption price of approximately \$25.16 per share.

The following table provides a summary of dividends declared and paid per share:

	Nine Months Ended September 30, 2006		2005	
	Declared	Paid	Declared	Paid
Common shares	\$ 1.885(1)	\$ 1.865(1)	\$ 1.615	\$ 1.565
8.5% Series B Cumulative Preferred	\$ 1.593	\$ 1.593	\$ 1.593	\$ 1.593

(1) Includes regular dividend declared and paid of \$1.685 and \$1.665, respectively and special dividend of \$0.200 resulting from the sales of condominiums at Santana Row.

NOTE H COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

	Nine Months Ended September 30, 2006		Three Months Ended September 30, 2005	
	2006	2005	2006	2005
Minimum rents				
Retail and commercial	\$ 241,944	\$ 220,976	\$ 82,671	\$ 74,368

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Residential	9,172	5,276	3,558	1,837
Cost reimbursement	60,926	55,812	21,213	18,094
Percentage rent	4,656	4,232	1,506	1,170
Other	4,311	4,021	1,563	1,303
	\$ 321,009	\$ 290,317	\$ 110,511	\$ 96,772

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

Minimum rents include \$4.8 million and \$4.4 million for the nine months ended September 30, 2006 and 2005, respectively, and \$1.6 million and \$1.2 million for the three months ended September 30, 2006 and 2005, respectively, to recognize minimum rents on a straight-line basis. In addition, minimum rents include \$1.6 million and \$1.2 million for the nine months ended September 30, 2006 and 2005, respectively, and \$0.6 million and \$0.4 million for the three months ended September 30, 2006 and 2005, respectively, to recognize income from the amortization of in-place leases in accordance with SFAS No. 141. Residential minimum rents consist of the entire rental amounts at Rollingwood Apartments, the Crest at Congressional Plaza Apartments and residential units at Santana Row excluding those units sold as condominiums and included in discontinued operations.

NOTE I SHARE-BASED COMPENSATION PLANS

As of September 30, 2006, we have grants outstanding under two share-based compensation plans. Our 1993 Long Term Incentive Plan (the 1993 Plan) authorized the grant of share options, common shares and other share-based awards for up to 5.5 million shares of common stock. The 1993 Plan expired in May 2003. In May 2001, our shareholders approved our 2001 Long Term Incentive Plan (the 2001 Plan) which authorized the grant of an additional 1,750,000 shares for share options, common shares and other share-based awards.

Option awards under the 2001 Plan and the 1993 Plan are required to have an exercise price at least equal to the closing trading price of our common shares on the date of grant. Options and share awards under these plans generally vest over 3 to 5 years and option awards typically have a 10-year contractual term. We pay dividends on unvested shares. Certain options and share awards provide for accelerated vesting if there is a change in control. Additionally, the vesting on certain option and share awards can accelerate in part or in full upon retirement based on the age of the retiree.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model. Expected volatilities, term, dividend yields, employee exercises and employee terminations are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of each share award is determined based on the closing trading price of our common shares on the grant date.

The following table provides a summary of the weighted-average assumption used to value options:

	Nine Months Ended
	September 30, 2006
Volatility	18.7%
Expected dividend yield	4.9%
Expected term (in years)	3.8
Risk free interest rate	4.6%

The following table provides a summary of option activity for the nine months ended September 30, 2006:

	Shares	Weighted-	Weighted-	Aggregate
	Under	Average	Average	Intrinsic
	Option	Exercise	Remaining	Value
		Price	Contractual	

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			Term (In years)	(In thousands)
Outstanding at December 31, 2005	958,455	\$ 32.52		
Granted	340,114	68.06		
Exercised	(233,038)	32.42		
Forfeited or expired	(137,835)	35.46		
Outstanding at September 30, 2006	927,696	\$ 44.98	6.8	\$ 27,039
Exercisable at September 30, 2006	455,926	\$ 25.76	4.4	\$ 22,138

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2006 was \$7.84 per share. The total intrinsic value of options exercised during the nine months ended September 30, 2006 was \$9.3 million. The total cash received from options exercised during the nine months ended September 30, 2006 was \$7.6 million.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

The following table provides a summary of share activity for the nine months ended September 30, 2006:

	Shares	Fair Value
Unvested at December 31, 2005	227,407	\$ 38.28
Granted	82,749	67.55
Vested	(100,848)	40.53
Forfeited	(391)	59.61
Unvested at September 30, 2006	208,917	\$ 48.75

The total vesting-date fair value of shares vested during the nine months ended September 30, 2006 was \$6.8 million.

As of September 30, 2006, there was \$9.9 million of total unrecognized compensation cost related to unvested share-based compensation arrangements (i.e. options and unvested shares) granted under our plans. This cost is expected to be recognized over the next 4.4 years with a weighted-average period of 1.2 years.

NOTE J SEGMENT INFORMATION

We operate our portfolio of properties in two geographic operating regions: East and West, which constitute our segments under Statement of Financial Accounting Standard No. 131, Disclosures about Segments of an Enterprise and Related Information.

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

A summary of our operations by geographic region is presented below:

	Nine Months Ended September 30, 2006			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 249,111	\$ 71,898	\$	\$ 321,009
Other property income	3,167	2,576		5,743
Mortgage interest income	2,242	1,536		3,778
Rental expenses	(43,785)	(19,371)		(63,156)
Real estate taxes	(26,283)	(6,502)		(32,785)
Property operating income	184,452	50,137		234,589
General and administrative expense			(15,747)	(15,747)
Depreciation and amortization	(49,520)	(21,353)	(1,183)	(72,056)
Other interest income	868	109	1,111	2,088
Interest expense			(75,183)	(75,183)
Income from real estate partnership			533	533
Income from continuing operations and minority interests	135,800	28,893	(90,469)	74,224
Minority interests			(3,483)	(3,483)
(Loss) income from discontinued operations			(336)	(336)
Gain on sale of real estate			23,866	23,866
Net income	\$ 135,800	\$ 28,893	\$ (70,422)	\$ 94,271
Total assets at end of period	\$ 1,629,636	\$ 875,512	\$ 134,974	\$ 2,640,122

	Nine Months Ended September 30, 2005			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 229,221	\$ 61,096	\$	\$ 290,317
Other property income	2,744	3,662		6,406
Mortgage interest income	2,088	1,952		4,040
Rental expenses	(43,280)	(18,910)		(62,190)
Real estate taxes	(24,206)	(4,035)		(28,241)
Property operating income	166,567	43,765		210,332
General and administrative expense			(14,441)	(14,441)
Depreciation and amortization	(47,084)	(18,087)	(959)	(66,130)
Other interest income	1,899	47		1,946
Interest expense			(65,554)	(65,554)
Income from real estate partnership			349	349
Income from continuing operations before minority interests	121,382	25,725	(80,605)	66,502
Minority interests			(4,003)	(4,003)
(Loss) income from discontinued operations			(362)	(362)

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Gain on sale of real estate			17,347	17,347
Net income	\$ 121,382	\$ 25,725	\$ (67,623)	\$ 79,484
Total assets at end of period	\$ 1,348,641	\$ 879,588	\$ 74,843	\$ 2,303,072

Table of Contents**Notes to Consolidated Financial Statements****September 30, 2006****(Unaudited)**

	Three Months Ended September 30, 2006			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 86,442	\$ 24,069	\$	\$ 110,511
Other property income	912	875		1,787
Mortgage interest income	737	370		1,107
Rental expenses	(14,372)	(6,454)		(20,826)
Real estate taxes	(9,425)	(2,284)		(11,709)
Property operating income	64,294	16,576		80,870
General and administrative expense			(6,265)	(6,265)
Depreciation and amortization	(16,769)	(7,018)	(192)	(23,979)
Other interest income	338	46	1,111	1,495
Interest expense			(26,149)	(26,149)
Income from real estate partnership			196	196
Income from continuing operations and minority interests	47,863	9,604	(31,299)	26,168
Minority interests			(1,086)	(1,086)
(Loss) income from discontinued operations			(193)	(193)
Gain on sale of real estate			95	95
Net income	\$ 47,863	\$ 9,604	\$ (32,483)	\$ 24,984
Total assets at end of period	\$ 1,629,636	\$ 875,512	\$ 134,974	\$ 2,640,122

	Three Months Ended September 30, 2005			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 76,277	\$ 20,495	\$	\$ 96,772
Other property income	977	1,460		2,437
Mortgage interest income	674	636		1,310
Rental expenses	(13,866)	(5,880)		(19,746)
Real estate taxes	(8,291)	(1,677)		(9,968)
Property operating income	55,771	15,034		70,805
General and administrative expense			(4,957)	(4,957)
Depreciation and amortization	(16,241)	(6,242)	390	(22,093)
Other interest income	241	13		254
Interest expense			(21,664)	(21,664)
Income from real estate partnership			126	126
Income from continuing operations and minority interests	39,771	8,805	(26,105)	22,471
Minority interests			(1,208)	(1,208)
(Loss) income from discontinued operations			(46)	(46)
Gain on sale of real estate			9,463	9,463
Net income	\$ 39,771	\$ 8,805	\$ (17,896)	\$ 30,680

Total assets at end of period	\$ 1,348,641	\$ 879,588	\$ 74,843	\$ 2,303,072
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Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Forward-Looking Statements**

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 3, 2006 and amended on March 10, 2006.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to forward-looking statements or information, sometimes we use words such as may, will, could, should, plans, intends, expects, believes, estimates, anticipates. Forward-looking statements are not historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2005, as amended, before making any investments in us.

