

**CHARTER OF THE
COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS OF
THE STEAK N SHAKE COMPANY
Revised January 8, 2009**

Purpose

The Compensation Committee of the Board of Directors of The Steak n Shake Company (the “Company”) is appointed by the Board to discharge the Board’s responsibilities relating to compensation of the Company’s directors and officers. The Compensation Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Company.

The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations.

Committee Membership

The Compensation Committee shall consist of at least three directors. Each of the members of the Compensation Committee shall meet the independence requirements of the New York Stock Exchange and shall be a “Non-Employee Director” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

The members of the Compensation Committee and the Chair of the Compensation Committee shall be appointed and may be removed by the Board.

Committee Authority and Responsibilities

1. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, Chief Executive Officer (“CEO”) or other executive compensation and shall have sole authority to approve the consultant’s fees and other retention terms. The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
2. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives, and set the CEO’s compensation levels based on this evaluation. In determining the long-term incentive component of CEO compensation, the Compensation Committee will consider the Company’s performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years.

3. The Compensation Committee shall review and make recommendations to the Board with respect to incentive-compensation plans and equity-based plans, including awards to the CEO and other executive officers thereunder.
4. The Compensation Committee shall annually review and approve (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, and (d) any special or supplemental benefits for the CEO and the other executive officers of the Company.
5. The Compensation Committee shall approve and authorize the Company to enter into any employment agreements, severance arrangements, change in control agreements or provisions, or other compensation-related agreements, in each case as, when and if appropriate, with executive officers of the Company.
6. The Compensation Committee shall periodically review the Company's policies on perquisites for executive officers.
7. The Compensation Committee shall recommend to the Board the form and amount of director compensation. The Compensation Committee shall conduct an annual review of director compensation.
8. The Compensation Committee shall meet as often as it deems appropriate to carry out its responsibilities, and shall meet with senior management on at least an annual basis. A majority of the members of the Committee shall constitute a quorum.
9. The Compensation Committee shall meet prior to the mailing of the proxy statement for the Company's annual meeting of shareholders for the purpose of approving the report of the Compensation Committee included in the proxy statement.
10. The Compensation Committee may form and delegate authority to subcommittees or to the Chair of the Committee, when it deems appropriate.
11. The Compensation Committee shall review and approve the Compensation Discussion and Analysis section of the Company's proxy statement.
12. The Compensation Committee shall make regular reports of its meetings and actions to the Board.
13. The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
14. The Compensation Committee shall annually evaluate its own performance and report to the Board on such evaluation.

15. The Compensation Committee shall make determinations and recommendations to the Board of Directors regarding personnel policies and employee benefit plans, administer the 401(k) Savings Plan and Nonqualified Deferred Compensation Plan and perform such other functions with respect to personnel and benefit matters as are requested by the Board.
16. The Compensation Committee shall perform such other duties consistent with this Charter and the purpose of the Committee as the Board shall deem appropriate.