STEAK & SHAKE CO
Form 10-Q
May 22, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE SIXTEEN WEEKS ENDED APRIL 12, 2006

OR

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

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, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 X No _

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One): Large Accelerated Filer __ Accelerated Filer _X_ Non Accelerated Filer __

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act rule 12b-2). Yes No X.

Number of shares of Common Stock outstanding at May 10, 2006: 28,154,999

THE STEAK N SHAKE COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Financial Position
The Steak n Shake Company
(Unaudited)
(Amounts in $000s except share and per share data)

		April 12, 2006		September 28, 2005
Assets:				
Current Assets				
Cash and cash equivalents	$	**4,475**	$	3,063
Receivables, net		**3,778**		2,619
Inventories		**6,914**		6,367
Deferred income taxes		**2,600**		2,600
Assets held for sale		**1,837**		1,756
Other current assets		**5,345**		4,633
Total current assets		**24,949**		21,038
Net Property and Equipment		**470,584**		439,620
Goodwill		**7,803**		7,458
Other Intangible Assets, Net		**1,978**		2,079
Other Assets		**5,559**		4,462
Total assets	$	**510,873**	$	474,657
Liabilities and Shareholders' Equity:				
Current Liabilities				
Accounts payable	$	**24,464**	$	21,304
Accrued expenses		**36,129**		30,908
Advances on line of credit		**9,000**		-
Current portion of long-term debt		**3,940**		3,940
Current portion of obligations under leases		**4,072**		3,896
Total current liabilities		**77,605**		60,048
Deferred Income Taxes		**8,997**		5,483
Other Long-term Liabilities		**2,984**		2,221
Obligations Under Leases		**146,245**		147,615
Long-term Debt		**5,255**		6,315
Commitments and Contingencies				
Shareholders' Equity:				
Common stock — $.50 stated value, 50,000,000 shares authorized — shares issued: 30,332,839		**15,166**		15,166
Additional paid-in capital		**121,451**		124,000
Retained earnings		**158,405**		145,215
Less: Unamortized value of restricted shares		**-**		(2,300)

Treasury stock — at cost: 2,200,485 shares at April 12, 2006; 2,460,026 shares at September 28, 2005		**(25,235)**		(29,106)
Total shareholders' equity		**269,787**		252,975
Total liabilities and shareholders' equity	**$**	**510,873**	$	474,657

See accompanying notes.

Condensed Consolidated Statements of Earnings
The Steak n Shake Company
(Unaudited)
(Amounts in 000s, except share and per share data)

	Sixteen Weeks Ended		Twenty-Eight Weeks Ended	
	April 12, 2006	**April 13, 2005**	**April 12, 2006**	**April 13, 2005**
Revenues				
Net sales	$ 196,520	$ 185,746	$ 334,372	$ 311,250
Franchise fees	1,137	1,077	2,026	2,100
Total revenues	197,657	186,823	336,398	313,350
Costs and Expenses				
Cost of sales	44,601	43,159	76,121	72,784
Restaurant operating costs	98,283	91,476	168,074	153,999
General and administrative	16,303	14,712	28,775	25,542
Depreciation and amortization	8,715	8,128	15,112	13,863
Marketing	9,154	8,959	15,006	14,049
Interest	3,106	3,950	5,893	6,796
Rent	3,873	3,203	6,407	5,260
Pre-opening costs	977	705	2,156	1,264
Provision for restaurant closing	(103)	-	(103)	-
Other income, net	(438)	(608)	(1,094)	(1,090)
Total costs and expenses	184,471	173,684	316,347	292,467
Earnings Before Income Taxes	13,186	13,139	20,051	20,883
Income Taxes	4,655	4,456	6,861	7,088
Net Earnings	$ 8,531	$ 8,683	$ 13,190	$ 13,795
Net Earnings Per Common and Common Equivalent Share:				
Basic	$ .31	$ .32	$ .48	$ .50
Diluted	$ .30	$ .31	$ .47	$ .49
Weighted Average Shares and Equivalents:				
Basic	27,730,296	27,489,116	27,687,806	27,431,265

Diluted	28,077,224	28,079,811	28,019,211	27,997,079

See accompanying notes.

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Condensed Consolidated Statements of Cash Flows
The Steak n Shake Company
(Unaudited)
(Amounts in $000's)

	Twenty-Eight Weeks Ended	
	April 12, 2006	April 13, 2005
Operating Activities		
Net earnings	$ **13,190**	$ 13,795
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**15,112**	13,863
Deferred income tax provision (benefit)	**3,514**	(820)
Provision for restaurant closings	**(103)**	-
Loss on disposal of property and equipment	**301**	372
Stock-based compensation and other non-cash expense	**2,271**	1,445
Changes in receivables and inventories	**(1,706)**	(156)
Changes in other assets	**(782)**	87
Changes in accounts payable and accrued expenses	**7,750**	4,756
Net cash provided by operating activities	**39,547**	33,342
Investing Activities		
Additions of property and equipment	**(47,898)**	(33,687)
Purchase of Kelley Restaurants, Inc.	-	(15,893)
Proceeds from sale of short-term investments	-	466
Proceeds from disposal of property and equipment	**1,755**	980
Net cash used in investing activities	**(46,143)**	(48,134)
Financing Activities		
Principal payments on long-term debt	**(1,060)**	(1,124)
Proceeds from line of credit facility	**9,000**	-
Proceeds from equipment and property leases	**700**	650
Principal payments on lease obligations	**(2,172)**	(1,949)
Proceeds from Employee Stock Purchase Plan	**1,344**	1,573
Proceeds from exercise of stock options	**146**	381
Excess tax benefits from stock-based awards	**50**	-
Net cash provided by (used in) financing activities	**8,008**	(469)
Increase (Decrease) in Cash and Cash Equivalents	**1,412**	(15,261)
Cash and Cash Equivalents at Beginning of Period	**3,063**	25,150
	$ **4,475**	$ 9,889

Cash and Cash Equivalents at End of Period

See accompanying notes.