Overview

We are an equity real estate investment trust (REIT) specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. As of September 30, 2006, we owned or had a majority interest in 111 community and neighborhood shopping centers and mixed-use properties comprising approximately 18.6 million square feet, located primarily in densely populated, affluent communities with relatively high barriers to entry throughout the Northeast and Mid-Atlantic United States, as well as in California, and one apartment complex in Maryland. In total, the 111 commercial properties were 97.3% leased at September 30, 2006. A joint venture in which we own a 30% interest owned six neighborhood shopping centers totaling approximately 0.7 million square feet as of September 30, 2006. In total, the joint venture properties in which we own an interest were 98.1% leased at September 30, 2006. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 39 consecutive years.

2006 Property Acquisitions and Dispositions

The following table provides a summary of significant acquisitions made by us and our consolidated affiliates during the nine months ended September 30, 2006:

Date	Property	City, State	Gross	
			Leasable Area (In square feet)	Purchase Price (1) (In millions)
January 20, 2006	4900 Hampden Lane	Bethesda, MD	35,000	\$ 12.0
January 27, 2006	7770 Richmond Hwy	Alexandria, VA	60,000	\$ 9.9
June 29, 2006	Town Center of New Britain	New Britain, PA	126,000	\$ 12.8
August 24, 2006	Key Road Plaza	Keene, NH	76,000	\$ 14.5
August 24, 2006	Riverside Plaza	Keene, NH	218,000	\$ 24.0(2)
August 24, 2006	Bath Shopping Center	Bath, ME	101,000	\$ 22.8(3)
August 24, 2006	Linden Square	Wellesley, MA	261,000	\$ 99.6(4)
August 24, 2006	North Dartmouth	North Dartmouth, MA	183,000	\$ 27.5
August 25, 2006	Chelsea Commons	Chelsea, MA	180,000	\$ 20.1(5)
September 13, 2006	Rockville Town Square	Rockville, MD	53,000	\$ 3.4(6)

(1) If not specifically noted, the net assets acquired that were allocated to other assets for above market leases and liabilities for below market leases were not significant.

(2)

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Approximately \$0.4 million and \$3.9 million of the net assets acquired were allocated to other assets for above market leases and liabilities for below market leases, respectively.

- (3) Approximately \$2.2 million of the net assets acquired were allocated to other assets for above market leases. Purchase price includes the assumption of debt with a fair value of approximately \$11.1 million.
- (4) Approximately \$2.2 million and \$1.1 million of the net assets acquired were allocated to other assets for above market leases and liabilities for below market leases, respectively.

Table of Contents

- (5) Approximately \$2.5 million and \$0.1 million of the net assets acquired were allocated to other assets for above market leases and liabilities for below market leases, respectively. Purchase price includes the assumption of debt with a fair value of approximately \$8.0 million.
- (6) Purchase price was for one retail condominium unit of the project. We intend to acquire additional retail condominium units totaling approximately 135,000 square feet over the next several months to complete the project.

On October 16, 2006, we acquired the leasehold interest in Melville Mall, a 247,700 square foot shopping center located in Huntington, New York, under a 20 year master lease. Additionally, we loaned the owner of Melville Mall \$34.2 million secured by a second mortgage on the property. We have an option to purchase the shopping center on or after October 16, 2021 for a price of \$5.0 million plus the assumption of the first mortgage and forgiveness of the second mortgage. As a result of these transactions, we control this property and retain substantially all of the economic benefits and risks associated with it. Accordingly, beginning October 16, 2006, we will consolidate this property and its operations.

The following table provides a summary of significant acquisitions made by our unconsolidated real estate partnership during the nine months ended September 30, 2006:

Date	Property	City, State	Gross	
			Leasable Area (In square feet)	Purchase Price (In millions)
June 5, 2006	Greenlawn Plaza (1)	Huntington, NY	102,000	\$ 20.4
June 8, 2006	Barcroft Plaza	Falls Church, VA	90,000	\$ 25.1

- (1) This property was acquired from the Trust.

The following table provides a summary of significant dispositions made by us and our consolidated affiliates during the nine months ended September 30, 2006:

Date	Property	City, State	Gross		
			Leasable Area (In square feet)	Sales Price (In millions)	Gain (In millions)
Various	Condominiums at Santana Row (89 units) (1)	San Jose, CA	N/A	\$ 64.1	\$ 16.4(2)
June 5, 2006	Greenlawn Plaza	Huntington, NY	102,000	\$ 20.4	\$ 7.4(3)

- (1) As of September 30, 2006, we had sold all of the 219 condominium units we currently intend to sell at Santana Row.
- (2) Gain of \$16.4 million is net of \$2.2 million in taxes.
- (3) This property was contributed to our real estate partnership in which we own a 30% interest. Accordingly, we recognized a partial gain of \$7.4 million on this sale related to the 70% equity interest contributed.

Warranty reserves for condominium units sold at Santana Row are established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. Our warranty and latent construction defect reserve is calculated based upon historical industry experience and current known factors. Variables used in the calculation of the warranty reserves, as well as the adequacy of the reserve based on the number of condominium units still under warranty, are reviewed on a periodic basis. Claims are directly charged to the reserves as they arise. Although we consider the warranty reserves to be adequate, there can be no assurance that the reserve will prove to be adequate over time to cover losses due to the difference between the assumptions used to estimate the warranty reserves and actual losses.

During the third quarter of 2006, when we closed on the sale of the last unit, we reassessed and increased our warranty reserve by \$2.5 million. This increase reduced our gain on sale of condominium units. The warranty reserve is included in accounts payable and accrued expenses.

2006 Significant Debt, Equity and Other Transactions

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On March 10, 2006, we repaid our 6.99% medium term notes with a principal amount of \$40.5 million. These notes were repaid with funds borrowed on our revolving credit facility.

On July 17, 2006 we issued \$120.0 million of fixed rate notes, which mature on July 15, 2012 and bear interest at 6.0%, and \$130.0 million of fixed rate notes, which mature on January 15, 2017 and bear interest at 6.2%. Our net proceeds from these note offerings after issuance discounts and underwriting fees were \$247.9 million. These proceeds, along with \$2.4 million borrowed on our revolving credit facility, were used to repay all the principal of our \$150.0 million five-year term loan due October 2008 and \$100.0 million three-year term loan due October 2006 and \$0.3 million of related accrued interest on July 17, 2006.

In order to hedge our exposure to interest rate fluctuations on the \$150.0 million five-year term loan due October 2008, we entered into an interest rate swap in January 2004, which fixed the LIBOR portion of the interest rate on this term loan at 2.401% through October 8, 2006. The full notional amount of this swap qualified as a cash flow hedge until we repaid this term loan on July 17, 2006. On July 17, 2006, we did not redesignate this swap and the related \$1.2 million included in accumulated other comprehensive income was recognized into earnings.

On July 28, 2006, we replaced our existing revolving credit facility with a new \$300.0 million unsecured revolving credit facility. The new revolving credit facility matures on July 27, 2010, subject to a one-year extension at our option, and initially bears interest at LIBOR plus 42.5 basis points. The spread over LIBOR is subject to adjustment based on our credit rating.

Table of Contents

On August 4, 2006, we amended the \$17.7 million second mortgage note receivable which is secured by a hotel in San Jose, California. The amended note decreased the interest from 14% to 9% per annum, requires monthly payments of principal and interest based on a 15-year amortization schedule and matures on August 20, 2016.

In connection with the acquisitions of Bath Shopping Center and Chelsea Commons on August 24, 2006 and August 25, 2006, respectively, we assumed two mortgage notes, one in connection with each property, with fair values of approximately \$11.1 million and \$8.0 million, respectively. The Bath Shopping Center and Chelsea Commons mortgages mature on July 1, 2028 and January 15, 2031, respectively, and bear interest at 7.13% and 5.36%, respectively. Both notes require monthly payments of principal and interest.

On August 24, 2006, we entered into a \$150 million unsecured credit agreement (the *Bridge Loan*) bearing interest at LIBOR plus 42.5 basis points and maturing on December 29, 2006. The Bridge Loan was used to provide interim financing for the acquisition of properties and was fully repaid on September 19, 2006, using the proceeds from the issuance of common stock.

On September 19, 2006, we issued 2.0 million common shares at \$74.51 per share (after deducting underwriting discounts and fees) netting approximately \$149.2 million in cash proceeds before other expenses of the offering. The proceeds were used on an interim basis to repay debt from the acquisition of three properties in New England and for general corporate purposes. Ultimately, the proceeds will be used to redeem our currently outstanding Series B preferred shares on November 27, 2006 at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date of approximately \$0.16 per share, for an aggregate redemption price of approximately \$25.16 per share.

On September 28, 2006, we reopened the 6.0% and 6.2% fixed rate notes that were initially issued on July 17, 2006. We issued an additional \$55.0 million of fixed rate notes, which mature on July 15, 2012 and bear interest at 6.0%, and an additional \$70.0 million of fixed rate notes, which mature on January 15, 2017, and bear interest at 6.2%. The additional note issuances are fully fungible, rank equally with and form a single issue and series with the initial notes issued on July 17, 2006. Our net proceeds from the September 2006 note offerings after issuance premiums, underwriting fees and accrued interest were \$130.1 million. These proceeds were used to reduce the borrowings under our unsecured credit facility and for general corporate purposes.

