

THE STEAK N SHAKE COMPANY
CORPORATE GOVERNANCE GUIDELINES
Updated January 8, 2009

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of The Steak n Shake Company (the “Company”) to assist the Board in the exercise of its responsibilities. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing stockholder value over the long term. These Guidelines are in addition to, and are not intended to change or interpret, the Articles of Incorporation or By-Laws of the Company. The Guidelines are subject to modification from time to time by the Board based upon recommendation of the Nominating and Corporate Governance Committee.

Board Composition

1. Board Membership Criteria

Nominees for director shall be selected on the basis of broad experience, judgment, integrity, ability to make independent inquiries, understanding the Company’s business environment and willingness and ability to devote adequate time to Board duties. The Nominating and Corporate Governance Committee shall also identify possible nominees who meet specified objectives in terms of the composition of the Board, such as financial expertise, and may take into account such factors as geographic, occupational, gender, race and age diversity.

2. Selection of New Director Candidates

The Nominating and Corporate Governance Committee is responsible for seeking individuals qualified to become Board members for recommendation to the Board. The entire Board shall vote to elect members to the Board and to fill vacancies on the Board. A shareholder who wishes to recommend a director candidate for consideration by the Nominating and Corporate Governance Committee should send such recommendation to the Secretary of the Company, 36 South Pennsylvania Street, Suite 500, Indianapolis, Indiana 46204, who will forward it to the Committee. Any such recommendation should include a description of the candidate's qualifications for board service; the candidate's written consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the shareholder and the candidate for more information.

3. Extending the Invitation to a New Potential Director to Join the Board

The invitation to join the Board should be extended by the Chairman of the Board, the Chair of the Nominating and Corporate Governance Committee, and the Lead Outside Director on behalf of the entire Board of Directors.

4. Size of Board and Mix of Inside and Outside Directors

In accordance with the Company's By-Laws, the Board fixes by resolution from time to time the number of directors constituting the Board. The Board in recent years has averaged 9 members. The Board periodically reviews the appropriate size of the Board.

As required by the rules of the New York Stock Exchange, independent directors must constitute a majority of the Board. The Board is willing to have members of management, including the Chief Executive Officer, on the Board, though no more than three non-independent directors may serve on the Board at any one time and the Board believes that Board membership is not necessary or a prerequisite to any higher management position in the Company.

5. Independence Definition

As permitted by rules of the New York Stock Exchange, the Board has adopted categorical standards to assist it in making determinations of independence. These standards incorporate, and are consistent with, the definition of "independent" contained in the New York Stock Exchange listing rules. The standards are as follows:

- a. No director who receives more than \$100,000 per year in compensation from the Company (other than director fees and committee fees, and pension or other deferred compensation) can be deemed "independent" until three years after he or she ceases to receive more than \$100,000 per year in compensation;
- b. No director who is an employee of the Company can be deemed "independent" until three years after the end of such employment relationship.
- c. No director who is, or in the past three years has been, affiliated with or employed by a (present or former) auditor of the Company (or an affiliate) can be "independent" until three years after the end of either the director's affiliation or the auditing relationship;
- d. No director can be "independent" if he or she is, or in the past three years has been, an executive officer or employee of another company which accounts for the greater of 2% or \$1 million of the gross revenue of the Company or a company for which the Company accounts for the greater of 2% or \$1 million of the gross revenue;
- e. No director can be "independent" if an executive officer of the Company was on the compensation committee of the board of directors of a company that concurrently employed the director or employed an immediate family member¹ of the director as an executive officer;
- f. Directors with immediate family members in the foregoing categories are likewise subject to the three year "cooling off" provisions for purposes of determining "independence," and

¹ Immediate Family Members include spouse, children, stepchildren, grandchildren, parents, stepparents, brothers, sisters, grandparents, in-laws, spouse's in-laws, and any person living in the same household as the director, officer or Associate.

- g. No director will qualify as “independent” unless the Board of Directors affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

The Company will disclose the Board’s determinations regarding the independence of its members in the Annual Proxy Statement.

6. Selection of Chairman of the Board

The Board should be free to choose its Chairman in any way that seems best for the Company at any given point in time, based on the recommendation of the Nominating and Corporate Governance Committee. Therefore, the Board does not have a policy on whether or not the role of the Chairman and Chief Executive Officer should be separate or combined and, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee.