Notes to Condensed Consolidated Financial Statements
The Steak n Shake Company
(Unaudited)
(Amounts in $000's, except share and per share data)

Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of the Company, all adjustments considered necessary to present fairly the consolidated statement of financial position as of April 12, 2006, and the consolidated statements of earnings for the sixteen and twenty-eight weeks ended April 12, 2006 and April 13, 2005 and cash flows for the twenty-eight weeks ended April 12, 2006 and April 13, 2005, have been included.

The consolidated statements of earnings for the sixteen and twenty-eight weeks ended April 12, 2006 and April 13, 2005 are not necessarily indicative of the consolidated statements of earnings for the entire year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2005.

Seasonal Aspects
The Company has substantial fixed costs, which do not decline as a result of a decline in sales. The Company's 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 and second fiscal quarters can be adversely affected by severe winter weather. The Company may also 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 the Company has a significant number of restaurants.

Stock-Based Compensation
The Company maintains stock-based compensation plans which allow for the issuance of incentive stock options, non qualified stock options, and restricted stock to officers, other key employees, and to members of the Board of Directors. The Company also maintains an employee stock purchase plan that allows all eligible employees of the Company to purchase shares of stock at a discounted price. The Company generally uses treasury shares to satisfy the issuance of shares under its stock-based compensation plans. Prior to fiscal year 2006, the Company accounted for the plans under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations ("APB 25"). Accordingly, because all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of the grant, no expense related to employee stock options was recognized. Also, as the employee stock purchase plan was considered noncompensatory, no expense related to this plan was recognized. However, expense related to the grant of restricted stock had been recognized in the income statement under APB 25. Effective September 29, 2005, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), "Share-Based Payment" ("FAS 123(R)"). This statement applies to all awards granted after the effective date and to modifications, repurchases or cancellations of existing awards. Additionally, under the modified prospective method of adoption, the Company recognizes compensation expense for the portion of outstanding awards on the adoption date for which the requisite service period has not yet been rendered based on the grant-date fair value of those awards calculated under SFAS No. 123 and 148 for pro forma disclosures. Compensation expense in fiscal year 2005 related to stock options and the employee stock purchase plan continues to be disclosed on a pro forma basis only. Also during the current quarter, in accordance with the modified prospective transition method, the Company eliminated its balance of Unamortized Value of Restricted

Shares, which represented unrecognized compensation cost for nonvested stock awards. Financial statements for prior periods have not been restated.

FAS 123(R) requires that forfeitures be estimated over the vesting period of an award, rather than being recognized as a reduction of compensation expense when the forfeiture actually occurs. The cumulative effect of the use of the estimated forfeiture method for prior periods upon adoption of FAS 123(R) was not material.

Certain of the Company's stock-based compensation plans allow early vesting when an employee reaches retirement age and ceases continuous service. Under FAS 123(R), awards granted after September 28, 2005 require acceleration of compensation expense through an employee's retirement age, whether or not the employee is expected to cease continuous service on that date. For awards granted on or before September 28, 2005, the Company accelerates compensation expense only in cases where a retirement eligible employee is expected to cease continuous service prior to an award's vesting date. If the new provisions of FAS 123(R) had been in effect for awards prior to September 28, 2005, compensation expense would not have been materially effected during the quarters and year to date periods ended April 12, 2006 and April 13, 2005, respectively.

The following table illustrates the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions to stock-based employee compensation in fiscal year 2005.

	Sixteen weeks ended April 13 2005	**Twenty-Eight weeks ended April 13, 2005**
Net earnings as reported	$ 8,683	$ 13,795
Less pro forma compensation expense, net of tax	(471)	(947)
Proforma net earnings	$ 8,212	$ 12,848
Basic earnings per share as reported	$ .32	$ .50
Pro forma basic earnings per share	$ .30	$ .47
Diluted earnings per share as reported	$ .31	$ .49
Pro forma diluted earnings per share	$ .29	$ .46

The weighted average fair value of shares granted during the quarters ended April 12, 2006 and April 13, 2005 was $5.89 and $6.75, respectively. The Company estimates the fair value of each grant using the Black-Scholes option-pricing model. Expected volatilities are generally based on historical volatility of the Company's stock. The Company uses historical data to estimate the expected life and groups of employees that have similar historical behaviors are considered separately for valuation purposes. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options. The fair value estimates are based on the following assumptions:

	2006	2005
Risk-free interest rate	**4.5%**	3.7%
Dividend yield	**0.0%**	0.0%
Expected volatility	**28.4%**	38%
Expected life in years	**6 years**	5 years

Employee Stock Option Plans

On February 8, 2006, the shareholders of the Company approved the 2006 Employee Stock Option Plan (the "2006 Plan"). The 2006 Plan provides for the granting of up to 750,000 shares plus the number of shares that are subject to awards granted thereunder that terminate or expire or are cancelled, forfeited, exchanged or surrendered during the

term of the 2006 Plan without being exercised or fully vested. Options granted under the 2006 Plan are exercisable 25% on each anniversary date of the grant until fully exercisable. The options expire ten years from the date of the grant with an exercise price that is equal to the fair market value of a share of common stock on the date of the grant. Options are granted under the 2006 Plan to officers and key employees selected by the Compensation Committee of the Board of Directors.