Outlook

General

We anticipate our 2006 income from continuing operations to grow in comparison to our 2005 income from continuing operations. We expect this income growth primarily to be generated by a combination of the following:

increased earnings in our same-center portfolio and from properties under redevelopment; and

increased earnings as we expand our portfolio through property acquisitions.

On August 2, 2006, we announced a regular quarterly cash dividend of \$0.575 per share on our common shares, resulting in an indicated annual rate of \$2.30 per share, an increase of \$0.08 annually. The regular common dividend was payable on October 16, 2006, to common shareholders of record as of September 22, 2006.

We continue to see a positive impact on our income as a result of the redevelopment of our shopping centers and higher rental rates on existing spaces as leases on these spaces expire. In 2006 and 2007, we anticipate that tenants with leases for over 700,000 square feet of retail space that has been under redevelopment will begin paying rent. As redevelopment properties are completed, spaces that were out of service begin generating revenue; in addition, spaces that were not out of service and that have expiring leases may generate higher revenue because we generally receive higher rent on new leases. For example, many of the leases with rents commencing in 2006 were signed in 2005 or earlier, and leases signed in 2004, 2005 and year-to-date 2006 on spaces for which there was a previous tenant have on average been renewed at double digit base rent increases. On spaces where the tenant leases are expiring later in 2006, our analysis of current market rents as compared to rents on the existing leases leads us to expect that the base rents in new leases will have double-digit weighted average increases over the base rents currently in place.

At September 30, 2006 the leasable square feet in our shopping centers was 95.6% occupied and 97.3% leased. The leased rate is higher than the occupied rate due to spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied.

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We believe that our occupancy rate will decrease somewhat over the next four quarters as we seek to re-lease up to 107,000 square feet of space that we anticipate becoming vacant due to the Chapter 7 liquidation of Tower Records and Storehouse Furniture. Our occupancy and leased rates are subject to variability over time due to acquisitions and the timing of the start and stabilization of our redevelopment projects.

Table of Contents*Santana Row*

Santana Row, located in San Jose, California, includes approximately 563,000 square feet of retail space, 295 residential rental units, and a ground lease to a 213-room hotel. The 295 residential units include 259 residential units delivered in 2005 and 2006 plus 36 pre-existing residential units. The 295 residential rental units do not include 219 units that have been sold as condominiums. Our total investment in Santana Row, excluding future phases, is anticipated to be approximately \$435 million (which includes the 563,000 square feet of retail space, the 295 residential rental units, the related common areas and infrastructure and \$13 million invested in restaurant ventures) net of insurance proceeds received related to the 2002 fire and proceeds from the sale of the 219 residential units.

We are developing a master plan for the remaining parcels at Santana Row which comprise approximately 13.4 acres of land. Our remaining entitlements consist of approximately 120,000 square feet of retail space, 687 residential units and a 191-room hotel. We are evaluating the feasibility of utilizing these entitlements in future development at Santana Row but there is no guaranty that we will ultimately pursue or complete any part of the development of the remaining parcels.

Acquisitions

We anticipate growth in earnings in 2006 from acquisitions of neighborhood and community shopping centers in our primary markets in the East and West regions, as well as a reduction in earnings from selective dispositions. Any growth in earnings from acquisitions is contingent, however, on our potential ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may also affect our success in achieving growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the acquisition.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005	Change Dollars	%
	(Dollar amounts in thousands)			
Rental income	\$ 321,009	\$ 290,317	\$ 30,692	10.6%
Other property income	5,743	6,406	(663)	-10.3%
Mortgage interest income	3,778	4,040	(262)	-6.5%
Total property revenue	330,530	300,763	29,767	9.9%
Rental expenses	63,156	62,190	966	1.6%
Real estate taxes	32,785	28,241	4,544	16.1%
Total property expenses	95,941	90,431	5,510	6.1%
Property operating income	234,589	210,332	24,257	11.5%
Other interest income	2,088	1,946	142	7.3%
Income from real estate partnership	533	349	184	52.7%
Interest expense	(75,183)	(65,554)	(9,629)	14.7%
General and administrative expense	(15,747)	(14,441)	(1,306)	9.0%
Depreciation and amortization	(72,056)	(66,130)	(5,926)	9.0%
Total other, net	(160,365)	(143,830)	(16,535)	11.5%
Income from continuing operations before minority interests	74,224	66,502	7,722	11.6%
Minority interests	(3,483)	(4,003)	520	-13.0%
Loss from discontinued operations	(336)	(362)	26	-7.2%
Gain on sale of real estate	23,866	17,347	6,519	37.6%
Net income	\$ 94,271	\$ 79,484	\$ 14,787	18.6%

Same-Center

Throughout this section, we have provided certain information on a same-center basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant development, redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations. Santana Row is considered under development in both 2006 and 2005 and as such is excluded from same-center results.

Table of Contents

Property Revenues

Total property revenue increased \$29.8 million, or 9.9%, to \$330.5 million in the nine months ended September 30, 2006 compared to \$300.8 million in the nine months ended September 30, 2005. The percentage leased at our shopping centers increased to 97.3% at September 30, 2006 compared to 95.5% at September 30, 2005 due primarily to new leases signed at existing properties. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost recoveries from tenants, and percentage rent. Rental income increased \$30.7 million, or 10.6%, to \$321.0 million in the nine months ended September 30, 2006 compared to \$290.3 million in the nine months ended September 30, 2005, due primarily to the following:

an increase of \$11.3 million attributable to properties acquired in 2006 and 2005,

an increase of \$8.7 million at same-center properties due to increased rental rates on new leases and increased occupancy,

an increase of \$5.8 million at Santana Row due primarily to leasing newly constructed residential rental units and increased rental rates on new retail leases, and

an increase of \$4.7 million at redevelopment properties due to increased occupancy and increased rental rates on new leases.

Other Property Income

Other property income decreased \$0.7 million, or 10.3%, to \$5.7 million in the nine months ended September 30, 2006 compared to \$6.4 million in the nine months ended September 30, 2005. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. During the nine months ended September 30, 2006, there was a decrease of \$1.3 million in lease termination fees partially offset by a \$0.6 million increase in income from restaurant partnerships.

Mortgage Interest Income

Mortgage interest income decreased \$0.3 million, or 6.5%, to \$3.8 million in the nine months ended September 30, 2006 compared to \$4.0 million in the nine months ended September 30, 2005. The decrease is primarily due to an amendment to the \$17.7 million mortgage note receivable secured by a hotel in San Jose, California which was executed on August 4, 2006 and decreased the interest rate from 14% per annum to 9% per annum.

Property Expenses

Total property operating expenses increased \$5.5 million, or 6.1%, to \$95.9 million in the nine months ended September 30, 2006 compared to \$90.4 million in the nine months ended September 30, 2005. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$1.0 million, or 1.6%, to \$63.2 million in the nine months ended September 30, 2006 compared to \$62.2 million in the nine months ended September 30, 2005. This increase is due primarily to the following:

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an increase of \$2.1 million at Santana Row due primarily to higher repair and maintenance expenses and common area costs associated with the newly constructed residential rental units placed into service, and

an increase of \$2.1 million, attributable to properties acquired in 2006 and 2005, partially offset by

a decrease of \$1.8 million due to lower snow removal costs, and

a decrease of \$0.7 million due to lower insurance costs.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income decreased to 19.3% in the nine months ended September 30, 2006 from 21.0% in the nine months ended September 30, 2005.

Table of Contents

Real Estate Taxes

Real estate tax expense increased \$4.5 million, or 16.1%, to \$32.8 million in the nine months ended September 30, 2006 compared to \$28.2 million in the nine months ended September 30, 2005. This increase is due to the following:

an increase of \$1.8 million at Santana Row due primarily to a change in estimated real estate taxes recorded in June 2005. This change in estimate resulted from receiving final real estate tax assessments that decreased our real estate taxes for retail real estate and increased our real estate taxes for residential units at Santana Row by \$1.1 million in 2005. The related residential units impacted by this change in estimate are being sold as condominiums and therefore, the increase in residential real estate taxes is included in discontinued operations as discussed below;

an increase of \$1.4 million, attributable to properties acquired in 2006 and 2005, and

an increase of \$1.2 million, due to higher assessments at same-center properties.

Property Operating Income

Property operating income increased \$24.3 million, or 11.5%, to \$234.6 million in the nine months ended September 30, 2006 compared to \$210.3 million in the nine months ended September 30, 2005. This increase is due primarily to the following:

growth in same-center earnings,

earnings attributable to properties acquired in 2005 and 2006, and

growth in earnings at redevelopment properties and Santana Row.

Other

Interest Expense

Interest expense increased \$9.6 million, or 14.7%, to \$75.2 million in the nine months ended September 30, 2006 compared to \$65.6 million in the nine months ended September 30, 2005. This increase is primarily due to the following:

an increase of \$4.3 million due to higher borrowings to finance our acquisitions,

an increase of \$2.2 million due to higher interest rates on certain borrowings,

an increase of \$2.0 million due to a decrease in capitalized interest, and

an increase of less than \$1.0 million due to an increase in participation on capital leases.

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Gross interest costs were \$77.6 million and \$70.0 million in the nine months ended September 30, 2006 and 2005, respectively. Capitalized interest amounted to \$2.4 million and \$4.4 million in the nine months ended September 30, 2006 and September 30, 2005, respectively. Capitalized interest decreased due primarily to placing the newly constructed residential rental units at Santana Row and retail development at Assembly Square into service.