7. Directors Who Change Their Present Job Responsibility

The Board does not believe that directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. There should, however, be an opportunity for the Nominating and Corporate Governance Committee to review the continued appropriateness of Board membership under such circumstances.

8. Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

9. Director Retirement Age

No director, after having attained the age of 72 years, shall be nominated for re-election or reappointment to the Board. Directors who served on the Company’s Board of Directors on or after January 31, 2003 shall not be eligible for nomination or re-election to the Board after they reach the age of 79, however.

10. Other Directorships and Audit Committee Memberships

No director may serve on more than three other public company boards. In addition, if a director is the Chief Executive Officer of another public company, he or she may not serve on more than two other public company boards. Directors should advise the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on another public company board.

In addition, no member of the Company’s Audit Committee may simultaneously serve on the audit committee of more than two other public companies.

11. Emeritus Status

- Qualification - Any Director who retires or does not seek reelection to the Board may be offered Emeritus status at the discretion of the then-seated Board. The Board's decision regarding offering Emeritus status shall be premised on an affirmative determination that the director being considered for Emeritus status will bring value through his/her experience and knowledge of the Company, is willing to attend at least 75% of all meetings during the coming year and will make himself/herself available for telephonic meetings and/or inquiries from Management or other Board members. Emeritus status is not premised on shareholder vote; the Board's appointment shall be conclusive.
- Term – Subject to appointment, Emeritus status shall begin on the date of a Director's retirement or on the date of the shareholders' meeting at which he/she shall not be considered for reelection and shall end one year thereafter.
- Duties - Directors Emeritus shall attend at least 75% of the Board meetings (including telephonic meetings) held during his/her term. Directors Emeritus shall attend at least 75% of the meetings (including telephonic meetings) of the Committee(s) on which they served in the year prior to their retirement. They shall also provide reasonable and necessary time and advice to transition their Board or Committee duties to their successor(s). They are not entitled to vote on any proposal at any Board or Committee meeting.
- Compensation - Directors Emeritus shall be compensated at a rate equal to that provided to Board members and shall be reimbursed for reasonable and necessary expenses associated with attendance at meetings. Directors Emeritus shall also be entitled to participate in any benefit or reimbursement plans offered by the Company to Directors.

Board Responsibilities

12. Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In discharging that obligation, directors should be able to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf and shall be entitled to the benefits of indemnification to the fullest extent permitted by law and the Company's Articles of Incorporation, By-Laws and any indemnification agreements.

12. Director Orientation and Continuing Education

All new directors must participate in the Company's orientation program, which should be conducted within two months of a new director's election. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers and its internal and independent auditors and legal counsel. All directors are also invited to attend the orientation program.

13. Designation of “Lead Outside Director”

The non-management members of the Board may designate one of them to serve as a lead outside director. The responsibilities of the lead outside director are to: (1) chair executive sessions of the non-management directors; (2) serve as the principal liaison between the independent directors on the one hand and the full Board and senior management on the other; and (3) work with the Chairman of the Board and Secretary to finalize the information flow to the Board, the content of meeting agendas and proposed meeting schedules.

14. Executive Sessions of Non-Management Directors

The non-management directors of the Company will meet in executive sessions without management at least twice a year. The lead outside director shall preside at the executive session meeting.

In order that interested parties may be able to make their concerns known to the non-management directors, the annual proxy statement shall establish and disclose a method for such parties to communicate directly with the lead outside director or with the non-management directors as a group.

15. Self-Evaluation of the Board

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall receive comments from all directors and report annually to the Board with an assessment of the Board’s performance, to be discussed with the full Board following the end of each fiscal year. The Nominating and Corporate Governance Committee shall lead the evaluation of individual Board members by examining such factors as experience, business judgment, integrity, time and commitment, shareholdings, teamwork and independence. The Nominating and Corporate Governance Committee shall recommend annually to the Board the slate of directors to be included in the next annual proxy statement.

16. Board Interaction with Institutional Investors, Press and Customers

The Board believes that, except in extraordinary circumstances, management should speak for the Company. It is suggested that each director shall refer all inquiries from institutional investors, the press or customers to management.

