

STEAK & SHAKE CO
Form 10-K/A
May 20, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K/A
[Amendment No. 1]

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

For the fiscal year ended September 29, 2004

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

For the transition period from to

Commission file number 0-8445

THE STEAK N SHAKE COMPANY

(Exact name of registrant as specified in its charter)

INDIANA 37-0684070

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

36 S. Pennsylvania Street, Suite 500
Indianapolis, Indiana 46204
(317) 633-4100

(Address and telephone number of registrant's principal executive offices)
Securities registered pursuant to Sec. 12(b) of the Act:

Title of Each Class on Which Registered

Name of Exchange

Common Stock, stated value \$.50 per share
Preferred Stock Purchase Rights
New York Stock Exchange

New York Stock Exchange

Securities registered pursuant to Sec. 12(g) of the Act: None.

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act rule 12b-2). Yes No

The aggregate market value of Common Stock held by persons not "affiliated" with the registrant, based on the closing price of the Common Stock at April 7, 2004, was approximately \$524,695,120.

The number of shares of Common Stock outstanding at December 1, 2004 was 27,622,964.

DOCUMENTS INCORPORATED BY REFERENCE

PARTS OF FORM 10-K INTO WHICH

IDENTITY OF DOCUMENT DOCUMENT IS INCORPORATED

Registrant's Annual Report to Shareholders for fiscal year
ended September 29, 2004

Part II

The definitive Proxy Statement to be filed with respect
to the 2005 Annual Meeting of Shareholders of Registrant

Part III

Explanatory Note

The purpose of this amendment on Form 10-K/A of The Steak n Shake Company ("the Company") for the fiscal year ended September 29, 2004 is to restate the Company's consolidated financial statements for the fiscal years 2004, 2003 and 2002 and related disclosures as described in Note 2 to the consolidated financial statements, including the selected financial data included herein as of and for the fiscal years 2004, 2003, 2002, 2001 and 2000. Additional information about the decision to restate these consolidated financial statements can be found in the Company's Current Report on Form 8-K, filed with the SEC on May 16, 2005.

For the convenience of the reader, this Form 10-K/A includes all of the information contained in the original report on Form 10-K, and no attempt has been made in this Form 10-K/A to modify or update the disclosures presented in the original report on Form 10-K, except as required to reflect the effects of the restatement. This Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update those disclosures, including the exhibits to the Form 10-K affected by subsequent events. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-K on December 6, 2004. Accordingly, the Form 10-K/A should be read in conjunction with the Company's filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-K, including amendments to those filings. The following items have been amended as a result of the restatement:

- Part II - Item 6 - Selected Financial Data
- Part II - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations
 - Part II - Item 8 - Financial Statements and Supplementary Data
 - Part II - Item 9A - Controls and Procedures
 - Part IV - Item 15 - Exhibits and Financial Statement Schedules

We have not amended and do not intend to amend the Company's previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement other than the Form 10-K for the fiscal year ended September 29, 2004 and the Form 10-Q for the fiscal quarter ended December 22, 2004. For this reason, the consolidated financial statements, reports of independent registered accounting firms and related financial information for the affected periods contained in any other prior reports should no longer be relied upon.

Description of Restatement

Historically, when accounting for ground leases with renewal options, the Company depreciated its buildings over a period of 25 years (estimated economic life of buildings). In certain cases, the term of 25 years included both the initial lease term and certain renewal option periods under the lease. The Company recorded rent expense from the rent commencement date through the initial term of the lease. The restatement reflects rent expense being recognized on a straight-line basis over the lease term, including any additional cancelable option periods where failure to exercise such options would have resulted in an economic penalty.

Additionally, the Company had recognized rent expense for its operating leases using a lease term that commenced when rent payments began, which generally coincided with a point in time near the date the Company's restaurants opened. This generally had the effect of excluding the restaurant build-out period (during which the Company typically made no rent payments) from the calculation of the period over which rent was expensed. The Company has determined that, under GAAP, it should have recognized rent expense over a lease term that included the build-out period, which, in most cases, will cause rent expense to be recognized sooner than previously reported. The restatement reflects rent expense beginning in the build-out period.