General and Administrative Expense

General and administrative expense increased \$1.3 million, or 9.0%, to \$15.7 million in the nine months ended September 30, 2006 compared to \$14.4 million in the nine months ended September 30, 2005. This is primarily due to an increase in wages and bonuses, and increased grant expense under SFAS No. 123(R) being partially offset by an increase in wages, bonuses and grant expense capitalized as a result of increased leasing and redevelopment activities.

Depreciation and Amortization

Depreciation and amortization expense increased \$5.9 million, or 9.0%, to \$72.1 million in the nine months ended September 30, 2006 from \$66.1 million in the nine months ended September 30, 2005. This increase is due primarily to depreciation on acquired properties, improvements at same-center properties, and placing into service the newly constructed residential rental units at Santana Row, located in California, and retail development at Assembly Square, located in New England.

Minority Interests

Income to minority partners decreased \$0.5 million, or 13.0% to \$3.5 million in the nine months ended September 30, 2006 from \$4.0 million in the nine months ended September 30, 2005. This decrease is due primarily to a decrease in the interest held by minority partners partially offset by an increase in earnings at properties held in non-wholly owned partnerships.

Table of Contents*Loss from Discontinued Operations*

Loss from discontinued operations represents the operating loss of properties that have been disposed, which is required to be reported separately from results of ongoing operations. The reported operating loss of \$0.3 million and \$0.4 million in the nine months ended September 30, 2006 and 2005, respectively, represent the operating loss for the period during which we owned properties sold in 2006 and 2005. The loss for 2005 includes an unfavorable change in estimated real estate taxes recorded in June 2005 for the residential units sold as condominiums at Santana Row. This change in estimate resulted from receiving final real estate tax assessments for the condominiums sold at Santana Row that were greater than our estimated accrual.

Gain on Sale of Real Estate

The gain on sale of real estate in 2006 increased \$6.5 million to \$23.9 million in the nine months ended September 30, 2006 compared to \$17.3 million in the nine months ended September 30, 2005. All of the properties sold in the nine months ended September 30, 2006 (Greenlawn Plaza and condominiums at Santana Row) and the nine months ended September 30, 2005 (properties in Tempe, Arizona; Winter Park, Florida; Carver, Massachusetts and condominiums at Santana Row) resulted in gains.

Warranty reserves for condominium units sold at Santana Row are established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. Our warranty and latent construction defect reserve is calculated based upon historical industry experience and current known factors. Variables used in the calculation of the warranty reserves, as well as the adequacy of the reserve based on the number of condominium units still under warranty, are reviewed on a periodic basis. Claims are directly charged to the reserves as they arise. Although we consider the warranty reserves to be adequate, there can be no assurance that the reserve will prove to be adequate over time to cover losses due to the difference between the assumptions used to estimate the warranty reserves and actual losses.

During the third quarter of 2006, when we closed on the sale of the last unit, we reassessed and increased our warranty reserve by \$2.5 million. This increase reduced our gain on sale of condominium units. The warranty reserve is included in accounts payable and accrued expenses.

Segment Results

We operate our business on an asset management model, where property management teams are responsible for a portfolio of assets. We manage our portfolio as two operating regions: East and West. Property management teams consist of regional directors, leasing agents, development staff and financial personnel, each of whom has responsibility for a distinct portfolio.

The following table provides selected key segment data for the nine months ended September 30, 2006 and 2005. The results of properties classified as discontinued operations have been excluded for rental income, total revenue and property operating income from the following table.

	Nine Months Ended September 30,	
	2006	2005
	(In thousands)	
East		
Rental income	\$ 249,111	\$ 229,221
Total revenue	\$ 254,520	\$ 234,053
Property operating income (1)	\$ 184,452	\$ 166,567
Property operating income as a percent of total revenue	72.5%	71.2%
Total assets	\$ 1,629,636	\$ 1,348,641
Gross leasable area (square feet)	15,945	14,920
West		
Rental income	\$ 71,898	\$ 61,096
Total revenue	\$ 76,010	\$ 66,710
Property operating income (1)	\$ 50,137	\$ 43,765
Property operating income as a percent of total revenue	66.0%	65.6%
Total assets	\$ 875,512	\$ 879,588
Gross leasable area (square feet)	2,605	2,375

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- (1) Property operating income consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of our regional operations, and we consider it to be a significant measure.

East

The East region extends roughly from New England south through metropolitan Washington, D.C. and further south through Virginia and North Carolina. This region also includes several properties in Illinois and Michigan. As of September 30, 2006, the East region consisted of 78 properties and was 97.8% leased.

Table of Contents

Rental income for the East region increased \$19.9 million to \$249.1 million in the nine months ended September 30, 2006 compared to \$229.2 million in the nine months ended September 30, 2005 due primarily to the following:

an increase of \$6.9 million at same-center properties due primarily to increased rental rates on new leases and increased occupancy,

an increase of 5.6 million at redevelopment properties due primarily to increased occupancy and increased rental rates on new leases,

an increase of \$4.2 million at Assembly Square due primarily to increased occupancy, and

an increase of \$3.2 million attributable to properties acquired in 2005 and 2006.

Property operating income for the East region increased \$17.9 million due primarily to the increase in rental income discussed above partially offset by a \$2.1 million increase in real estate tax expense due primarily to acquisitions and higher assessments on our same-center and redevelopment properties. As a result of these changes, the ratio of property operating income to total revenue for the East region improved to 72.5% in the nine months ended September 30, 2006 from 71.2% in the nine months ended September 30, 2005.

West

The West region extends from Texas to the West Coast. As of September 30, 2006, the West region consisted of 34 properties, including Santana Row, and was 94.2% leased.

Rental income for the West region increased \$10.8 million to \$71.9 million in the nine months ended September 30, 2006 from \$61.1 million in the nine months ended September 30, 2005 due primarily to the following:

an increase of \$5.8 million at Santana Row due primarily to leasing newly constructed residential units and increased rental rates on new retail leases, and

an increase of \$4.1 million attributable to the acquisition of Crow Canyon in December 2005.

Property operating income for the West region increased \$6.4 million due primarily to the increase in rental income discussed above partially offset by a \$2.5 million increase in real estate taxes. As previously discussed, the increase in real estate taxes is due primarily to a favorable change in estimate for retail real estate taxes at Santana Row recorded in June 2005. As a result of these changes, the ratio of property operating income to total revenue for the West region improved to 66.0% in the nine months ended September 30, 2006 from 65.6% in the nine months ended September 30, 2005.

The overall return on investment in our West region is significantly less than the overall return on investment in our East region. This is due primarily to the following factors:

the generally lower bases in our East properties which were generally acquired before the West properties,

current occupancy rates at Houston Street in San Antonio, Texas are below our portfolio average, and

the phasing into service of Santana Row.

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We expect that returns on investment in our West region will continue to rise as Santana Row and Houston Street come into service, but that they will not necessarily rise to the same level of overall returns that are generated in our East region because of the higher bases in our West properties.

Table of Contents**RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005**

	2006	2005	Change	
			Dollars	%
	(Dollar amounts in thousands)			
Rental income	\$ 110,511	\$ 96,772	\$ 13,739	14.2%
Other property income	1,787	2,437	(650)	-26.7%
Mortgage interest income	1,107	1,310	(203)	-15.5%
Total property revenue	113,405	100,519	12,886	12.8%
Rental expenses	20,826	19,746	1,080	5.5%
Real estate taxes	11,709	9,968	1,741	17.5%
Total property expenses	32,535	29,714	2,821	9.5%
Property operating income	80,870	70,805	10,065	14.2%
Other interest income	1,495	254	1,241	488.6%
Income from real estate partnership	196	126	70	55.6%
Interest expense	(26,149)	(21,664)	(4,485)	20.7%
General and administrative expense	(6,265)	(4,957)	(1,308)	26.4%
Depreciation and amortization	(23,979)	(22,093)	(1,886)	8.5%
Total other, net	(54,702)	(48,334)	(6,368)	13.2%
Income from continuing operations before minority interests	26,168	22,471	3,697	16.5%
Minority interests	(1,086)	(1,208)	122	-10.1%
Loss from discontinued operations	(193)	(46)	(147)	319.6%
Gain on sale of real estate	95	9,463	(9,368)	-99.0%
Net income	\$ 24,984	\$ 30,680	\$ (5,696)	-18.6%

Property Revenues

Total property revenue increased \$12.9 million, or 12.8%, to \$113.4 million in the three months ended September 30, 2006 compared to \$100.5 million in the three months ended September 30, 2005. The percentage leased at our shopping centers increased to 97.3% at September 30, 2006 compared to 95.5% at September 30, 2005 due primarily to new leases signed at existing properties. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost recoveries from tenants and percentage rent. Rental income increased \$13.7 million, or 14.2%, to \$110.5 million in the three months ended September 30, 2006 compared to \$96.8 million in the three months ended September 30, 2005 due primarily to the following:

an increase of \$5.0 million attributable to properties acquired in 2006 and 2005,

an increase of \$3.5 million at same-center properties due to increased rental rates on new leases and increased occupancy,

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an increase of \$2.4 million at Santana Row due primarily to leasing newly constructed residential rental units, and

an increase of \$2.3 million at redevelopment properties due to increased occupancy and increased rental rates on new leases.

Other Property Income

Other property income decreased \$0.7 million, or 26.7%, to \$1.8 million in the three months ended September 30, 2006 compared to \$2.4 million in the three months ended September 30, 2005. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. This decrease is due primarily to a decrease in lease termination fees.