The Board has implemented a process whereby shareholders may send communications to the Board's attention. Any shareholder desiring to communicate with the Board, or one or more specific members thereof, can direct any communication to The Steak N Shake Company, Inc., Board of Directors, c/o Secretary, 36 South Pennsylvania Street, Suite 500, Indianapolis, Indiana 46204. The Secretary of the Company has been instructed by the Board to promptly forward all such communications to the specified addressees thereof.

Meeting Procedures

17. Attendance at Meetings

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. It should be noted that current SEC rules require disclosure of any director who attends less than 75% of Board and applicable committee meetings. Directors are also expected to attend the annual meeting of shareholders.

18. Agenda Items for Board Meetings

The Chairman of the Board and the Secretary of the Company will establish the agenda for each meeting of the Board. As noted above, the lead outside director should work with the Chairman to determine the information flow to the Board, the content of agendas and proposed meeting schedules. Each Board member is free to suggest the inclusion of items on the agenda, as well as to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

19. Board Material Distributed in Advance

Information and data that are important to the Board's understanding of the business will be distributed in writing to the Board before the Board meets and to each committee before such committee meets. Management will make every attempt to see that this material is concise, informative and clear. Directors shall review this material prior to the meeting.

Committee Matters

20. Types of Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The purposes and responsibilities of each of these committees are outlined in the committee charters. The Board may, from time to time establish or maintain additional committees as necessary or appropriate. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall be composed entirely of independent directors.

21. Assignment and Rotation of Committee Members

The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board with respect to the assignment of Board members to various committees and with respect to the Chairs of each committee. After reviewing the Nominating and Corporate Governance Committee's recommendations, the Board shall be responsible for appointing the Chairs and members to the committees on an annual basis.

The Nominating and Corporate Governance Committee shall annually review the committee assignments and shall consider the rotation of Chairs and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and the viewpoints of the various directors.

22. Frequency of Committee Meetings

The committees shall meet at least as often as described in the applicable charter. In addition each committee Chair, in consultation with committee members and management, will determine whether and when to have additional meetings of such committee.

23. Agenda Items for Committee Meetings

The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda for each meeting.

Compensation

24. Director Compensation

The form and amount of director compensation should be recommended by the Compensation Committee, but set after full discussion and concurrence by the Board. The Compensation Committee will conduct an annual review of director compensation.

The Company believes that compensation for directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in options to purchase the Company's stock.

The Compensation Committee will consider that questions as to directors' independence may be raised when directors' fees exceed what is customary, if the Company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director.

It is appropriate for the staff of the Company to report from time to time and at least annually to the Compensation Committee on the status of the compensation of the Company's directors in relation to other comparable U.S. companies. In addition, the Compensation Committee has the authority to retain any compensation consultant to be used to assist in the evaluation of director compensation.

Access and Advisors

25. Board Access to Management and Employees

Directors shall have full and free access to the Company's management and employees. Any meetings or contacts that a director wishes to initiate may either be arranged through the Chief Executive Officer or the Secretary or directly by that director.

The Board welcomes attendance at Board meeting of senior officers of the Company. The Board also encourages management, from time to time, to bring executives or managers into Board meetings who: (a) can provide additional insight concerning the items being discussed because of personal involvement in these areas, and/or (b) have future potential such that management believes they should be given exposure to the Board.

26. Independent Advisors

The Board and each committee have the power to hire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining approval of any officer of the Company in advance.

Leadership Development

27. Evaluation of Chief Executive Officer

The Compensation Committee will evaluate the Chief Executive Officer's performance annually, and the evaluation should be communicated to the Chief Executive Officer and to the full Board. The evaluation should be based on objective criteria including performance of the business, establishment of long-term strategies, accomplishment of long-term strategic objectives and development of management.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

28. Succession Planning and Management Development.

The Board believes that planning for CEO succession is one of its most important responsibilities. Therefore, the Chairman and CEO shall provide an annual report to the Board on succession planning for the CEO and his/her staff. There will also be available, on a continuing basis, recommendations from the Compensation Committee, taking into account the recommendations of the other Board members, Chairman and CEO, as to an emergency succession plan should the CEO be unexpectedly unable to perform his/her duties. There shall also be an annual report from the CEO on the development of senior management.

Adopted as revised by the Board of Directors of The Steak n Shake Company on January 8, 2009.