The Company has also determined that certain build-to-suit leases should have been treated as sale leaseback transactions to more fully reflect the provisions of Statement of Financial Accounting Standards No. 98, "Accounting for Leases" and Emerging Issues Task Force 97-10, "The Effect of Lessee Involvement in Asset Construction." Under an interpretation of the statement, the Company was determined to have continued involvement in the property, which required the proceeds from these build-to-suit leases to have been accounted for as a "finance obligations," reflected as a liability and amortized over the life of the related lease. The related assets should be depreciated over their estimated useful lives. The restatement reflects lease payments on the above mentioned leases being recorded as interest expense and debt repayment, as opposed to rent expense. In addition, the Company recorded additional depreciation expense for the related assets.

The total impact of the adjustments reduced the Company's net income for the fiscal years ended September 29, 2004, September 24, 2003, and September 25, 2002 by \$71,000, \$78,000 and \$97,000 respectively. Additionally, beginning retained earnings for the fiscal year ended September 25, 2002 were reduced by \$537,000.

PART I.

ITEM 1. BUSINESS

General

The Steak n Shake Company ("Steak n Shake" or the "Company") is engaged primarily in the ownership, operation and franchising of Steak n Shake restaurants. Founded in 1934 in Normal, Illinois, Steak n Shake is one of the oldest restaurant chains in the country. As of September 29, 2004, we had 365 Company-owned restaurants and 60 franchised restaurants, located in 19 Midwestern and Southern states. Steak n Shake restaurants are generally open 24 hours a day, seven days a week, and in addition to the core menu, offer a breakfast menu during breakfast hours. Lunch and dinner sales account for approximately 36.4% and 45.1% of sales, respectively, while breakfast and late night sales account for 6.9% and 11.6% of sales, respectively.

Our fiscal year ends on the last Wednesday in September. Accordingly, every five or six years, our fiscal year contains fifty-three weeks. Fiscal year 2004 contained fifty-three weeks, while fiscal years 2003 and 2002 contained fifty-two weeks. Our first, third, and fourth quarters contain twelve weeks and the second quarter contains sixteen weeks (except in fiscal years when there are fifty-three weeks, in which case the fourth quarter contains thirteen weeks).

The Steak n Shake Concept

We strive to be the best restaurant in the world at providing guests a genuine, classic community diner experience with STEAKBURGER® sandwiches and hand-dipped milk shakes. We occupy a distinct niche in the restaurant industry by offering full-service dining with counter and dining room seating, as well as drive-thru and carryout service. Counter and dining room sales represent approximately two-thirds of the sales mix, while sales for off-premises dining represent approximately one-third of the sales mix. Unlike some fast-food restaurants, all Steak n Shake food is freshly prepared, cooked-to-order in view of the guest, and served promptly on china with flatware and glassware by a friendly team of wait staff. Our prices are generally less than most casual dining and family-style concepts with an average check of approximately \$6.37 per person. The average check during the peak lunch and dinner hours is approximately \$6.34 and \$6.63, respectively.

We believe that Steak n Shake offers more compelling value and core menu items with a higher level of quality than competitor fast food and casual dining chains. For 70 years, Steak n Shake's menu has featured core items including STEAKBURGER® sandwiches, thin and crispy french fries and hand-dipped milk shakes. We believe that our focus on certain menu items has allowed us to serve consistent, high-quality food, that has built brand loyalty with our guests. Menu items are prepared in accordance with our strict specifications using high-quality ingredients such as 100% pure U.S. beef, including cuts of T-bone, strip and sirloin steaks, in our STEAKBURGER® sandwiches. Over the years, we have responded to changing guest tastes by providing greater menu variety without losing our focus or guest appeal. During the current year, we expanded our menu by offering Side-by-Side® Milk Shakes and hot fudge shots for our milk shakes.

Expanding the Concept

Controlled growth into both new and existing trade areas has been a focus over the last several years. During fiscal year 2004, we opened sixteen new units and franchisees opened three new units, with the majority of new Company-owned units being built in the Ohio and Texas markets. This level of expansion has allowed us to build field organizational quality and stability while focusing on improving each and every guest experience through hospitality initiatives; improve the depth of the field organization through improved recruitment and higher retention; enhance training and staff development; and aggressively market the brand through unique differentiation brand

marketing. The Company currently expects to open between eighteen and twenty-four Company-owned Steak n Shake restaurants in fiscal year 2005. The actual number of openings will depend on many factors, including the ability to locate appropriate sites, negotiate acceptable purchase or lease terms, obtain necessary local governmental permits, complete construction, and recruit and train restaurant management and hourly associates.