Mortgage Interest Income

Mortgage interest income decreased \$0.2 million, or 15.5%, to \$1.1 million in the three months ended September 30, 2006 compared to \$1.3 million in the three months ended September 30, 2005. The decrease is primarily due to an amendment of our \$17.7 million mortgage note receivable secured by a hotel in San Jose, California which was executed on August 4, 2006 and decreased the interest rate from 14% per annum to 9% per annum.

Table of Contents

Property Expenses

Total property expenses increased \$2.8 million, or 9.5%, to \$32.5 million in the three months ended September 30, 2006 compared to \$29.7 million in the three months ended September 30, 2005. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$1.1 million, or 5.5%, to \$20.8 million in the three months ended September 30, 2006 compared to \$19.7 million in the three months ended September 30, 2005. This increase is due primarily to the following:

an increase of \$0.8 million, attributable to properties acquired in 2005 and 2006, and

an increase of \$0.7 million at Santana Row due primarily to higher repair and maintenance expenses and common area costs associated with the newly constructed residential units placed into service.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income decreased to 18.5% in the three months ended September 30, 2006 from 19.9% in the three months ended September 30, 2005.

Real Estate Taxes

Real estate tax expense increased \$1.7 million, or 17.5%, to \$11.7 million in the three months ended September 30, 2006 compared to \$10.0 million in the three months ended September 30, 2005. This increase is due primarily to increased taxes of \$0.8 million related to properties acquired and \$0.8 million related to higher assessments at our same-center and redevelopment properties.

Property Operating Income

Property operating income increased \$10.1 million, or 14.2%, to \$80.9 million in the three months ended September 30, 2006 compared to \$70.8 million in the three months ended September 30, 2005. This increase is due primarily to the following:

earnings attributable to properties acquired in 2005 and 2006,

growth in same-center earnings, and

growth in earnings at Santana Row and redevelopment properties.

Same-center property operating income increased 5.5% in the three months ended September 30, 2006 compared to the three months ended September 30, 2005. This increase is primarily due to increased rental income associated with new leases, higher real estate tax recoveries, and increased occupancy. When redevelopment and expansion properties are included with same-center results, property operating income increased by 6.9% in the three months ended September 30, 2006 compared to the three months ended September 30, 2005.

Other

Interest Expense

Interest expense increased \$4.5 million, or 20.7%, to \$26.1 million in the three months ended September 30, 2006 compared to \$21.7 million in the three months ended September 30, 2005. This increase is primarily due to the following:

an increase of \$1.9 million due to higher borrowings to finance our acquisitions,

an increase of \$1.4 million due to higher interest rates on certain borrowings, and

an increase of less than \$1.0 million due to a decrease in capitalized interest.

Gross interest costs were \$27.2 million and \$23.5 million in the three months ended September 30, 2006 and 2005, respectively. Capitalized interest amounted to \$1.1 million and \$1.9 million in the three months ended September 30, 2006 and September 30, 2005, respectively. Capitalized interest decreased due primarily to placing the newly constructed residential rental units at Santana Row and retail development at Assembly Square into service.

General and Administrative Expense

General and administrative expense increased \$1.3 million, or 26.4%, to \$6.3 million in the three months ended September 30, 2006 compared to \$5.0 million in the three months ended September 30, 2005. This is primarily due to an increase in wages and bonuses, and increased grant expense under SFAS No. 123(R) being partially offset by an increase in wages, bonuses and grant expense capitalized as a result of increased leasing and redevelopment activities.

Table of Contents

Depreciation and Amortization

Depreciation and amortization expense increased \$1.9 million, or 8.5%, to \$24.0 million in the three months ended September 30, 2006 from \$22.1 million in the three months ended September 30, 2005. This increase is due primarily to depreciation on improvements at same-center properties, acquired properties and placing into service the newly constructed residential rental units at Santana Row, located in California, and retail development at Assembly Square, located in New England.

Minority Interests

Income to minority partners decreased \$0.1 million, or 10.1%, to \$1.1 million in the three months ended September 30, 2006 compared to \$1.2 million in the three months ended September 30, 2005. This is due to a decrease in the interest held by minority partners offset by an increase in earnings at properties held in non-wholly owned partnerships.

Loss from Discontinued Operations

Loss from discontinued operations represents the operating loss of properties that have been disposed, which is required to be reported separately from results of ongoing operations. The reported operating loss of \$0.2 million and less than \$0.1 million in the three months ended September 30, 2006 and 2005, respectively, represent the operating loss for the period during which we owned properties sold in 2006 and 2005.

Gain on Sale of Real Estate

The gain on sale of real estate in 2006 decreased \$9.4 million to \$0.1 million in the three months ended September 30, 2006 compared to \$9.5 million in the three months ended September 30, 2005. All of the properties sold in the three months ended September 30, 2006 (condominiums at Santana Row) and the three months ended September 30, 2005 (Shaw's Plaza in Carver, Massachusetts and condominiums at Santana Row) resulted in gains.

Warranty reserves for condominium units sold at Santana Row are established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. Our warranty and latent construction defect reserve is calculated based upon historical industry experience and current known factors. Variables used in the calculation of the warranty reserves, as well as the adequacy of the reserve based on the number of condominium units still under warranty, are reviewed on a periodic basis. Claims are directly charged to the reserves as they arise. Although we consider the warranty reserves to be adequate, there can be no assurance that the reserve will prove to be adequate over time to cover losses due to the difference between the assumptions used to estimate the warranty reserves and actual losses.

During the third quarter of 2006, when we closed on the sale of the last unit, we reassessed and increased our warranty reserve by \$2.5 million. This increase reduced our gain on sale of condominium units. The warranty reserve is included in accounts payable and accrued expenses.

Table of Contents**Segment Results**

We operate our business on an asset management model, where property management teams are responsible for a portfolio of assets. We manage our portfolio as two operating regions: East and West. Property management teams consist of regional directors, leasing agents, development staff and financial personnel, each of whom has responsibility for a distinct portfolio.

The following table provides selected key segment data for the three months ended September 30, 2006 and 2005. The results of properties classified as discontinued operations have been excluded for rental income, total revenue and property operating income from the following table.

	Three Months Ended September 30,	
	2006	2005
	(In thousands)	
East		
Rental income	\$ 86,442	\$ 76,277
Total revenue	\$ 88,091	\$ 77,928
Property operating income (1)	\$ 64,294	\$ 55,771
Property operating income as a percent of total revenue	73.0%	71.6%
Total assets	\$ 1,629,636	\$ 1,348,641
Gross leasable area (square feet)	15,945	14,920
West		
Rental income	\$ 24,069	\$ 20,495
Total revenue	\$ 25,314	\$ 22,591
Property operating income (1)	\$ 16,576	\$ 15,034
Property operating income as a percent of total revenue	65.5%	66.5%
Total assets	\$ 875,512	\$ 879,588
Gross leasable area (square feet)	2,605	2,375

(1) Property operating income consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of our regional operations, and we consider it to be a significant measure.

East

Rental income for the East region increased \$10.2 million to \$86.4 million in the three months ended September 30, 2006 compared to \$76.3 million in the three months ended September 30, 2005 due primarily to the following:

an increase of \$4.2 million at same-center properties due to increased rental rates on new leases and increased occupancy,

an increase of \$3.4 million attributable to properties acquired in 2006 and 2005, and

an increase of \$2.6 million of redevelopment properties.

Property operating income for the East region increased \$8.5 million due primarily to the increase in rental income discussed above partially offset by a \$1.1 million increase in real estate taxes due primarily to the acquisition of properties and higher assessments on our same-center and redevelopment properties. As a result of these changes, the ratio of property operating income to total revenue for the East region improved to 73.0% in the three months ended September 30, 2006 from 71.6% in the three months ended September 30, 2005.

West

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Rental income for the West region increased \$3.6 million to \$24.1 million in the three months ended September 30, 2006 from \$20.5 million in the three months ended September 30, 2005 due primarily to an increase of \$2.4 million at Santana Row. The increase in rental income at Santana Row is due primarily to leasing newly constructed residential units and increased rental rates on new retail leases.

Property operating income for the West region increased \$1.5 million due primarily to the increase in rental income discussed above partially offset by a \$0.6 million increase in real estate taxes and a \$0.6 million increase in rental expenses due primarily to the acquisition of Crow Canyon. As a result of these changes, the ratio of property operating income to total revenue for the West region decreased to 65.5% in the three months ended September 30, 2006 from 66.5% in the three months ended September 30, 2005.

Table of Contents

Liquidity and Capital Resources

Due to the nature of our business and strategy, we generally generate significant amounts of cash from operations. The cash generated from operations is primarily paid to our shareholders in the form of dividends. Our status as a REIT requires that we distribute at least 90% of our REIT taxable income (including net capital gain) each year, as defined in the Code.

Our short-term liquidity requirements consist primarily of obligations under our capital and operating leases, normal recurring operating expenses, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring trust expenditures, non-recurring trust expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Overall capital requirements in 2006 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of future phases of existing properties.

Our long-term capital requirements consist primarily of maturities under our long-term debt, development and redevelopment costs and potential acquisitions. We expect to fund these through a combination of sources which we believe will be available to us, including additional and replacement secured and unsecured borrowings, issuance of additional equity, joint venture relationships relating to existing properties or new acquisitions and property dispositions.

The cash needed to execute our strategy and invest in new properties, as well as to pay our debt at maturity, must come from one or more of the following sources:

cash provided by operations that is not distributed to shareholders,

proceeds from the issuance of new debt or equity securities, or

proceeds from property dispositions.

