CRACKER BARREL OLD COUNTRY STORE, INC
Form 10-K
September 22, 2017

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

FORM 10 K

(Mark One)
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended July 28, 2017

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from_______________ to______________

Commission file number: 000 25225

Cracker Barrel Old Country Store, Inc.
(Exact name of registrant as specified in its charter)

Tennessee	62 0812904
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

305 Hartmann Drive	37087-4779
Lebanon, Tennessee	(Zip code)
(Address of principal executive offices)	

Registrant’s telephone number, including area code: (615) 444-5533

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (Par Value $.01)	The NASDAQ Stock Market LLC
Rights to Purchase Series A Junior Participating Preferred Stock (Par Value $0.01)	(NASDAQ Global Select Market)

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of voting stock held by nonaffiliates of the registrant as of January 27, 2017 (the last business day of the registrant's most recently completed second fiscal quarter) was $3,779,685,850.

As of September 14, 2017, there were 24,055,682 shares of common stock outstanding.

Documents Incorporated by Reference

Document from which Portions are Incorporated by Reference	Part of Form 10 K into which incorporated
1. Proxy Statement for Annual Meeting of Shareholders to be held November 16, 2017 (the "2017 Proxy Statement")	Part III

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INTRODUCTION

General

This report contains references to years 2017, 2016 and 2015, which represent our fiscal years ended July 28, 2017, July 29, 2016 and July 31, 2015, respectively. All of the discussion in this report should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto. All amounts other than share and certain statistical information (e.g., number of stores) are in thousands unless the context clearly indicates otherwise. Similarly, references to a year or quarter are to our fiscal year or quarter unless expressly noted or the context clearly indicates otherwise.

Forward-Looking Statements/Risk Factors

Except for specific historical information, many of the matters discussed in this Annual Report on Form 10-K, as well as other documents incorporated herein by reference, may express or imply projections of items such as revenues or expenditures, estimated capital expenditures, compliance with debt covenants, plans and objectives for future operations, store economics, inventory shrinkage, growth or initiatives, expected future economic performance or the expected outcome or impact of pending or threatened litigation. These and similar statements regarding events or results that Cracker Barrel Old Country Store, Inc. (the “Company”) expects will or may occur in the future are forward-looking statements that, by their nature, involve risks, uncertainties and other factors which may cause our actual results and performance to differ materially from those expressed or implied by such forward-looking statements. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these risks, uncertainties and other factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “trends,” “assumptions,” “target,” “guidance,” “outlook,” “opportunity,” “future,” “plans,” “goals,” “objectives,” “expectations “long-term,” “projection,” “may,” “will,” “would,” “could,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “potential, “projects,” “forecasts” or “continue” (or the negative or other derivatives of each of these terms) or similar terminology. We believe the assumptions underlying any forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in or implied by the forward-looking statements. In addition to the risks of ordinary business operations, and those discussed or described in this report or in information incorporated by reference into this report, factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to, those contained in Part I, Item 1A of this report below, as well as the factors described under “Critical Accounting Estimates” in Part II, Item 7 of this report below or, from time to time, in our filings with the Securities and Exchange Commission (“SEC”), press releases and other communications.

Readers are cautioned not to place undue reliance on forward-looking statements made in this report, since the statements speak only as of the report’s date. Except as may be required by law, we have no obligation or intention to publicly update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any future public disclosures that we may make on related subjects in reports that we file with or furnish to the SEC or in our other public disclosures.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Cracker Barrel Old Country Store, Inc. (“we,” “us,” “our” or the “Company,” which reference, unless the context requires otherwise, also includes our direct and indirect wholly-owned subsidiaries), is principally engaged in the operation and development of the Cracker Barrel Old Country Store® concept (“Cracker Barrel”). We are headquartered in Lebanon, Tennessee and were originally founded in 1969. We are organized under the laws of the State of Tennessee.

We maintain a website at crackerbarrel.com. We make available free of charge through our website our periodic and other reports filed with or furnished to the SEC pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. Information on our website is not deemed to be incorporated by reference into this Annual Report on Form 10-K or any other filings that we make from time to time with the SEC.

Cracker Barrel Old Country Store Concept

As of September 14, 2017, we operated 645 Cracker Barrel stores in 44 states. None of our stores are franchised. Our stores are intended to appeal to both the traveler and the local customer, and we believe they have consistently been a consumer favorite. We pride ourselves on our consistent quality, value and friendly service.