Our controlled expansion program is based upon a market penetration strategy focused on clustering restaurants in current or contiguous trade areas to capitalize on our name recognition, increase guest convenience and achieve media and operating efficiencies. The addition of Company-owned restaurants in markets where our television marketing efforts have already been implemented, allows us to leverage our advertising costs over more units and to benefit from management efficiencies. In existing media markets, our advertising expenditures create higher levels of customer recognition and greater market acceptance for new units.

We believe the site selection process is critical to the success of our restaurants, and senior management devotes significant time and resources to analyzing each prospective site. We consider a variety of factors in the site selection process, including local market demographics, site visibility and accessibility, highway interchanges and proximity to significant generators of potential guests such as major retailers, housing communities and businesses.

A final element of our expansion program is franchising. Our franchising program is designed to extend brand name recognition of Steak n Shake and derive additional revenues without substantial investment by the Company. As part of our continual planning process, management reviews the relationship of the number of Company-owned to franchised restaurants and the selection of areas for development by the Company and our franchisees. Our expansion plans include selectively seeking new franchisees to help grow the Steak n Shake brand by focusing on areas where the Company does not currently have plans to build enough stores to merit the infrastructure necessary to support those markets. (See "Franchising")

Restaurant Locations

The following table lists the locations of the 425 Steak n Shake restaurants, including 60 franchised units, as of September 29, 2004:

	Company-Owned	Franchised	Total
Alabama	6	-	6
Florida	72	-	72
Georgia	7	16	23
Iowa	4	-	4
Illinois	57	6	63
Indiana	59	3	62
Kansas	4	-	4
Kentucky	6	8	14
Michigan	19	-	19
Mississippi	-	1	1
Missouri	43	14	57
North Carolina	-	6	6
Ohio	60	-	60
Oklahoma	-	1	1
Pennsylvania	3	-	3
South Carolina	2	-	2
Tennessee	9	5	14
Texas	13	-	13
Wisconsin	1	-	1

Total	365	60	425
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Restaurant Operations

The key to growing our customer base is to ensure our guests have an enjoyable dining experience when they step through our doors or visit our drive-thru windows. To ensure a positive guest experience, we must have competent and skilled restaurant management at each of our locations. The management team of a typical Steak n Shake restaurant consists of a general manager, a restaurant manager and assistant managers. The number of assistant managers varies depending upon the volume of the unit. The general manager of each restaurant has primary responsibility for the day-to-day operations of the restaurant and is responsible for maintaining Company-established operating standards and procedures. The general manager holds the responsibility for the profitability of each unit and his/her bonus is derived from the store level profitability against the financial plan. In addition to the day-to-day operations, the general manager is very involved with the planning and budgeting for each restaurant. An experienced, well-trained general manager promotes compliance with our high standards for food quality and guest service, and ensures that all health and safety requirements are met and that the restaurant complies with applicable state labor laws. We seek to employ managers who are guest service oriented and who manage the restaurant from the dining room. We recognize the important role of a seasoned, well-trained and properly motivated restaurant team.

The competition for attracting new managers is intense. Therefore, we foster a promote from within approach. To develop the talented bench strength needed for continued internal promotions, people development is one of our highest priorities. As part of our commitment to improving our standards of execution, we emphasize strengthening the skills and capabilities of each restaurant team through innovative selection, development, evaluation, and reward systems. Associates are encouraged to learn new skills to foster their professional growth and to create greater opportunities for advancement. The management development process ensures that we not only meet our current management needs, but that we are also able to meet our future growth needs.

Guest Satisfaction and Quality Control

For 70 years, our reputation and long-standing guest loyalty have been earned by the consistent quality of the dining experience. The success of Steak n Shake depends on our associates' consistent commitment to exceed the guests' expectations. During the current year, we have initiated a new guest satisfaction measurement tool, which provides guests the opportunity to evaluate us on delivering a quality dining experience. The information received from the guests is real-time, and allows us to address issues in an expeditious and effective manner.

Restaurant management is responsible for ensuring the restaurants are operated in accordance with strict operational procedures and quality requirements. Compliance for Company-owned units is monitored through the use of guest comment cards, guest satisfaction surveys, a mystery shopping program, frequent on-site visits and formal inspections by management and training personnel. Franchised restaurants are monitored through periodic inspections by the Company's franchise field operations personnel and a mystery shopping program, in addition to their own internal management oversight.