It is management's intention that we continually have access to the capital resources necessary to expand and develop our business. As a result, we intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings. We may, from time to time, seek to obtain funds by the following means:

additional equity offerings,

unsecured debt financing and/or mortgage financings, and

other debt and equity alternatives, including formation of joint ventures, in a manner consistent with our intention to operate with a conservative debt structure.

The following factors could affect our ability to meet our liquidity requirements:

we may be unable to obtain debt or equity financing on favorable terms, or at all, as a result of our financial condition or market conditions at the time we seek additional financing;

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restrictions in our debt instruments or preferred stock equity may prohibit us from incurring debt or issuing equity under certain circumstances, or on acceptable terms under then-prevailing market conditions; and

we may be unable to service additional or replacement debt due to increases in interest rates or a decline in our operating performance. Cash and cash equivalents were \$66.4 million at September 30, 2006, which is a \$57.8 million increase from the balance of cash and cash equivalents at December 31, 2005. This increase is primarily due to the issuance of \$125.0 million of notes on September 28, 2006, of which all of the proceeds could not be used to pay down our revolving credit facility due to the maturity dates of certain bid-rate loans. Subsequent to the end of the quarter, the excess cash was used to pay down our revolving credit facility. Cash and cash equivalents are not a good indicator of our liquidity. We have a \$300.0 million unsecured revolving credit facility that matures July 28, 2010, subject to a one-year extension at our option. We intend to utilize our revolving credit facility to initially finance the acquisition of properties and meet other short-term working capital requirements.

Table of Contents*Summary of Cash Flows*

	Nine Months Ended September 30, 2006 2005	
	(In thousands)	
Cash provided by operating activities	\$ 140,455	\$ 134,865
Cash used in investing activities	(233,282)	(101,713)
Cash provided by (used in) financing activities	150,612	(47,054)
Increase (decrease) in cash and cash equivalents	57,785	(13,902)
Cash and cash equivalents, beginning of year	8,639	30,475
Cash and cash equivalents, end of period	\$ 66,424	\$ 16,573

Net cash provided by operating activities increased by \$5.6 million to \$140.5 million during the nine months ended September 30, 2006 from \$134.9 million during the nine months ended September 30, 2005. The increase was primarily attributable to:

\$3.7 million decrease in cash used for working capital due primarily to higher accrued expense balances, and

\$1.9 million higher net income before gain on sale of real estate, depreciation and amortization, minority interest, and other non-cash expenses.

Net cash used in investing activities increased approximately \$131.6 million to \$233.3 million during the nine months ended September 30, 2006 from \$101.7 million during the nine months ended September 30, 2005. The decrease was primarily attributable to:

\$156.8 million increase in acquisitions of real estate,

\$13.0 million net proceeds from early repayment of mortgage and other notes receivable received in 2005,

\$5.0 million increase in net contributions to real estate partnership due primarily to additional acquisitions by the real estate partnership,
partially offset by

\$23.2 million decrease in capital expenditures due primarily to lower development and redevelopment expenditures, and

\$21.0 million increase in proceeds from the sale of real estate.

Net cash provided by financing activities increased approximately \$197.7 million to \$150.6 million during the nine months ended September 30, 2006 from \$47.1 million used during the nine months ended September 30, 2005. The increase was primarily attributable to:

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\$376.2 million in net proceeds from the issuance of senior debentures,

\$149.2 million in net proceeds from the issuance of common shares in a public offering,
partially offset by

\$250.3 million repayment of three-year and five-year term loans,

\$40.5 million repayment of medium term notes,

\$20.5 million decrease in net borrowings on our revolving credit facility, and

\$16.2 million increase in dividends paid to shareholders.

Off-Balance Sheet Arrangements

Other than the joint venture funding commitments described in the next paragraph and items disclosed in the Contractual Commitments Table below, we have no off-balance sheet arrangements as of September 30, 2006 that are reasonably likely to have a current or future material effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Table of Contents

In July 2004, we entered into a joint venture arrangement (the Partnership) by forming a limited partnership with affiliates of Clarion Lion Properties Fund (Clarion), a discretionary fund created and advised by ING Clarion Partners. We own 30% of the equity in the Partnership, and Clarion owns 70%. The Partnership plans to acquire up to \$350 million of stabilized, supermarket-anchored, shopping centers in the Trust's East and West regions. Federal Realty and Clarion have committed to contribute to the Partnership up to \$37 million and \$86 million, respectively, of equity capital to acquire properties. No assurances can be made that we will identify properties that meet the acquisition requirements of the Partnership. We are the manager of the Partnership and its properties, earning fees for acquisitions, management, leasing, and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. We account for our interest in the Partnership using the equity method. In total, at September 30, 2006, the Partnership had \$77.4 million of mortgage notes outstanding.

Contractual Commitments

The following table provides a summary of our fixed, noncancelable obligations as of September 30, 2006:

	Total	Commitments Due by Period			
		Remainder of 2006	2007-2008	2009-2010	After 2010
(In thousands)					
Debt	\$ 1,362,519	\$ 862	\$ 169,262	\$ 265,135	\$ 927,260
Capital lease obligations, principal only	147,901	316	2,792	3,449	141,344
Operating leases	282,031	1,138	9,182	9,066	262,645
Real estate commitments	131,008	66,666	4,342		60,000
Development and redevelopment obligations	110,843	43,056	67,787		
Total contractual cash obligations	\$ 2,034,302	\$ 112,038	\$ 253,365	\$ 277,650	\$ 1,391,249

In addition to the amounts set forth in the table above, the following potential commitments exist:

- (a) Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986, an unaffiliated third party has the right to require us and the two other minority partners to purchase between one-half to all of its 29.47% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value as of September 30, 2006, our estimated maximum liability upon exercise of the put option would range from approximately \$40 million to \$45 million.
- (b) Under the terms of two other partnerships which own properties in southern California with a cost of approximately \$29.0 million, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the other partners may require us to purchase their partnership interests at a formula price based upon property operating income. The purchase price for one of the partnerships will be paid in cash and the purchase price for the other partnership will be paid using our common shares or, subject to certain conditions, cash. In those partnerships, if the other partners do not redeem their interests, we may choose to purchase the limited partnership interests upon the same terms.
- (c) Street Retail San Antonio LP, a wholly owned subsidiary of the Trust, entered into a Development Agreement (the Agreement) in 2000 with the City of San Antonio, Texas (the City) related to the redevelopment of land and buildings that we own along Houston Street. Under the Agreement, we are required to issue an annual letter of credit, commencing on October 1, 2002 and ending on September 30, 2014, that covers our designated portion of the debt service should the incremental tax revenue generated in the Zone not cover the debt service. We posted a letter of credit with the City on September 25, 2002 for \$0.8 million, and the letter of credit remains outstanding. We estimate our total obligation under the Agreement to be in the range of \$1.6 million to \$3.0 million. As of September 30, 2006, we have funded approximately \$1.3 million related to this obligation. In anticipation of further shortfalls of incremental tax revenues to the City, we have accrued approximately \$0.3 million as of September 30, 2006 to cover additional payments we may be obligated to make as part of the project costs. Prior to the expiration of the Agreement on September 30, 2014, we could be required to provide funding beyond the \$0.3 million currently accrued. However, we do not anticipate that our obligation would exceed \$0.6 million in any year or \$3 million in total. If the Zone creates sufficient tax increment funding to repay the City's debt prior to the expiration of the Agreement, we will be

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eligible to receive reimbursement of amounts paid for debt service shortfalls together with interest thereon.

- (d) Under the terms of various other partnership agreements for entities, the partners have the right to exchange their operating units for cash or the same number of our common shares, at our option. As of September 30, 2006, a total of 377,210 operating units are outstanding.

Table of Contents

- (e) In addition to our contractual obligations, we have other short-term liquidity requirements consisting primarily of normal recurring operating expenses, regular debt service requirements (including debt service relating to additional and replacement debt), recurring corporate expenditures including compensation agreements, non-recurring corporate expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. In addition, future rental commitments are not reflected as commitments until the underlying leased space has been delivered for use. Overall capital requirements will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of future phases of Santana Row and Assembly Square.

- (f) We are the guarantor for the non-recourse carve outs under mortgage notes totaling \$36.7 million that are secured by three properties owned by subsidiaries of our unconsolidated joint venture with affiliates of Clarion Lion Properties Fund, a discretionary fund created and advised by ING Clarion Partners. We are not guaranteeing the debt itself. The joint venture indemnifies us for any loss we incur under these guarantees.

- (g) Upon completion in or around the fourth quarter of 2006, we expect to take possession of approximately 37,000 square feet of retail space under a capital lease. The term of the capital lease is 99 years from the date of possession and requires annual cash payments of approximately \$374,000 and will be adjusted every 20 years based on the Consumer Price Index and other factors.