The 1997 Employee Stock Option Plan as amended (the "1997 Plan") provides for the granting of up to 1,745,313 stock options. Options granted under the 1997 Plan prior to fiscal 2006 are exercisable as to 20% on the date of grant and 20% on each anniversary of the date of grant thereafter until fully exercisable. The options expire either five or ten years from the date of grant and are issued with an exercise price equal to the fair market value of the underlying stock on the date of grant. Options are granted under the 1997 Plan to officers and key employees selected by the Compensation Committee of the Board of Directors.

The 1995 Employee Stock Option Plan (the "1995 Plan") provides for the granting of up to 686,297 stock options. Options granted under the 1995 Plan are primarily incentive stock options exercisable on the same terms as the 1997 Plan. Options were granted under the 1995 Plan to officers and key employees selected by the Stock Option Committee.

Nonemployee Director Stock Option Plans

The Company's Nonemployee Director Stock Option Plans provide for the grant of nonqualified stock options at a price equal to the fair market value of the Common Stock on the date of the grant. Options outstanding are exercisable as to 20% on the date of grant and 20% on each anniversary of the date of grant thereafter until fully exercisable. The options expire five years from the date of grant.

The following table summarizes the activity under the Company's stock option plans:

	Shares	Weighted Average Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 28, 2005	1,376,426	$ 16.02		
Granted	377,440	18.32		
Exercised	(75,077)	13.20		
Forfeited	(10,452)	16.49		
Outstanding at April 12, 2006	1,668,337	16.53	3.34 years	$ 4,023
Exercisable at April 12, 2006	888,188	$ 15.22	2.27 years	$ 3,844

During the sixteen and twenty-eight weeks ended April 12, 2006, $773 ($670 net of tax) and $1,095 ($965 net of tax), respectively, were charged to expense relating to the stock option plans. The total intrinsic value of options exercised during the year to date periods ended April 12, 2006 and April 13, 2005 was $346 and $619, respectively.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plans (the "Plans"), a maximum of 2,302,545 shares of Common Stock are available for issuance to all eligible employees of the Company as determined by the Board of Directors subject to a limitation of 150,000 shares per year. Unissued shares in any given calendar year are available to increase the annual maximum number of shares issuable in subsequent years. Employees may accrue funds to purchase shares under the Plans through payroll deductions ranging from 2% to 10% of compensation and may purchase up to a maximum fair market value of $10 or 1,000 shares per year. Shares are purchased at a 15% discount from the lesser of the share price on the first or last day of the year. There were 93,321 shares purchased under the plan during the quarter ended April 12, 2006. During the quarter and year to date periods ended April 12, 2006, $37 and $153 was charged to expense, respectively relating to the Plan. Prior to the adoption of FAS 123(R), the Company was not required to record compensation expense for the Plan.

Capital Appreciation Plan

The 1997 Capital Appreciation Plan provides for tandem awards of Restricted Common Stock and book units of up to 1,067,187 shares and related units. These awards are restricted for a period of three years after the date of grant and are forfeited to the Company if the grantee is not employed (except for reasons of retirement, permanent disability or death) by the Company at the end of the period. The stock is valued based on the market value at the date of grant, and the book units, which are granted in an equal number to the shares of stock, provide for a cash payment at the end of the three-year period equal to the sum of the net change in book value per share of the common stock and dividends paid per share during the period, as adjusted for stock dividends/splits. The total value of the nonvested stock grant is amortized to compensation expense ratably over the three-year period.

The following table summarizes the activity under the Capital Appreciation Plan:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested shares at September 28, 2005	268,700	$16.30
Granted	135,500	17.57
Vested	(20,000)	10.70
Nonvested shares at April 12, 2006	384,200	$17.04

As of April 12, 2006, there was approximately $3.765 million of unrecognized compensation cost related to the issuance of nonvested stock. The cost is expected to be recognized over a weighted-average period of 1.68 years. The amount charged to expense under the Capital Appreciation Plan was $568 ($369 net of tax) and $916 ($595 net of tax) for the quarter and year to date periods ended April 12, 2006, respectively and $442 ($287 net of tax) and $757 ($492 net of tax) for the quarter and year to date periods ended April 13, 2005, respectively.

Earnings Per Share

Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. The following table presents a reconciliation of the basic and diluted weighted average common shares as required by SFAS No. 128, *Earnings Per Share*:

	Sixteen Weeks Ended		**Twenty-Eight Weeks Ended**	
	April 12, 2006	**April 13, 2005**	**April 12, 2006**	**April 13, 2005**
Basic earnings per share:				
Weighted average common shares	**27,730,296**	27,489,116	**27,687,806**	27,431,265
Diluted earnings per share:				
Weighted average common shares	**27,730,296**	27,489,116	**27,687,806**	27,431,265
Diluted effect of share-based awards	**346,928**	590,695	**331,405**	565,814
Weighted average common and incremental shares	**28,077,224**	28,079,811	**28,019,211**	27,997,079
Number of stock options excluded from the calculation of earnings per share as the options' exercise prices were greater than the market price of the Company's common stock	**362,833**	32,542	**407,259**	77,743

Net Property and Equipment

Net property and equipment consists of the following:

(amounts in $000's)	**April 12, 2006**	September 28, 2005
Land	$ **181,196**	$ 169,730
Buildings	**162,546**	160,066
Land and leasehold improvements	**127,860**	115,198
Equipment	**174,370**	166,593
Construction in progress	**20,165**	15,274
	666,137	626,861
Less accumulated depreciation and amortization	**(195,553)**	(187,241)
Net property and equipment	$ **470,584**	$ 439,620