Purchasing and Distribution Center Operations

We operate a distribution center in Bloomington, Illinois from which food products (except for items purchased by the restaurants locally such as bakery goods, produce and dairy products) and restaurant supplies are delivered to 113 Company-owned and 16 franchised restaurants. The restaurants served are located in parts of the Midwest (primarily in Illinois, Missouri, Iowa and Wisconsin). Our semi-trailers have the capability to handle refrigerated and frozen products along with dry goods in the same delivery trip. The remaining Steak n Shake restaurants, located primarily in the Southeast, Texas, and parts of the Midwest (primarily Indiana, Ohio, Michigan, and Tennessee) obtain food products and supplies that meet the Company's quality standards and specifications from two separate independent distributors; one with locations in Orlando, Florida and Pryor, Oklahoma, and the other with a location in Zanesville, Ohio.

Purchases are negotiated centrally for most food and beverage products and supplies to ensure uniform quality, adequate quantities and competitive prices. Short-term forward buying contracts are utilized to facilitate the availability of products pursuant to our specifications and to lessen our exposure to fluctuating prices. Food and supply items undergo ongoing research, development and testing in an effort to maintain the highest quality products and to be responsive to changing consumer tastes.

Branding

For 70 years we have embraced our heritage by offering a core product mix of STEAKBURGER® sandwiches and hand-dipped milk shakes to our guests. As times have changed, we have enhanced our menu to offer new menu offerings to our guests. For instance, during the current year we added the innovative Side-by-Side® milk shakes, which allows the guest to choose any two flavors of milk shakes and have them served side-by-side in one glass. This new concept has been well received by guests. Also introduced during fiscal year 2004 were the Sippable Sundae®, which includes adding hot fudge to any milk shake and the branded TAKHOMACARD® gift card.

We communicate our niche value positioning to the consumer via a branded differentiation marketing strategy. Marketing platforms are product benefit directed and explain why Steak n Shake is superior to fast food alternatives by using a fun, irreverent, tongue-in-cheek humorous approach in our advertising campaigns. This "voice of the restaurant" defines our brand personality, recalling a day when life was simpler, friendlier, and less stressful. By coupling this branding approach with real consumer benefits, existing guests are encouraged to visit more often and new guests are encouraged to try a STEAKBURGER® sandwich and a milk shake. Print, outdoor and local marketing promotions are also utilized, but the most effective and efficient media form remains television, as it sells Steak n Shake with sight, sound, motion, and emotion.

Our marketing thrust is driven by new product news and is directed towards building brand loyalty and increasing purchase frequency. Value at Steak n Shake is based on exceeding guests' expectations by delivering freshly prepared, cooked-to-order, quality food served promptly by a friendly, well-trained staff.

Franchising

We designed our franchising program to extend the brand name recognition of Steak n Shake to areas where we have no current development plans, and to derive additional revenues without substantial investment. Our expansion plans include selectively seeking new franchisees to help grow the Steak n Shake brand, along with expanding relationships with current franchisees.

As of September 29, 2004, we had 60 franchised Steak n Shake restaurants operated by 15 franchisees, located in Georgia, Illinois, Indiana, Kentucky, Mississippi, Missouri, North Carolina, Oklahoma, and Tennessee. These restaurants are located in areas contiguous to markets in which there are Company-owned restaurants. As of September 29, 2004, we have commitments from existing franchisees for the development of five additional franchised restaurants in fiscal 2005.

Franchisees undergo a selection process supervised by the Vice President, Franchising, and require final approval by senior management. We seek franchisees with the financial resources necessary to fund successful development (minimum of \$1,500,000 net worth, \$500,000 liquid assets) and significant experience in the restaurant/retail business who have demonstrated the financial and management capabilities required to operate a franchised restaurant effectively.

We assist franchisees with both the development and the ongoing operation of their restaurants. Our management personnel assist with site selection, approve all franchise sites and provide franchisees with prototype plans and specifications for construction of their restaurants. Our training staff provides both on-site and off-site instruction to franchised restaurant management associates. Managers of franchised restaurants are required to obtain the same

training as managers of Company-owned units. Our support continues after a restaurant opening with periodic training programs, providing manuals and updates relating to product specifications, guest service and quality control procedures, advertising and marketing materials and assisting with particular advertising and marketing needs. Franchise field representatives visit all franchisees quarterly to support the successful operation of their restaurants. We also make available to franchisees certain accounting services and management information reports prepared at the corporate office for a monthly fee, based on our actual costs.