Table of Contents*Debt Financing Arrangements*

The following is a summary of our total debt outstanding as of September 30, 2006:

Description of Debt	Original	Principal Balance	Interest Rate	Maturity Date
	Debt	as of	as of	
	Issued	September 30, 2006	September 30, 2006	
(Dollars in thousands)				
Mortgage Loans (1)				
<i>Secured Fixed Rate</i>				
Leesburg Plaza	\$ 9,900	\$ 9,791	6.510%	October 1, 2008
164 E. Houston Street	345	110	7.500%	October 6, 2008
Mercer Mall	Acquired	4,529	8.375%	April 1, 2009
Federal Plaza	36,500	34,311	6.750%	June 1, 2011
Tysons Station	7,000	6,402	7.400%	September 1, 2011
Crow Canyon	Acquired	22,032	5.400%	August 11, 2013
Barracks Road	44,300	42,763	7.950%	November 1, 2015
Hauppauge	16,700	16,121	7.950%	November 1, 2015
Lawrence Park	31,400	30,311	7.950%	November 1, 2015
Wildwood	27,600	26,643	7.950%	November 1, 2015
Wynnewood	32,000	30,890	7.950%	November 1, 2015
Brick Plaza	33,000	31,751	7.415%	November 1, 2015
Mount Vernon (2)	13,250	12,341	5.660%	April 15, 2028
Bath	Acquired	10,036	7.130%	July 1, 2028
Chelsea	Acquired	8,416	5.360%	January 15, 2031
Subtotal		286,447		
Unamortized Net Premium		588		
Total Mortgage Loans		287,035		
Notes Payable				
<i>Unsecured Fixed Rate</i>				
Perring Plaza Renovation	3,087	1,672	10.00%	January 31, 2013
<i>Unsecured Variable Rate</i>				
Revolving credit facilities (3)	N/A	75,000	LIBOR + 0.425%	July 27, 2010
Escondido (Municipal Bonds) (4)	9,400	9,400	3.760%	October 1, 2016
Total Notes Payable		86,072		
Senior Notes and Debentures				
<i>Unsecured Fixed Rate</i>				
6.125% Notes (5)	150,000	150,000	6.325%	November 15, 2007
8.75% Notes	175,000	175,000	8.750%	December 1, 2009
4.50% Notes	75,000	75,000	4.500%	February 15, 2011
6.00% Notes	175,000	175,000	6.000%	July 15, 2012
5.65% Notes	125,000	125,000	5.650%	June 1, 2016
6.20% Notes	200,000	200,000	6.200%	January 15, 2017
7.48% Debentures (6)	50,000	50,000	7.480%	August 15, 2026
6.82% Medium Term Notes (7)	40,000	40,000	6.820%	August 1, 2027
Subtotal		990,000		
Unamortized Net Premium		2,488		

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Total Senior Notes and Debentures	992,488		
Capital Lease Obligations			
Various	147,901	Various	Various through 2077
Total Debt and Capital Lease Obligations	\$ 1,513,496		

-
- 1) Mortgage loans do not include our 30% share (\$23.2 million) of the \$77.4 million debt of the partnership with Clarion Lion Properties Fund.
 - 2) The interest rate is fixed at 5.66% for the first ten years and then will be reset to a market rate. The lender has the option to call the loan on April 15, 2013 or any time thereafter.
 - 3) The maximum amount drawn under our revolving credit facility during the nine months ended September 30, 2006 was \$246 million. The weighted average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 5.48% and 5.81% for the nine and three months ended September 30, 2006, respectively. On July 28, 2006, we refinanced our then-existing revolving credit facility with a new \$300.0 million unsecured revolving facility that matures on July 27, 2010, subject to a one-year extension at our option.

Table of Contents

- 4) The bonds require monthly interest only payments through maturity. The bonds bear interest at a variable rate determined weekly, which would enable the bonds to be remarketed at 100% of their principal amount. The property is not encumbered by a lien.
- 5) We purchased an interest rate lock to hedge a planned note offering. A hedge loss of \$1.5 million associated with this hedge is being amortized into the note offering, thereby increasing the effective interest rate on these notes to 6.325%.
- 6) Beginning on August 15, 2008, the debentures are redeemable by the holders thereof at the original purchase price of \$1,000 per debenture.
- 7) Beginning on August 1, 2007, the notes are redeemable by the holders thereof at the original purchase price of \$1,000 per note.
- Our credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of September 30, 2006, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt covenants and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a covenant under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares.

	Secured	Capital Lease (In thousands)	Unsecured	Total
Reminder of 2006	\$ 814	\$ 316	\$ 47	\$ 1,177
2007	4,500	1,330	150,204	156,034
2008	14,332	1,462	226	16,020
2009	9,302	1,658	175,250	186,210
2010	5,309	1,791	75,275(1)	82,375
2011 and thereafter (2)	252,190	141,344	675,070	1,068,604
	\$ 286,447	\$ 147,901	\$ 1,076,072	\$ 1,510,420(3)

Our organizational documents do not limit the level or amount of debt that we may incur.

- 1) Includes \$75 million outstanding under our revolving credit facility.
- 2) Includes \$12.3 million under the Mount Vernon mortgage loan that may be required to be paid on or after April 15, 2013 and \$90 million of unsecured debt that may be called by the holders beginning August 1, 2007 as to \$40 million thereof and beginning August 15, 2008 as to \$50 million thereof.
- 3) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium on certain mortgage loans, senior notes and debentures as of September 30, 2006.

Interest Rate Hedging

We enter into interest rate swaps and treasury rate locks that qualify as cash flow hedges under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We do not purchase derivatives for speculation. Our cash flow hedges are recorded at fair value. The effective portion of changes in fair value of our cash flow hedges is recorded in other comprehensive income and reclassified to earnings when the hedged item affects earnings. The ineffective portion of changes in fair value of our cash flow hedges is recognized in earnings in the period affected. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Hedge ineffectiveness did not have a significant impact on earnings in the nine months ended September 30, 2006 and 2005, and we do not anticipate it will have a significant effect in the future.

In January 2004, we entered into an interest rate swap to fix the LIBOR portion of our \$150 million term loan issued in October of 2003. This swap fixed the LIBOR portion at 2.401% through October 2006. The full notional amount of this swap qualified as a cash flow hedge until we repaid this loan on July 17, 2006.

REIT Qualification

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We intend to maintain our qualification as a REIT under Section 856(c) of the Code. As a REIT, we generally will not be subject to corporate federal income taxes on income we distribute to our shareholders as long as we satisfy certain technical requirements of the Code, including the requirement to distribute 90% of our REIT taxable income (including net capital gain) to our shareholders.

Table of Contents**Funds From Operations**

Funds from operations (FFO) is a supplemental non-GAAP financial measure of real estate companies' operating performance. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as follows: net income, computed in accordance with the U.S. GAAP, plus depreciation and amortization of real estate assets and excluding extraordinary items and gains and losses on the sale of real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income and net cash provided by operating activities. It should be noted that FFO:

does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income);

should not be considered an alternative to net income as an indication of our performance; and

is not necessarily indicative of cash flow as a measure of liquidity or ability to fund cash needs, including the payment of dividends. We consider FFO available for common shareholders a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of the real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation. We use FFO primarily as one of several means of assessing our operating performance in comparison with other REITs. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

An increase or decrease in FFO available for common shareholders does not necessarily result in an increase or decrease in aggregate distributions because our Board of Trustees is not required to increase distributions on a quarterly basis unless necessary for us to maintain REIT status. However, we must distribute 90% of our REIT taxable income (including net capital gain) to remain qualified as a REIT. Therefore, a significant increase in FFO will generally require an increase in distributions to shareholders although not necessarily on a proportionate basis.

The reconciliation of net income to funds from operations available for common shareholders is as follows:

	For the Nine Months Ended		For the Three Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
	(In thousands, except per share data)			
Net income	\$ 94,271	\$ 79,484	\$ 24,984	\$ 30,680
Gain on sale of real estate	(23,866)	(17,347)	(95)	(9,463)
Depreciation and amortization of real estate assets	65,452	61,754	21,570	20,506
Amortization of initial direct costs of leases	5,378	5,195	1,814	1,768
Depreciation of joint venture real estate assets	553	471	236	157
Funds from operations	141,788	129,557	48,509	43,648
Dividends on preferred stock	(8,607)	(8,607)	(2,869)	(2,869)
Income attributable to operating partnership units	660	573	182	215
Funds from operations available for common shareholders	\$ 133,841	\$ 121,523	\$ 45,822	\$ 40,994
Weighted average number of common shares, diluted (1)	53,815	53,405	54,066	53,559
Funds from operations available for common shareholders, per diluted share	\$ 2.49	\$ 2.28	\$ 0.85	\$ 0.77

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- (1) The weighted average common shares used to compute FFO per diluted common share includes operating partnership units that were excluded from the computation of diluted EPS. Conversion of these operating partnership units is dilutive in the computation of FFO per diluted common share but is anti-dilutive in the computation of diluted EPS for the periods presented.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our use of financial instruments, such as debt instruments, subjects us to market risk which may affect our future earnings and cash flows, as well as the fair value of our assets. Market risk generally refers to the risk of loss from changes in interest rates and market prices. We manage our market risk by attempting to match anticipated inflow of cash from our operating, investing and financing activities with anticipated outflow of cash to fund debt payments, dividends to common and preferred shareholders, investments, capital expenditures and other cash requirements.

We also enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes. We are exposed to credit loss in the event of non-performance by the counter party to our interest rate swap used to fix the LIBOR on a notional amount of \$150.0 million. The counterparty of this swap has a long-term debt rating of *A* by Standard and Poor's Rating Service and *A1* by Moody's Investor Service as of September 30, 2006. This swap expires on October 8, 2006.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our debt. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2028 or through 2077 including capital lease obligations) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At September 30, 2006 we had \$1.3 billion of fixed-rate debt outstanding. If interest rates on our fixed-rate debt instruments at September 30, 2006 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$65.8 million. If interest rates on our fixed-rate debt instruments at September 30, 2006 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$73.9 million.

