

---

# BIGLARI CAPITAL CORP.

## Form ADV Part 2A

---

March 2017

This brochure provides information about the qualifications and business practices of Biglari Capital Corp. (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at (210) 344-3400. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BIGLARI CAPITAL CORP.  
17802 IH 10 West, Suite 400  
San Antonio, Texas 78257  
(210) 344-3400

## Item 2: Material Changes

The brochure is our annual update pursuant to the business of Biglari Capital Corp. since the Adviser's last Form ADV Part 2A.

There have been no material changes since the firm's last posting of the Form ADV in March 2016.

This update should be reviewed in its entirety.

### Item 3: Table of Contents

Item 1	Cover Page .....	i
Item 2	Material Changes.....	ii
Item 3	Table of Contents .....	iii
Item 4	Advisory Business.....	1
Item 5	Fees and Compensation.....	1
Item 6	Performance-Based Fees and Side-By-Side Management.....	1
Item 7	Types of Clients.....	2
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	2
Item 9	Disciplinary Information .....	7
Item 10	Other Financial Industry Activities and Affiliations.....	8
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	9
Item 12	Brokerage Practices .....	11
Item 13	Review of Accounts .....	13
Item 14	Client Referrals and Other Compensation .....	13
Item 15	Custody.....	13
Item 16	Investment Discretion.....	13
Item 17	Voting Client Securities .....	14
Item 18	Financial Information .....	14
Item 19	Requirements for State-Registered Advisers .....	14

#### Item 4: Advisory Business

The Adviser is an investment advisory company founded in 2000 by Sardar Biglari, the sole shareholder of the Adviser. All investment, operating and capital allocation decisions are made by Sardar Biglari.

The Adviser serves as the general partner to The Lion Fund, L.P. and The Lion Fund II, L.P. (each a “Fund” and together, the “Funds”), investment limited partnerships formed under Delaware law. The Lion Fund, L.P. and The Lion Fund II, L.P. are engaged in a number of investment activities in the pursuit of maximizing the eventual net worth of its partners. The Adviser tailors its advisory services to the specific needs of the Funds, taking into account the particular strategies of the Funds as well as the legal and/or tax implications of making certain investments.

As of December 31, 2016, the Adviser managed approximately \$1.3 billion – all on a discretionary basis.

#### Item 5: Fees and Compensation

Incentive Allocation. For each year, the Adviser is entitled to receive a performance allocation of 25% of the net profits allocated to each investor in the Funds, in excess of a hurdle rate. The performance allocation is subject to a highwater mark.

Expenses. Expenses incurred by the Funds are limited to legal, audit, accounting, reporting and all transaction fees and commissions incurred from trading, including interest charges and margin borrowing, custodial and bank service fees. All other Fund expenses are borne by the Adviser either directly or through a shared services agreement (as discussed in Section 10 below). Additional information about brokerage and other transaction costs can be found in Item 12 below.

#### Item 6: Performance-Based Fees and Side-By-Side Management

The Adviser accepts performance-based fees from the Funds. As a result, the Adviser does not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients but not from other clients.

## Item 7: Types of Clients

The Adviser provides investment advisory services to the Funds, which are private investment partnerships.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

### Investment Objectives and Approach

The Funds are engaged in a number of investment activities in the pursuit of maximizing the eventual net worth of its partners. The most important of these activities is seeking generally undervalued securities. There is, however, no bias in choosing from any investment category; all investments are selected to achieve the highest return as measured by “mathematical expectation”. Each Fund is authorized to invest up to 100% of its assets in securities of affiliates, including but not limited to (i) each Fund, and (ii) Biglari Holdings Inc.

All investment and capital allocation decisions are made for the Funds through the Adviser by Sardar Biglari.

The Adviser’s allegiance is to a strategy centered on returns, not on asset allocation. The Adviser does not possess an immovable capital allocation mindset. Because the Adviser is flexible, it evaluates multiple scenarios in order to seek high risk-adjusted returns.

The strategies and operations involve a variety of material risks, including, but not limited to, the following:

Trading on Non-U.S. Exchanges. The Funds may engage in trading on foreign exchanges and other markets located outside of the United States. Non-U.S. exchanges generally are less regulated than U.S. exchanges, and trading on non-U.S. exchanges may involve some risks that are not applicable to trading on U.S. exchanges, such as lack of investor protection regulation, possible governmental intervention in the market, risks associated with relatively new markets and exchange-rate exposure.