Store Format: The format of our stores consists of a trademarked rustic old country-store design offering a full-service restaurant menu that features home-style country food and a wide variety of decorative and functional items such as rocking chairs, holiday and seasonal gifts and toys, apparel, cookware and foods. All stores are freestanding buildings. Store interiors are subdivided into a dining room occupying approximately 26% of the total interior store space, a gift shop occupying approximately 22% of such space and the balance primarily consisting of kitchen, storage and training areas. Our stores have stone fireplaces and are decorated with antique style furnishings and other authentic and nostalgic items, reminiscent of and similar to those found and sold in the past in traditional old country stores. The front porch of each store features rows of the signature Cracker Barrel rocking chairs that can be used by guests while waiting for a table in our dining room or after enjoying a meal and are sold by the gift shop. The kitchens contain modern food preparation and storage equipment allowing for flexibility in menu variety and development.

Products: Our restaurants, which generated approximately 80% of our total revenue in 2017, offer home-style country cooking featuring many of our own recipes that emphasize authenticity and quality. Our restaurants serve breakfast, lunch and dinner daily. Menu items are moderately priced. The restaurants do not serve alcoholic beverages.

Breakfast items can be ordered at any time throughout the day and include juices, eggs, pancakes, fruit and yogurt parfaits, bacon, country ham, sausage, grits, and a variety of biscuit specialties, such as gravy and biscuits and country ham and biscuits. Lunch and dinner items include country ham, chicken and dumplings, chicken fried chicken, meatloaf, country fried steak, pork chops, fish, steak, roast beef, vegetable plates, a variety of salads, sandwiches, soups, fresh side items and specialty items such as pinto beans and turnip greens. We also offer lower calorie breakfast, lunch and dinner items, which are full of flavor but with fewer calories. Additionally, we may from time to time feature new items as off-menu specials or in test menus at certain locations to evaluate possible ways to enhance customer interest and identify potential future additions to the menu. We offer weekday lunch specials, which include some of our favorite entrées in lunch-sized portions. Our menu also features weekday and weekend dinner specials that showcase a popular dinner entrée. There is some variation in menu pricing and content in different regions of the country for both breakfast and lunch/dinner. The average check per guest during 2017 was $10.19, which represents a

1.6% increase over the prior year. We served an average of approximately 7,000 restaurant guests per week in a typical store in 2017.

The following table highlights the price ranges for our meals in 2017:

	Price Range
Breakfast	$3.39 to $11.99
Lunch and Dinner	$4.49 to $16.69

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The following table highlights each day-part's percentage of restaurant sales in 2017:

	Percentage of Restaurant Sales in 2017	
Breakfast Day-Part (until 11:00 a.m.)	24	%
Lunch Day-Part (11:00 a.m. to 4:00 p.m.)	39	%
Dinner Day-Part (4:00 p.m. to close)	37	%

We also offer items for sale in our gift shops that are featured on, or related to, the restaurant menu, such as pies, cornbread mix, coffee, syrups and pancake mixes. Our gift shops, which generated approximately 20% of our total revenue in 2017, offer a wide variety of decorative and functional items such as rocking chairs, seasonal gifts, apparel, toys, music CDs, cookware and various other gift items, as well as various candies, preserves and other food items.

The following table highlights the five categories which accounted for the largest shares of our retail sales in 2017:

	Percentage of Retail Sales in 2017	
Apparel and Accessories	30	%
Food	18	%
Décor	13	%
Toys	11	%
Bed and Bath	8	%

Our typical gift shop features approximately 4,800 stock keeping units. A selection of the food items are sold under the "Cracker Barrel Old Country Store" brand name. We believe that we achieve high retail sales per square foot of retail selling space (approximately $427 per square foot in 2017) as compared to mall stores both by offering appealing merchandise and by having a significant source of customers who are typically our restaurant guests.

We also sell certain licensed food products under the "CB Old Country Store" brand name in the grocery store and retail channels. These licensed food products currently include ham, bacon, deli meat, jerky, summer sausage, baking mix and gravy mix.

Product Development and Merchandising: We maintain a product development department, which develops new and improved menu items either in response to shifts in customer preferences or to create customer interest. We use a formal development and testing process, which includes guest research and in-store market tests to ensure products brought to market have a greater likelihood of meeting our goals. Menu-driven growth is built through three areas: enhancements to our current core menu offerings, the addition of new core menu offerings and limited time offer promotions we call seasonal events. Our merchandising department selects and develops products for our gift shop. We are focused on driving retail sales by converting those customers who come to us for a restaurant visit. Our assortment includes core and seasonal themes. Our seasonal themes are designed to create interest and excitement in our stores by providing our guests with additional choices. Our licensees develop new licensed food products under our direction for consideration and approval.