All franchised restaurants are required, pursuant to their respective franchise agreements, to serve Steak n Shake approved menu items. Although not required to do so, franchisees served by our distribution center purchase food, supplies and smallwares at our cost, plus a markup to cover the cost of operation, including freight for delivery. Our point-of-sale systems are also available for purchase by franchisees. Access to these services enables franchisees to benefit from our purchasing power and assists us in monitoring compliance with our standards and specifications for uniform quality.

The standard Steak n Shake franchise agreement generally has an initial term of 20 years. Among other obligations, the agreement requires franchisees to pay an initial franchise fee of \$40,000 for the first restaurant in a market, \$35,000 for the second unit, and \$30,000 for each subsequent unit, and a continuing royalty of 4% of monthly gross receipts. The standard franchise agreement also requires the franchisee to pay 5% of monthly gross sales to the Company for advertising, of which 80% is spent on local, regional or national marketing and 20% is used by Steak n Shake for creative and promotional development, outside independent marketing agency fees and technical and professional marketing advice.

In certain circumstances, our financing subsidiary, SNS Investment Company, Inc., will assist qualified franchisees in financing the development of one or more franchised restaurants by purchasing or leasing approved sites from third parties, constructing the restaurant and leasing or subleasing the finished facility to the franchisee. The lease terms and rentals, including a surcharge by the Company for administrative services, are negotiated based on prevailing real estate and construction costs in effect in the franchised area. As of September 29, 2004, six restaurants were financed through this subsidiary.

For more information on franchising opportunities, visit our website at www.steaknshake.com/franchise.

Competition

The restaurant business is one of the most intensely competitive industries in the United States, with price, menu offerings, location and service all being significant competitive factors. Our competitors include national, regional and local chains, as well as local establishments. In all of our current and proposed future market areas, there are established competitors with financial and other resources, which are greater than our resources. We face competition for sites on which to locate new restaurants, as well as for restaurant associates and guests. The restaurant business is often affected by changes in consumer tastes and by national, regional and local economic conditions and demographic trends. The performance of individual restaurants may be affected by factors such as traffic patterns, demographic factors, harsh weather conditions, and the type, number and location of competing restaurants. Additional factors that may adversely affect the restaurant industry in general, and our restaurants in particular, are inflation of food, labor and associate benefit costs, negative publicity surrounding food quality or safety issues, and difficulty in attracting qualified management personnel and hourly associates.

Seasonal Aspects

We have substantial fixed costs, which do not decline as a result of a decline in sales. Our first and second fiscal quarters, which include the winter months, usually reflect lower average weekly unit volumes as compared to the third and fourth fiscal quarters. Additionally, sales in the first two fiscal quarters can be adversely affected by severe winter weather. We also may be negatively affected by adverse weather during the first and fourth fiscal quarters as hurricanes and tropical storms may impact the Southeastern portion of the United States, where we have a significant number of restaurants.

Employees

As of September 29, 2004, we employed approximately 20,000 associates, of which approximately two-thirds are part-time hourly associates. We consider our employee relations to be good and believe that we provide working conditions and wages that compare favorably with the industry.

Trademarks

"Steak n Shake®", "Takhomasak®", "Famous For Steakburgers®", "FAXASAK®", "Original Steakburger®", "In Sight It Must Be Right®", "Steak n Shake - It's a Meal®", "The Original Steakburger®", "The "Wing and Circle"® logo", "Steak n Shake Famous For Steakburgers®", "Steak n Shake In Sight it Must be Right®", "Takhomacup®", "Takhomasak®", and the Company's "storefront design" ® are among the federally registered trademarks and servicemarks owned by the Company. "Takhomacard™", "Banawberry™", "Banocolate™", "Chocawberry™", "High-n-Low™", "Orangilla™", "Side-by-Side™", "Sippable Sundaes™", "Strawnilla™", "Up-n-Down™", "Vanawberry™", "Vanoch", "Vanocolate™" are among the trademarks and service marks owned by the Company for which federal registration applications are currently pending. The Company protects its trademark rights by appropriate legal action whenever necessary.

Government Regulation

We are subject to various federal, state and local laws effecting our business. Each of our restaurants is subject to licensing and regulation by a number of governmental authorities, including health and safety and fire agencies in the state and municipality in which the restaurant is located. 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.

Our restaurant operations are also subject to federal and state minimum wage laws and laws governing such matters as working conditions, child labor, overtime and tip credits. Many of our restaurant associates are paid at rates related to the federal and state minimum wage laws, and accordingly, further increases in the minimum wage would increase our labor costs.