Control Investments. Control investments are ones in which the Fund owns a sizable block of stock; namely, the Fund becomes a dominant shareholder. There may be instances when the Funds will be restricted from transacting in or redeeming a particular investment as a result of the size of their investments, the Adviser's possession of material non-public information or the Adviser's control investment strategy.

Trading in Securities and Other Investments That May Be Illiquid. The Funds may own restricted or non-publicly traded securities and securities listed on non-U.S. exchanges. These investments could impede or prevent the Funds from promptly liquidating positions due to the limitations of Rule 144 or otherwise, and could subject the Funds to substantial losses.

Highly Volatile Markets. The prices of financial and derivative instruments in which the Funds may invest can be highly volatile. Price movements of equity, debt and other securities and instruments in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Moreover, war, political or economic crisis or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. In addition, governments from time to time intervene in markets, directly and by regulation, particularly those in currencies, financial instrument futures and options. These types of interventions are often intended directly to influence prices and may, together with other factors, cause all of those markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds also are subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouse. Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that the Funds' strategies will be successful in those markets.

Leverage and Financing Risk. The Funds may pledge their securities in order to borrow additional funds for investment purposes. The Funds may also utilize options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings that a Fund may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund that would be greater than if the Fund were not leveraged.

Certain Derivative Investments. A Fund may buy or sell (write) both call options and put options, and when they write options, they may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is "covered" when the writer has an open short position in securities of the relevant class and amount. A Fund's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which a Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial.

In general, the principal risks involved in options trading can be described as follows. When a Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of its investment in the option (including commissions). When a Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered". If it is covered, then a Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the

underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss a Fund might suffer as a result of owning the security.

Swaps and some types of options and other bespoke financial instruments are subject to the risk of non-performance by the counterparty to those financial instruments, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk.

Short Selling. Short selling involves selling securities that are not owned by the short seller and delivering borrowed securities to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent the decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Fund engages in short sales will depend upon the Adviser's investment strategy and opportunities. In some cases, a short sale creates the risk of a theoretical unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that a Fund will be able to maintain the ability to borrow securities sold short.

Forward Trading. A Fund may engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward trading (to the extent forward contracts are not traded on exchanges) and "cash" trading are substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which participants in these markets have refused to quote prices for currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Fund due to unusually high trading volume, political intervention or other factors.



In connection with its possible trading in non-U.S. currency forward contracts, a Fund may contract with a non-U.S. or domestic bank to make or take future delivery of a specified lot of a particular currency for the Fund's account. Banks and futures commission merchants with which a Fund may maintain accounts may require it to deposit margin with respect to this type of trading. Banks are not required to continue to make markets in these contracts. Arrangements to trade forward contracts may be made with only one or a few banks, and liquidity problems therefore might be greater than if these types of arrangements were made with numerous banks. The imposition of credit controls by governmental authorities might limit forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Fund. With respect to its trading of forward contracts with banks, if any, a Fund will be subject to the risk of bank failure and the inability of, or refusal by, a bank to perform with respect to these types of forward contracts. Any default would deprive a Fund of any profit potential or force it to cover its commitments for resale, if any, at the current market price, and could result in a loss to the Fund.

The regulatory and tax environment for derivative instruments in which a Fund may participate is evolving, and changes in the regulation or taxation of these instruments may materially adversely affect their value and the ability of the Fund to pursue their investment strategies.

Litigation and Regulatory Investigations. Some of the tactics that the Adviser may use involve litigation. Either Fund could be a party to lawsuits either initiated by it, by a company in which such Fund invests, by other shareholders, or by state and federal governmental bodies. There can be no assurance that any litigation, once begun, would be resolved in favor of the Funds, and there is a risk of monetary damages and equitable relief against the Funds. In addition, the Adviser is subject from time to time (and especially in the context of a proxy contest), to formal or informal investigations or inquiries by the SEC and other governmental and self regulatory organizations in connection with its activities. Litigation and regulatory investigations may involve significant expenses to the Funds. Any litigation in which a Fund or a target company is involved could be expensive, and therefore adversely affect such Fund's performance.