Assets Held for Sale

Assets held for sale consist of property and equipment related to under-performing restaurants identified for disposal, and are comprised of the following at April 12, 2006: Land and Buildings - $1,520; Land and Leasehold Improvements - $190; and Equipment - $127

Other Intangibles

Other intangibles are comprised of the following:

(amounts in $000s)	April 12, 2006	September 28, 2005
Gross value of intangible assets subject to amortization	**$ 2,191**	$ 2,191
Accumulated Amortization	**(553)**	(452)
Intangible assets subject to amortization, net	**1,638**	1,739
Intangible assets with indefinite lives	**340**	340
Total intangible assets	**$ 1,978**	$ 2,079

Intangible assets subject to amortization consist of a right to operate and favorable leases acquired in connection with the acquisition of Kelley Restaurants, Inc. ("KRI"), during fiscal 2005, and are being amortized over their estimated weighted average useful lives of 12 years and 8 years, respectively. Amortization expense for the sixteen and twenty-eight weeks ended April 12, 2006 was $58 and $101, respectively. Amortization expense for the sixteen and twenty-eight weeks ended April 13, 2005 was $36 and $83, respectively. Total annual amortization expense for each of the next five years is approximately $181.

Intangible assets with indefinite lives consist of reacquired franchise rights acquired in connection with the acquisition of KRI during fiscal 2005 and were recorded in accordance with the provisions of Emerging Issues Task Force Issue No. 04-1, "Accounting for Pre-existing Relationships between the Parties to a Business Combination" ("EITF 04-1").

Kelley Restaurants Acquisition

On December 29, 2004, the Company acquired KRI for $16,082. KRI operated 17 Steak n Shake restaurants in Atlanta, Georgia and Charlotte, North Carolina. The President of KRI is a member of the Company's board of directors.

The transaction was accounted for using the purchase method of accounting as required by SFAS 141, "Business Combinations." The purchase price has been allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill. The allocation of the purchase price to specific assets and liabilities was based, in part, upon internal estimates of assets and liabilities. The Company has received independent appraisals for certain assets. Based on the final purchase price allocation, the following table summarizes the fair value of the assets acquired and liabilities assumed at the acquisition date.

(amounts in 000's)		
Current assets	$	617
Property and equipment		21,660
Goodwill		7,803
Intangible assets		1,051
Other assets		46
Total assets acquired		31,177
Current liabilities		3,723
Deferred income taxes		925
Obligations under lease		6,486
Long-term debt		3,961
Total liabilities assumed		15,095
Net assets acquired	$	16,082

Provision for Restaurant Closings

As September 28, 2005 the Company held six restaurants for disposal that were closed due to underperformance. Charges were recorded to write down the properties to their estimated disposal values. During the current quarter, one of these properties was sold for $103 in excess of its net book value. The Company is currently seeking buyers for the remaining five properties, all of which are classified as held for sale. The Company is currently marketing the properties, and intends to sell the properties within the next twelve months.

Activity related to the provision for restaurant closings is as follows:

(amounts in $000's)		**Balance at September 28, 2005**		**Amounts Charged during 2006**		**Amounts Utilized (cash)during 2006**		Amounts Utilized (non-cash) during 2006		**Other Adjustments during 2006**		**Balance at April 12, 2006**
Asset write-downs[1]	$	4,413	$	-	$	-	$	(395)	$	(103)	$	3,915
Closing costs		53		-		-		-		-		53
Total	$	4,466	$	-	$	-	$	(395)	$	(103)	$	3,968

(amounts in $000's)	**Balance at September 29, 2004**	**Amounts Charged during**	**Amounts Utilized (cash)**	Amounts Utilized (non-cash)	**Other Adjustments during 2005**	**Balance at**

	2005	during 2005	during 2005		April 13, 2005
Asset write-downs[1]	$ 3,058	$ (5)	$ -	$ -	$ -	$ 3.053
Closing costs	24	-	(11)	-	-	13
Total	$ 3,082	$ (5)	$ (11)	$ -	$ -	$ 3,066

(1) Amounts represent adjustments to cost basis of the assets.

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Related Party Transactions

On December 15, 2005, Steak n Shake Operations, Inc. entered into an agreement to sell its Greenville, South Carolina store to Kelley Operations, Inc. Wayne Kelley is both President of Kelley Operations, Inc. and a member of the Board of Directors of the Company. This agreement was terminated in April 2006.

Supplemental Cash Flow Information

During the twenty-eight week period ended April 12, 2006, the Company issued 135,500 shares of restricted stock under its Capital Appreciation Plan with a market value of $2,381. In addition, the Company entered into capital leases for equipment of $278. During the twenty-eight week period ended April 13, 2005, the Company issued 125,500 shares of restricted stock under its Capital Appreciation Plan with a market value of $2,205.

Commitments and Contingencies

The Company is engaged in various legal proceedings and has certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management of the Company believes, based on examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided in the Company's consolidated financial statements is not likely to have a material effect on its results of operations, financial position or cash flows.

Reclassifications

Certain amounts in the fiscal 2005 financial statements have been reclassified to conform to the fiscal 2006 presentation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Amounts in $000's, except share and per share data)

Overview

In the following discussion, the term "same store sales" refers to the sales of only those units open eighteen months as of the beginning of the current fiscal period and which remained open through the end of the fiscal period.

Quarter Highlights:

- Total revenues increased 5.8% to $197,657 versus $186,823 for the sixteen week periods ended April 12, 2006 and April 13, 2005, respectively.
- Net earnings were $8,531, including $700 after-tax impact of adopting SFAS 123R related to expensing stock issued to employees for the quarter ended April 13, 2006.
- Same store sales decreased by 0.3% for the quarter ended April 12, 2006 versus a 4.3% increase for the quarter ended April 13, 2005.
-Diluted earnings per share were $0.30 for the sixteen week period ended April 12, 2006 compared to $0.31 for the sixteen week period ended April 13, 2005, including a $0.03 impact of adopting SFAS 123R.