As of September 29, 2004, we have franchise operations in nine states -- Georgia, Illinois, Indiana, Kentucky, Mississippi, Missouri, North Carolina, Oklahoma, and Tennessee -- and are subject to certain federal and state laws controlling the offering and conduct of our franchise business in those states. In addition, we are subject to franchise registration requirements in several states in which we are now conducting or will conduct franchise business in the future.

Geographic Concentration

During fiscal 2004, approximately 47.6% of our net sales were derived from five markets: St. Louis, Missouri (13.4%); Indianapolis, Indiana (12.7%); Orlando, Florida (7.6%); Chicago, Illinois (7.4%); and Tampa, Florida (6.5%). As a result, our results of operations may be materially affected by weather, economic or business conditions within these markets. Also, given our present geographic concentration, adverse publicity relating to Steak n Shake restaurants could have a more pronounced overall adverse effect on our sales than might be the case if our restaurants were more broadly dispersed.

Shareholder Rights Plan

On May 16, 2001, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Plan"). Under the Plan, rights have been attached to the outstanding shares of Common Stock at the rate of one right for each share of Common Stock held by shareholders of record at the close of business on May 31, 2001. The rights will become exercisable only if a person or group of affiliated persons (an "Acquiring Person") acquires 15% or more of the Company's Common Stock or announces a tender offer or exchange offer that would result in the acquisition of 30% or more of the outstanding Common Stock. At that time, the rights may be redeemed at the election of the Board of Directors. If not redeemed, then prior to the acquisition by the Acquiring Person of 50% or more of the outstanding Common Stock of the Company, the Company may exchange the rights (other than rights owned by the Acquiring Person, which would have become void) for Common Stock (or other securities) of the Company on a one-for-one basis. If not exchanged, the rights may be exercised and the holders may acquire one one-hundredth of a share of Preferred Stock of the Company for \$40.00. Each one one-hundredth of a share of Preferred Stock carries the same voting rights as one share of Common Stock. Each right may also be exchanged for shares of the Company's Common Stock having a value of two times the exercise price. If the Acquiring Person engages in a merger or other business combination with the Company, the rights would entitle the holders to acquire shares of the Acquiring Person having a market value equal to twice the exercise price of the rights. The Plan will expire in May 2011. The Plan is intended to protect the interests of the Company's shareholders against certain coercive tactics sometimes employed in takeover attempts.

Information Available on our Web Site

We make available through our web site, free of charge, our filings with the Securities and Exchange Commission ("SEC") as soon as reasonably practicable after we file them electronically with, or furnish them to, the SEC. The reports we make available include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, registration statements, and any amendments to those documents. In addition, corporate governance documents such as our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Whistleblower Policy, Nominating and Corporate Governance Committee Charter, Compensation Committee Charter, and Audit Committee Charter are posted on our web site and are available without charge upon written request. The Company web site link is www.steaknshake.com and the link to SEC filings and corporate governance documents is www.steaknshake.com/investing.html. The Company's website and the information contained therein or connected

thereto are not intended to be incorporated into this report on Form 10-K/A.

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Executive Officers of the Registrant

The following table sets forth, as of September 29, 2004, the names, ages, and positions held with the Company and its subsidiaries, and the date on which service in such capacities began, of the executive officers of the Company and its subsidiaries:

Name	Age	Position with Company	Since
K e v i n F Beauchamp	.47	Vice President -	
		The Steak n Shake Company	1993
Jeffrey A. Blade	43	Steak n Shake Operations, Inc.	1997
		Senior Vice President, Chief Financial Officer -	
B. Charlene Boog	72	The Steak n Shake Company	2004
		Steak n Shake Operations, Inc.	2004
Roxanne Crosby	51	Associate Vice President -	
		The Steak n Shake Company	1997
Kevin E. Dooley	61	Senior Vice President -	
		The Steak n Shake Company	2003
Peter Dunn ⁽¹⁾	49	Steak n Shake Operations, Inc.	2003
		Vice President -	
K e n n e t h L Faulkner	.41	Steak n Shake Operations, Inc.	1993
		President -	
 		The Steak n Shake Company	2002
		Steak n Shake Operations, Inc.	2002
		Chief Executive Officer -	
		The Steak n Shake Company	2004
		Steak n Shake Operations, Inc.	2004
		Vice President -	