Repurchase and Reverse Repurchase Agreements. The Funds may enter into repurchase and reverse repurchase agreements. When a Fund enters into a repurchase agreement, it “sells” securities issued by the U.S. or a non-U.S. government, or an agency of either thereof, or corporate bonds of U.S. and non-U.S. issuers, to a broker-dealer or financial institution; and receives the “purchase price” for the securities “sold”; and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, a Fund “buys” securities issued by the U.S. or a non-U.S. government, or agency thereof, or corporate bonds of U.S. and non-U.S. issuers, from a broker-dealer or financial institution, and pays the “purchase price” therefore, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Fund involves certain risks and costs. For example, if the seller of securities to a Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, such Fund will seek to dispose of such securities, which could involve costs and delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund’s ability to dispose of the underlying securities may be restricted. In addition, a Fund may suffer a loss to the extent it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller.

Risk of Loss. The investment program of each Fund entails substantial risks. There can be no assurance that the investment objectives of the Funds will be achieved and that investors will not incur losses. Prospective investors should carefully consider the risk factors discussed in the offering materials of the applicable Fund.

#### Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to the client’s evaluation of the Adviser’s advisory business or the integrity of the Adviser’s management.

## Item 10: Other Financial Industry Activities and Affiliations

Sardar Biglari is the Chairman of the Board of Directors and Chief Executive Officer of Biglari Holdings Inc. (“Biglari Holdings”), which trades under the symbol BH on the New York Stock Exchange (“NYSE”). Biglari Holdings holds more than 90% of the limited partnership interests of The Lion Fund II, L.P., and more than 60% of the limited partnership interests of The Lion Fund, L.P.

The interests of Biglari Holdings and the Funds, and, therefore, the fiduciary obligations of the Adviser and Mr. Biglari, may be in conflict. For example, Biglari Holdings has made a significant capital contribution to and is the largest investor in the Funds. Although Biglari Holdings has agreed to a five-year rolling lock on its investment in each Fund, any withdrawal from a Fund by Biglari Holdings could have an adverse effect on such Fund by decreasing the asset base of such Fund and disrupting its portfolio. The best interests of Biglari Holdings and the Funds may at times be in conflict because of various regulatory issues related to Biglari Holdings and the Funds.

Mr. Biglari is subject to Biglari Holdings’ Code of Ethics and insider trading policy, which may restrict Mr. Biglari from causing the Funds to buy or sell certain securities that they would otherwise be able to trade.

The interests of Biglari Holdings may differ from the interests of the Funds’ other investors. Whenever votes of the Funds’ investors are required, Mr. Biglari will control the Biglari Holdings vote (which currently represents a majority of the Funds’ investors’ votes).

Mr. Biglari controls the Funds in his capacity as the Principal, Chairman, Chief Executive Officer and sole owner of the Adviser. Mr. Biglari also controls Biglari Holdings in his capacity as Chairman and Chief Executive Officer of Biglari Holdings. Biglari Holdings is a public company owning subsidiaries engaged in a number of diverse business activities, including media, property and casualty insurance, and restaurants, all of which are run by Mr. Biglari. Mr. Biglari spends time running Biglari Holdings and owes duties to that corporation and its public shareholders in his capacity as Chairman and Chief Executive Officer. Those time commitments and duties may conflict with Mr. Biglari’s time commitment and duties to the Adviser and the Funds.

Mr. Biglari may serve on the board of directors or engage in certain activities for companies in which the Funds own shares (“Portfolio Companies”) that may result in limitations on the Funds’ ability to buy shares or sell shares in such companies. Mr. Biglari may receive compensation from Portfolio Companies, including but not limited to directors fees, consulting fees, advisory fees, management fees or other compensation related to a management role held by Mr. Biglari at the Portfolio Companies (collectively, “Portfolio Company Fees”). Mr. Biglari receives compensation from Biglari Holdings in salary and incentive fees that excludes the performance of the Funds. The Funds will not be entitled to any portion of Portfolio Company Fees or any portion of Mr. Biglari’s compensation from Biglari Holdings or any of his other business endeavors, nor will the Funds be entitled to any offset for Fund expenses or otherwise.

The Adviser and Biglari Holdings have a shared services agreement, whereby Biglari Holdings will provide office space to the Adviser and certain back-office services.

Each of the Funds may enter into agreements, or “side letters,” with certain prospective or existing investors whereby such investors may be subject to terms and conditions that differ from those set forth in the offering memorandum for the applicable Fund. The modifications are solely at the discretion of the applicable Fund. Such arrangements may affect, among other things, the applicable Fund’s ability to make certain investments, as well as the manner and timing of investment, holding or disposition. Benefits accorded to certain investors will not necessarily be available to all investors.