During the second quarter we delivered earnings of 30 cents per share, despite same store sales that were down 0.3%. Sales were softer than expected as a result of a difficult consumer spending environment linked to higher gas prices and reduced couponing, partially offset by the introduction of Premium Topping Steakburgers™. We anticipate challenging market conditions through the balance of this fiscal year. We are continuing to intensify our new product innovation efforts. We are currently launching new Bits n Pieces™ milk shakes nationally and yogurt milkshakes in Florida and will continue testing other new products over the next several months. We are encouraged by our continued progress improving the business fundamentals associated with our strategic plan including: Market Expansion, Same Store Sales, Leaders and Associates, Margins, and Improved Operating Model.

On Market Expansion, during the second quarter we opened eight new restaurants, compared to four in the prior year second quarter. For the first half of fiscal 2006 we have opened 14 new locations, representing one of our strongest first half efforts to date. These results reflect our progress accelerating profitable expansion. In addition one franchise unit was opened during the current quarter. We are also encouraged by the sales strength of the new stores We are opening to date with average sales between $1.6 and $1.7 million. We are encouraged by the improvements we have made in the timeliness of our new store openings and their quality as measured by guest satisfaction during the first quarter of being open.

On Same Store Sales we are currently focused on bringing more guests in with a growing pipeline of product innovation, and driving repeat business with improved service and reduced drive thru times. Our new product pipeline continues to deepen with a greater number of new products currently in various stages of evolution. This growing capability will enable us to deliver a consistent array of new products, which We recognize as a key component in driving incremental guest traffic. To support this evolution we are continuing to build cross-functional new product innovation teams and will continue to make substantial progress staffing our second and third innovation teams in the months ahead.

On Leaders and Associates We are continuing to make progress with associate turnover, which has improved to a new record low of 131%. We recently completed an in-depth associate satisfaction survey completed by over 90% of associates. This survey identifies the root causes of turnover nationally and in each restaurant. In addition, we have commissioned a team to understand the ideal associate and leader experiences and recommend substantive changes in company training and practices that further enhance the associate experience.

On Margins, we continue to make progress reducing our supply chain costs. We are making progress in a number of margin areas including procurement of key raw materials, distribution savings, and labor effectiveness.

On Improved Operating Model, we have focused on identifying changes to the current kitchen layout, equipment and key production and service processes. The focus of this team will be to ensure that new units over time deliver an even higher return on investment than current building designs over time.

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Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use its judgment to make estimates and assumptions that can have a material impact on the results of operations and reported amounts of assets and liabilities. The Company evaluates its assumptions and estimates on an ongoing basis based on historical experience and various other factors that are believed to be relevant under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes that, of its significant accounting policies, the following policies involve a higher degree of risk, judgement and/or complexity.

Impairment of Long-lived Assets

The Company reviews its restaurants for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment. The Company tests for impairment by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total estimated future cash flows are less than the carrying amount of the asset, the carrying amount is written down to the estimated fair value, and a loss is recognized in earnings. Because depreciation and amortization expense is based upon useful lives of assets and the net salvage value at the end of their lives, significant judgment is required in estimating this expense. Additionally, the future cash flows expected to be generated by an asset requires significant judgment regarding future performance of the asset, fair market value if the asset were to be sold, and other financial and economic assumptions. Accordingly, management believes that accounting estimates related to long-lived assets are critical.

Insurance Reserves

The Company self-insures a significant portion of expected losses under its workers' compensation, general liability, and auto liability insurance programs. The Company purchases reinsurance for individual and aggregate claims that exceed predetermined limits. The Company records a liability for all unresolved claims and its estimate of incurred but not reported ("IBNR") claims at the anticipated cost to the Company. The liability estimate is based on information received from insurance companies, combined with management's judgments regarding frequency and severity of claims, claims development history, and settlement practices. Significant judgment is required to estimate IBNR claims as parties have yet to assert a claim and therefore the degree to which injuries have been incurred, and the related costs, have not yet been determined. Additionally, estimates about future costs involve significant judgment regarding legislation, case jurisdictions and other matters. Accordingly, management believes that estimates related to self-insurance reserves are critical.

Effective January 1, 2006, the Company began self-insuring the expected losses under its group health insurance program. Similar to the reserves for worker's compensation, general liability and auto liability insurance, the Company determines the amount of liability based on estimated claims incurred but not reported and known claims that are scheduled to be paid. The Company continues to work with a third party processor to handle the specific payment of individual claims.

Income Taxes

The Company records deferred tax assets or liabilities based on differences between financial reporting and tax basis of assets and liabilities using currently enacted rates and laws that will be in effect when the differences are expected to reverse. Management records deferred tax assets to the extent it believes there will be sufficient future taxable income to utilize those assets prior to their expiration. To the extent deferred tax assets would be unable to be utilized, management would record a valuation allowance against the unrealizable amount, and record that amount as a charge against earnings. Due to changing tax laws and state income tax rates, significant judgment is required to estimate the effective tax rate expected to apply to tax differences that are expected to reverse in the future. Management must also make estimates about the sufficiency of taxable income in future periods to offset any deductions related to deferred tax assets currently recorded. Accordingly, management believes estimates related to income taxes are critical.