Variable Interest Rate Debt

We believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At September 30, 2006, we had \$84.4 million of variable rate debt outstanding. Based upon this amount of variable rate debt, if interest rates increased 1.0%, our annual interest expense would increase by approximately \$0.8 million, and our net income and cash flows for the year would decrease by approximately \$0.8 million. Conversely, if interest rates decreased 1.0%, our annual interest expense would decrease by approximately \$0.8 million, and our net income and cash flows for the year would increase by approximately \$0.8 million.

ITEM 4. CONTROLS AND PROCEDURES**Periodic Evaluation and Conclusion of Disclosure Controls and Procedures**

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2006. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2006 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal controls over financial reporting during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In May 2003, First National Mortgage Company filed a complaint against us in the United States District Court for the Northern District of California. The complaint alleged that a one page document entitled Final Proposal, which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave First National Mortgage Company the option to require that we acquire the property at a price determined in accordance with a formula included in the Final Proposal. The plaintiff is seeking an unspecified amount of monetary damages. A trial as to liability only was held and on June 27, 2006, a jury rendered a verdict against us. We have filed a motion for judgment as a matter of law or, in the alternative, for a new trial. We are also requesting that the court certify the case for immediate appeal in the event the motion for judgment as a matter of law and motion for a new trial are denied. A hearing on these motions was held in September 2006. The court has not yet ruled on either of these motions. If our motions are denied and we are not successful in having the jury verdict reversed by an immediate appeal, the case will proceed to a trial on the issue of damages which will not occur for at least nine months. The complaint did not specify the amount of damages claimed and we cannot make a reasonable estimate of potential damages until experts are retained and additional discovery is completed on the damages issue.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 3, 2006 and amended on March 10, 2006. These factors include, but are not limited to, the following:

risks that our tenants will not pay rent or that we may be unable to renew leases or re-let space at favorable rents as leases expire;

risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that any redevelopment or renovation project that we do pursue may not perform as anticipated;

risks that the number of properties we acquire for our own account, and therefore the amount of capital we invest in acquisitions, may be impacted by our real estate partnership;

risks normally associated with the real estate industry, including risks that:

occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected,

completion of anticipated or ongoing property redevelopments or renovations may cost more, take more time to complete, or fail to perform as expected,

new acquisitions may fail to perform as expected,

competition for acquisitions could result in increased prices for acquisitions,

environmental issues may develop at our properties and result in unanticipated costs, and

because real estate is illiquid, we may not be able to sell properties when appropriate;

risks that our growth will be limited if we cannot obtain additional capital;

risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and

risks related to our status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Under the terms of various operating partnership agreements of certain of our affiliated limited partnerships, the interests of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or an equivalent number of our common shares, at our option. On September 29, 2006, we issued 25,000 common shares to redeem 25,000 operating partnership units. These shares were issued in reliance on an exemption from the registration requirements of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

None

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Not applicable.

Item 6. Exhibits

A list of exhibits to this Quarterly Report on Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

FEDERAL REALTY INVESTMENT TRUST

November 6, 2006 */s/ Donald C. Wood*
Donald C. Wood, President, Chief Executive Officer and
Trustee (Principal Executive Officer)

November 6, 2006 */s/ Larry E. Finger*
Larry E. Finger, Executive Vice President and Chief
Financial Officer (Principal Accounting Officer)

Table of Contents**EXHIBIT INDEX**

Exhibit No.	Description
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004 (previously filed as Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 1-07533) (the 2005 2Q Form 10-Q) and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004 and February 17, 2006 (previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-07533) (the 2005 Form 10-K) and incorporated herein by reference)
4.1	Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) (the 1999 Form 10-K) and incorporated herein by reference)
4.2	Articles Supplementary relating to the 8 1/2% Series B Cumulative Redeemable Preferred Shares (previously filed as Exhibit 4.1 to the Trust's Registration Statement on Form 8-A filed on November 26, 2001 (File No. 1-07533) (the 2001 Form 8-A) and incorporated herein by reference)
4.3	Specimen 8 1/2% Series B Cumulative Redeemable Preferred Share certificate (previously filed as Exhibit 4.2 to the 2001 Form 8-A and incorporated herein by reference)
4.4	Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 1 to the Trust's Registration Statement on Form 8-A/A filed on March 11, 1999 (File No. 1-07533) and incorporated herein by reference)
4.5	First Amendment to Amended and Restated Rights Agreement, dated as of November , 2003, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 4.5 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-07533) and incorporated herein by reference)
4.6	Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference)
4.7	Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009; 6/8% Notes due November 15, 2007; 4.50% Notes due 2011; 5.65% Notes due 2016; 6.00% Notes due 2012; and 6.20% Notes due 2017 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference)
4.8	Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust
10.1	Amended and Restated 1983 Stock Option Plan and 1985 Non-Qualified Stock Option Plan of Federal Realty Investment Trust (previously filed as exhibits to the Trust's Registration Statement in Form S-8 (File No. 33-55111), filed on August 17, 1994 and incorporated herein by reference)

Table of Contents**EXHIBIT INDEX**

Exhibit No.	Description
10.2	1985 Non-Qualified Stock Option Plan (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1985 (File No. 1-07533) and incorporated herein by reference)
10.3	1991 Share Purchase Plan (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 1-07533) and incorporated herein by reference)
10.4	Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997 and further amended on May 6, 1998 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-07533) and incorporated herein by reference)
10.5	Fiscal Agency Agreement dated as of October 28, 1993 between the Trust and Citibank, N.A. (previously filed as an exhibit to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File No. 1-07533) and incorporated herein by reference)
10.6	Form of Severance Agreement between the Trust and Certain of its Officers dated December 31, 1994 (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-07533) and incorporated herein by reference)
10.7	Performance Share Award Agreement dated as of February 9, 2000 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the 1999 Form 10-K and incorporated herein by reference)
10.8	Restricted Share Award Agreement dated as of February 9, 2000 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the 1999 Form 10-K and incorporated herein by reference)
10.9	Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the 1999 1Q Form 10-Q) and incorporated herein by reference)
10.10	Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by reference)
10.11	Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the 2004 Form 10-K) and incorporated herein by reference)
10.12	Amendment to Restricted Share Award Agreement dated December 8, 2000 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-07533) (the 2000 Form 10-K) and incorporated herein by reference)
10.13	Split Dollar Life Insurance Agreement dated August 12, 1998 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the 2000 Form 10-K and incorporated herein by reference)
10.14	Restricted Share Award Agreement dated as of February 15, 2000 between the Trust and Jeffrey S. Berkes (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-07533) (the 2001 Form 10-K) and incorporated herein by reference)

Table of Contents**EXHIBIT INDEX**

Exhibit No.	Description
10.15	Severance Agreement between the Trust and Jeffrey S. Berkes dated March 1, 2000 (previously filed as a portion of Exhibit 10 to the 2001 Form 10-K and incorporated herein by reference)
10.16	Amendment to Severance Agreement between Federal Realty Investment Trust and Jeff Berkes dated February 16, 2005 (previously filed as Exhibit 10.17 to the 2004 Form 10-K and incorporated herein by reference)
10.17	Severance Agreement dated March 1, 2002 between the Trust and Larry E. Finger (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-07533) (the 2002 2Q Form 10-Q) and incorporated herein by reference)
10.18	Amendment to Severance Agreement between Federal Realty Investment Trust and Larry Finger dated February 16, 2005 (previously filed as Exhibit 10.19 to the 2004 Form 10-K and incorporated herein by reference)
10.19	Combined Incentive and Non-Qualified Stock Option Agreement dated February 28, 2002 between the Trust and Larry E. Finger (previously filed as a portion of Exhibit 10 to the 2002 2Q Form 10-Q and incorporated herein by reference)
10.20	Performance Share Award Agreement between the Trust and Donald C. Wood dated February 28, 2002 (previously filed as a portion of Exhibit 10 to the 2002 2Q Form 10-Q and incorporated herein by reference)
10.21	Performance Share Award Agreement between the Trust and Jeffrey S. Berkes dated February 28, 2002 (previously filed as a portion of Exhibit 10 to the 2002 2Q Form 10-Q and incorporated herein by reference)
10.22	Amendment to Stock Option Agreement dated August 15, 2002 between the Trust and Dawn M. Becker (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (File No. 1-075330) (the 2002 3Q Form 10-Q) and incorporated herein by reference)
10.23	Amendment to Stock Option Agreement dated August 15, 2002 between Federal Realty Investment Trust and Jeffrey S. Berkes (previously filed as a portion of Exhibit 10 to the 2002 3Q Form 10-Q and incorporated herein by reference)
10.24	2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust's S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference)
10.25	Health Coverage Continuation Agreement between Federal Realty Investment Trust and Don Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference)
10.26	Severance Agreement between the Trust and Dawn Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust's 2005 2Q Form 10-Q and incorporated herein by reference)
10.27	Amendment to Severance Agreement between the Trust and Dawn Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference)
10.28	Form of Restricted Share Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.29	Form of Restricted Share Award Agreement for awards made under the Trust's Annual Incentive Bonus Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.29 to the 2004 Form 10-K and incorporated herein by reference)

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
10.30	Form of Option Award Agreement for options awarded under 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.30 to the 2004 Form 10-K and incorporated herein by reference)
10.31	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.32	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference)
10.33	Credit Agreement dated as of July 28, 2006, by and between the Trust, Wachovia Capital Markets LLC, Wachovia Bank, National Association and various other financial institutions (previously filed as Exhibit 10.1) to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 31, 2006 and incorporated herein by reference)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer (filed herewith)