#### Item 11: Code of Ethics, Participation or Interest in Client Transactions And Personal Trading

Code of Ethics. The Adviser has adopted a code of ethics (“Code of Ethics”), which is designed to foster compliance with applicable federal statutes and regulatory requirements, minimize circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading, or unethical business conduct as well as promote a culture of high ethical standards. Among other things, the Code of Ethics governs personal securities trading by the Adviser’s personnel. Supervised persons of the Adviser may personally trade or

own any security, including various types of limited offerings, but are required to clear such trades in advance with the Adviser's Chief Executive Officer (with the exception of certain securities such as shares issued by open-ended mutual funds, money market funds, U.S. Treasury bonds, commercial paper, etc. that do not have to be pre-cleared). Supervised persons must disclose their personal securities holdings and transactions to the Adviser on a periodic basis, which are reviewed by the Chief Compliance Officer and compared against transactions entered into by the Funds.

The Adviser also maintains insider trading policies and procedures (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information.

The Adviser's supervised persons are required to certify their compliance with the Code of Ethics and the Insider Trading Policies on a periodic basis.

The Adviser's Insider Trading Policies prohibit the Adviser and its supervised persons from trading for the Funds or themselves, or recommend trading, in securities of a company while in possession of restricted material, non-public information about the relevant issuer in violation of the law ("Inside Information"). By reason of its various activities, the Adviser may become privy to Inside Information or be restricted from effecting transactions in investments that might otherwise have been initiated. The Adviser has designed and implemented policies in order to comply with the requirements of the federal securities laws relating to insider trading. Among other things, those policies and procedures seek to control and monitor the flow of Inside Information (if any) to and within the Adviser, as well as prevent trading on the basis of Inside Information in violation of the law.

Clients may request a copy of the Code of Ethics by contacting the Adviser at the address or telephone number listed on the first page of the document.

The Adviser or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price

movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its related persons to pre-clear transactions in their personal accounts with the Chief Executive Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on either Fund. All of the Adviser's related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis.

## Item 12: Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's compensation. Such factors include the full range of brokerage services provided by the broker, as well as its capital strength and stability and the quality of the research and the research services provided by the broker. In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

The Chief Executive Officer will continue to evaluate brokerage firms according to, among other things, order execution capabilities and back-office operations.

Soft Dollars. The Adviser does not currently obtain research and brokerage services with a client's commissions. In the event that the Adviser determines to commence such practice, the Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios;

corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

In some instances, the Adviser obtains a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources or by other sources outside of the Funds. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

Trade Aggregation & Allocation. The Funds do not make investments which require aggregating trades. The Funds have each invested in Biglari Holdings Inc. common stock, but purchased through separate, independent plans.

### Item 13: Review of Accounts

Sardar Biglari, the Chairman and Chief Executive Officer of the Adviser, reviews the Funds' accounts on an ongoing basis.

Investors in each Fund are furnished with Annual Reports containing financial statements examined by the Fund's independent auditors within 120 days after the end of each fiscal year of the Fund.

### Item 14: Client Referrals and Other Compensation

The item is not applicable.

### Item 15: Custody

As general partner of the Funds, the Adviser is deemed to have custody of client funds and securities.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule") and complies with the requirements of the Custody Rule with respect to each Fund. Each Fund is subject to audit at least annually by an independent public accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and each Fund distributes its audited financial statements to all investors within 120 days of the end of its fiscal year.

### Item 16: Investment Discretion

The Adviser has discretionary authority with respect to the investment decisions on behalf of the Funds.



### Item 17: Voting Client Securities

The Chairman and Chief Executive Officer of the Adviser generally has responsibility for voting proxies for portfolio securities of a Fund and will do so in a manner that is consistent with the best economic interests of that Fund. The Adviser does not anticipate any conflicts of interest between the Adviser and the Funds in terms of proxy voting. In the event the Adviser believes there may be a material conflict of interest, the Adviser may take a variety of actions, including consulting with the Fund's limited partners or advisory committee.

Investors in the Funds may obtain a copy of the Adviser's proxy voting policies and its record of proxy voting upon request.

### Item 18: Financial Information

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. The Adviser does not require prepayment of fees.

### Item 19: Requirements for State-Registered Advisers

This item is not applicable.