Goodwill and Other Intangible Assets

The Company evaluates goodwill and other indefinite life intangible assets annually, or more frequently if indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts an impairment loss is recognized. The methods used to estimate fair value include future cash flow assumptions, which may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. The future cash flows expected to be generated by an asset requires significant judgment regarding future performance of the asset, and other financial and economic assumptions. Accordingly, management believes that accounting estimates related to goodwill and other intangible assets are critical.

Leases

The Company leases certain properties under operating leases. Many lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. The Company recognizes rent expense on a straight-line basis over the expected lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. The Company uses a time period for its straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the rent commencement date of the lease term is the earlier of the date when the Company becomes legally obligated for the rent payments or the date when the Company takes access to the property. As the assumptions inherent in determining lease commencement and lease expiration dates and other related complexities of accounting for leases involve significant judgement, management has determined lease accounting is critical.

Results of Operations

The following table sets forth the percentage relationship to total revenues, unless otherwise indicated, of items included in the Company's consolidated statements of earnings for the periods indicated:

	Sixteen Weeks Ended		Twenty-Eight Weeks Ended	
	April 12, 2006	April 13, 2005	April 12, 2006	April 13, 2005
Revenues				
Net sales	99.4%	99.4%	99.4%	99.3%
Franchise fees	0.6	0.6	0.6	0.7
	100.0	100.0	100.0	100.0
Costs and Expenses				
Cost of sales (1)	22.7	23.2	22.8	23.4
Restaurant operating costs (1)	50.0	49.2	50.3	49.5
General and administrative	8.2	7.9	8.6	8.2
Depreciation and amortization	4.4	4.4	4.5	4.4
Marketing	4.6	4.8	4.5	4.5
Interest	1.6	2.1	1.8	2.2
Rent	2.0	1.7	1.9	1.7
Pre-opening costs	0.5	0.4	0.6	0.4
Provision for restaurant closings	(0.1)	-	-	-
Other income, net	(0.2)	(0.3)	(0.3)	(0.3)
	93.3	93.0	94.0	99.3
Earnings Before Income Taxes	6.7	7.0	6.0	6.7
Income Taxes	2.4	2.4	2.0	2.3
Net Earnings	4.3%	4.6%	3.9%	4.4%

(1) Cost of sales and restaurant operating costs are expressed as a percentage of net sales.

Comparison of Sixteen Weeks Ended April 12, 2006 to Sixteen Weeks Ended April 13, 2005
(Amounts in $000's)

Revenues

Net sales increased $10,774 (5.8%) to $196,520 primarily due to the increase in Company-owned restaurants slightly offset by a decrease in same store sales. At the end of the quarter, the Company operated 410 Company-owned restaurants compared to 389 at the end of the quarter in the previous year. The same store sales decrease of 0.3% consists of a 4.7% increase in check average offset by a decrease in guest traffic of 5.0%. The increase in check average results primarily from a 3.1% weighted average menu price increase, change in discounts of 0.5%, and the remaining difference being attributed to mix shift.

Costs and Expenses

Cost of sales increased $1,442 (3.3%) to $44,601 versus the same period in the prior year. Increase in overall costs is due to an increase in revenues and overall sales. The cost of sales as a percentage of net sales decreased to 22.7%

from 23.2%, primarily as a result of lower commodity costs including chicken, bacon, and beef and the positive impact of the menu price increase.

Restaurant operating costs increased $6,807 (7.4%) to $98,283 due to an increase in the number of new stores versus the same period in the prior year. Restaurant operating costs as a percentage of net sales increased from 49.2% to 50.0%, primarily due to higher energy costs and the timing of repairs. Restaurant labor costs as a percentage of net sales remained fairly consistent with the prior year as a percentage of net sales.

General and administrative expenses increased $1,591 (10.8%) to $16,303, and increased to 8.2% as a percentage of revenue compared to 7.9% in the same period in the prior year. The higher spending as a percent of revenues versus prior year was driven largely by additional stock compensation expense of $800 related to the adoption of FAS 123(R).

Depreciation and amortization expense increased $587 (7.2%) to $8,715. The increase is attributable to the addition of twenty-one restaurants since the second quarter of the prior fiscal year. As a percentage of total revenues, depreciation and amortization expense remained consistent at 4.4%.

Marketing expense was relatively consistent with the prior year same period with a slight increase of $195 (2.2%) to $9,154. As a percentage of revenue, marketing expense decreased to 4.6% from 4.8% in the same period in the prior year. The decrease in marketing expense as a percentage of revenue was primarily due to timing of marketing events.

Interest expense decreased $844 (21.4%) to $3,106. The decrease is a result of decreased net borrowings under the Company's Senior Note Agreement as well as an increase in the amount of interest capitalized during the current period compared with the same period in the prior year due to an increase in capital expenditures.

Rent expense increased $670 (20.9%) to $3,873 as a result of an increased number of restaurants opened since the same quarter in the prior year. As a percentage of revenue, rent expense increased to 2.0% from 1.7% largely due from the increased number of rented units and a decline in same store sales.

Pre-opening costs increased $272 (38.6%) to $977 as the Company was in the process of opening more restaurants in the current year versus the prior year. During the quarter, the Company opened eight new restaurants compared to four in the same period in the prior year.

The Company recorded a gain of $103 in the provision for store closings as a result of the sale of one restaurant that had been closed during a prior year.

Other income decreased by $170 (28.0%) to $438. The decrease is primarily the result of a decrease in interest income.

Income Taxes

The Company's effective income tax rate increased to 35.3% from 33.9% in the same period in the prior year primarily due to the effects of FAS 123(R).

Comparison of Twenty-eight Weeks Ended April 12, 2006 to Twenty-eight Weeks Ended April 13, 2005
(Amounts in $000's)

Revenues

Net sales increased $23,122 (7.4%) to $334,372 primarily due to the increase in Company-owned restaurants slightly offset by a decrease in same store sales. At the end of the period, the Company operated 410 Company-owned restaurants compared to 389 at the end of the period in the previous year. The same store sales decrease of 0.6% consists of a 4.6% increase in check average offset by a decrease in guest traffic of 5.2%. The increase in check average results primarily from a 3.0% weighted average menu price increase compared to the same period in the prior year. Comparison of same store sales includes thirteen weeks of KRI for both periods to ensure comparability.

Costs and Expenses

Cost of sales increased $3,337 (4.6%) to $76,121, however the cost of sales as a percentage of net sales decreased to 22.8% from 23.4%, primarily as a result of lower commodity costs and the positive impact of the menu price increase.

Restaurant operating costs increased $14,075 (9.1%) to $168,074 due to increase in number of new stores in the current period. Restaurant operating costs as a percentage of net sales increased from 49.5% to 50.3%, primarily due to higher energy costs and the timing of repairs. Restaurant labor costs as a percentage of sales remained fairly consistent with the prior year as a percentage of sales.

General and administrative expenses increased $3,233 (12.7%) to $28,775, and increased to 8.6% as a percentage of revenue compared to 8.2% in the same period in the prior year. The higher spending as a percent of revenues versus

prior year was driven primarily by the recognition of $1,200 of additional stock compensation expense under SFAS 123(R).

Depreciation and amortization expense increased $1,249 (9.0%) to $15,112. The increase is attributable to additional restaurants added since the second quarter of the prior fiscal year. As a percentage of total revenues, depreciation and amortization expense increased slightly from 4.4% to 4.5%.

Marketing expense increased $957 (6.8%) to $15,006, and as a percentage of revenue remained consistent at 4.5%. The year to date increase over the prior year is primarily related to increased television advertising for the Halloween Milkshakes and timing of marketing events.

Interest expense decreased $903 (13.3%) to $5,893. The decrease is a result of decreased net borrowings under the Company's Senior Note Agreement compared with the same period in the prior year as well as an increase in the amount of interest capitalized due to an increase in capital expenditures.

Rent expense increased $1,147 (21.8%) to $6,407 as a result of an increased number of restaurants opened since the second quarter of the prior fiscal year. As a percentage of revenue, rent expense increased to 1.9% to 1.7% largely due to the increased number of rented units and the decline in same store sales.

Pre-opening costs increased $892 (70.6%) to $2,156 as the Company was in the process of opening more restaurants in the current year versus the prior year. For the twenty-eight weeks ended April 12, 2006, the Company opened fourteen new restaurants compared to seven in the same period in the prior year.

The Company recorded a gain of $103 in the provision for store closings as a result of the sale of one restaurant that had been closed during a prior year.

Income Taxes

The Company's effective income tax rate increased to 34.2% from 33.9% in the same period in the prior year primarily due to the effects of FAS 123(R).

Liquidity and Capital Resources

During the twenty-eight week period ended April 12, 2006, the Company opened fourteen Company-owned Steak n Shake restaurants and three franchised restaurants. In the twenty-eight week period ended April 13, 2005, the Company opened seven Company-owned Steak n Shake restaurants and opened one rebuilt location. Seven new restaurants and one rebuild were under construction at the end of the current quarter. For the twenty-eight weeks ended April 12, 2006, capital expenditures totaled $47,898 as compared to $33,687 for the same period in the prior year. In addition, the Company used $15,893 for the acquisition of KRI during the prior year second quarter.

The Company anticipates opening at least twelve new Steak n Shake restaurants during the remainder of fiscal year 2006, for a total of at least 26 new Company-owned stores. The average cost of a new Company-operated Steak n Shake restaurant, including land, site improvements, building and equipment is approximately $2,000 - $2,500. Total capital expenditures for fiscal year 2006 are estimated to be $70,000 to $80,000 which includes corporate expenditures and existing location expenditures. The Company intends to fund 2006 capital expenditures and meet other working capital needs with existing cash, anticipated cash flows from operations, proceeds received from the revolving credit facility, and other borrowing facilities.

During the twenty-eight weeks ended April 12, 2006, cash provided by operations totaled $39,547, compared to $33,342 in the same period in the prior year. This increase in cash provided by operations is attributable primarily to changes in deferred taxes as well as increases in accounts payable and accrued expenses.. Net cash provided by financing activities for the twenty-eight weeks ended April 12, 2006, totaled $8,008 compared to the net cash used in financing activities of $469 in the comparable prior period. This increase was due to proceeds received from build-to-suit transactions and proceeds of $9,000 from the line of credit.

As of April 12, 2006, the Company had outstanding borrowings of $8,431 under its Senior Note Agreement and Private Shelf Facility ("Senior Note Agreement") and $75,000 of additional borrowing capacity available. Borrowings under the Senior Note Agreement bear interest at an average fixed rate of 7.6%. In addition, the Company has one mortgage which it assumed in the KRI acquisition. The mortgage bears interest at a fixed rate of 5% and had an outstanding balance of $764 at April 12, 2006.

The Company has a $50,000 Revolving Credit Facility ("the Facility") that bears interest based on LIBOR plus 55 basis points, or the prime rate minus 100 basis points, at the election of the Company, and matures on January 30, 2008. Borrowings under the Facility were $9,000 at April 12, 2006.

The Company's debt agreements contain restrictions and covenants customary for credit agreements of these types which, among other things, require the Company to maintain certain financial ratios. The Company was in compliance with all covenants under its borrowing agreements at April 12, 2006.

Effects of Governmental Regulations and Inflation

Most of the Company's employees are paid hourly rates related to federal and state minimum wage laws. Any increase in the legal minimum wage would directly increase the Company's operating costs. The Company is also subject to various federal, state and local laws related to zoning, land use, safety standards, working conditions and accessibility standards. Any changes in these laws that require improvements to our restaurants would increase their operating costs. In addition, the Company is subject to franchise registration requirements and certain related federal and state laws regarding franchise operations. Any changes in these laws could affect the Company’s ability to attract and retain franchisees.

Inflation in food, labor, fringe benefits, and other operating costs directly affects the Company's operations. The Company’s results of operations have not been significantly affected by inflation in the recent past.

Risks Associated with Forward-Looking Statements

Certain statements contained in this report represent forward-looking statements. In general, forward-looking statements include estimates of future revenues, cash flows, capital expenditures, or other financial items, and assumptions underlying any of the foregoing. Forward-looking statements reflect management’s current expectations regarding future events and use words such as "anticipate", "believe", "expect", "may", "will", and other similar terminology. These statements speak only as of the date they were made and involve a number of risks and uncertainties that could cause actual results to differ materially from those expressed in forward-looking statements. Several factors, many beyond our control, could cause actual results to differ significantly from our expectations, such as the following: effectiveness of operating initiatives; changes in economic conditions; effectiveness of advertising and marketing initiatives; harsh weather conditions; availability and cost of qualified restaurant personnel; changes in consumer tastes; changes in consumer behavior based on publicity or concerns relating to food safety or food-borne illnesses; effectiveness of our expansion plans; changes in minimum wage rates; and changes in applicable accounting policies and practices. The foregoing list of important factors is not intended to be all-inclusive as other general market, industry, economic, and political factors may also impact our operations. Readers are cautioned not to place undue reliance on our forward-looking statements, as we assume no obligation to update forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure with regard to financial instruments is to changes in interest rates. Pursuant to the terms of the Senior Note Agreement, the Company may from time to time issue notes in increments of at least $5,000,000. The interest rate on the notes is based upon market rates at the time of the borrowing. Once the interest rate is established at the time of the initial borrowing, the interest rate remains fixed over the term of the underlying note. The Revolving Credit Facility bears interest at a rate based upon LIBOR plus 55 basis points or the prime rate minus 100 basis points, at the election of the Company. Historically, the Company has not used derivative financial instruments to manage exposure to interest rate changes. At April 12, 2006, a hypothetical 100 basis point increase in short-term rates would have an immaterial impact on the Company's earnings.

The Company purchases certain food products, which may be affected by volatility in commodity prices due to weather conditions, supply levels, and other market conditions. The Company utilizes various purchasing and contract pricing techniques to minimize volatility, but does not enter into financial derivative contracts.

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(c)), the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of April 12, 2006, in timely alerting the Company's management to material information required to be included in this Form 10-Q and other Exchange Act filings. There have been no changes in the Company's internal control over financial reporting during the quarter ended April 12, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents a summary of share repurchases made by the Company:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
December 22, 2005 - January 18, 2006	--	--	--	3,000,000
January 19, 2006 - February 15, 2006	--	--	--	3,000,000
February 16, 2006- March 15, 2006	--	--	--	3,000,000
March 16, 2006 - April 12, 2006	--	--	--	3,000,000

The share repurchase program previously authorized by the Board of Directors was announced on November 16, 2005. The program allows for the repurchase of up to three million shares for a period of two years.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of The Steak n Shake Company held February 8, 2006, the following actions were undertaken:

1. Nine directors were elected to serve until the next annual meeting and until their successors are duly elected and qualified, as follows:

Name	Votes for	Withheld
Peter M. Dunn	24,256,810	635,036
Alan B. Gilman	24,229,414	662,432
Wayne L. Kelley	24,256,182	635,664
Charles E. Lanham	24,002,826	889,020
Ruth J. Person	24,260,433	631,413
J. Fred Risk	24,146,400	745,446
John W. Ryan	24,139,203	752,643
James Williamson, Jr.	15,858,443	9,033,403
Steven M. Schmidt	24,246,941	644,905

2. The 2006 Employee Stock Option Plan was approved as follows:

Votes for	Votes Against/Withheld	Abstentions/Broker Non-Votes
19,332,646	1,659,012	3,900,188

3. The 2006 Incentive Bonus Plan was approved as follows:

Votes for	Votes Against/Withheld	Abstentions
23,785,966	1,105,880	--

4. The 2006 Employee Stock Purchase Plan was approved as follows:

Votes for	Votes Against/Withheld	Abstentions/Broker Non-Votes
20,209,416	782,242	3,900,188

5. Deloitte and Touche, LLP was ratified as the Company's independent auditor as follows:

Votes for	Votes Against/Withheld	Abstentions
24,653,951	237,895	--

ITEM 6. EXHIBITS

Exhibits

3.1 Restated Bylaws, as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated March 20, 2006).

10.1 2006 Employee Stock Option Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 8, 2006).

10.2 2006 Incentive Bonus Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated February 8, 2006).

10.3 Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated February 8, 2006).

10.4 Amendment to Employment Agreement between Wayne Kelley and Steak n Shake Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated March 24, 2006)

14.1 Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 to the Registrant's Current Report on Form 8-K dated February 8, 2006).

31.1 Rule 13a - 14(a) / 15d - 14(a) Certification of Chief Executive Officer.

31.2 Rule 13a - 14(a) / 15d - 14(a) Certification of Chief Financial Officer.

32 Section 1350 Certifications.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 22, 2006.

THE STEAK N SHAKE COMPANY
(Registrant)

By /s/ Jeffrey A. Blade
Jeffrey A. Blade
Senior Vice President
and Chief Financial Officer