Store Management and Quality Controls: At each store, our store management typically consists of one general manager, four associate managers and one retail manager. Our store management is responsible for an average of 104 employees operating two shifts. The relative complexity of operating one of our stores requires an effective management team at the individual store level. To motivate store managers to improve sales and operational performance, we maintain bonus plans designed to provide store managers with an opportunity to share in the profits of their store. The bonus plans also reward managers who achieve specific operational targets. Each store is assigned to both a restaurant and a retail district manager which each report to a regional vice president.

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To ensure that individual stores are operated at a high level of quality, we focus significant attention on the selection and training of store managers. The store management recruiting and training program begins with an evaluation and screening process. In addition to multiple interviews and verification of background and experience, we conduct assessments designed to identify those applicants most likely to be best suited to manage store operations. Candidates who successfully pass this screening process are then required to complete a training program. The restaurant manager training program consists of three weeks of training at our home office and five weeks of in-store training. The retail manager training program consists of two weeks of training at our home office and three weeks of in-store training. We believe that our training programs develop managers who can effectively deliver a great employee and guest experience through the leadership and execution of our operating systems. These programs allow new managers the opportunity to become familiar with our operations, culture, management objectives, controls and evaluation criteria before assuming management responsibility. We provide our managers and hourly employees with ongoing training through various development courses taught through a blended learning approach, including a mix of hands-on, traditional classroom, written and cloud-based training. Each store is equipped with dedicated training computers and cloud-based proprietary eLearning instruction programs. Additionally, each store typically has an employee training coordinator who oversees the training of the store's hourly employees.

Purchasing and Distribution: We negotiate directly with food vendors as to specification, price and other material terms of most food purchases. We have a contract with an unaffiliated distributor with custom distribution centers in Lebanon, Tennessee; McKinney, Texas; Gainesville, Florida; Elkton, Maryland; Kendallville, Indiana; and Ft. Mill, South Carolina. We purchase the majority of our food products and restaurant supplies on a cost plus basis through this unaffiliated distributor. The distributor is responsible for placing food orders, warehousing and delivering food products to our stores. Deliveries are generally made once per week to individual stores. Produce is purchased through a national program and is delivered three times a week through a network of approximately fifty independent produce suppliers. Fluid dairy is delivered three times a week through approximately fifty regional dairies, the majority of which are under the ownership of two separate companies.

The following table highlights the five food categories which accounted for the largest shares of our food purchasing expense in 2017:

	Percentage of Food Purchases in 2017	
Beef	14	%
Dairy (including eggs)	12	%
Fruits and vegetables	12	%
Poultry	11	%
Pork	10	%

Each of these categories includes several individual items. The single food item within these categories that accounted for the largest share of our food purchasing expense in 2017 was chicken tenders at approximately 5% of total food purchases. Dairy, fruits and vegetables are purchased through numerous vendors, including local vendors. Eggs are purchased through three vendors. We purchase our pork through five vendors, poultry through eight vendors and beef through nine vendors. Should any food items from a particular vendor become unavailable, we generally believe that these food items could be obtained, or alternative products substituted, in sufficient quantities from other sources at competitive prices to allow us to avoid any material adverse effects that could be caused by such unavailability.

We purchase the majority of our retail items (approximately 80% in 2017) directly from domestic and international vendors and warehouse, or crossdock, such items at our retail distribution center in Lebanon, Tennessee, which we lease. The distribution center fulfills retail item orders generated by our automated replenishment system and generally ships the retail orders once a week to the individual stores by a third-party dedicated freight line. Certain retail items, not centrally purchased and warehoused at the distribution center, are drop-shipped directly by our vendors to individual stores.

Approximately one-third of our 2017 retail items were purchased directly from vendors in the People's Republic of China. We have relationships with several foreign buying agencies to source product, monitor quality control and supplement product development.

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Operational and Inventory Controls: Our information technology and telecommunications systems and various analytical tools are used to evaluate store operating information and provide management with reports to support prompt detection of unusual variances in food costs, labor costs or operating expenses. Management also monitors individual store restaurant and retail sales on a daily basis and closely monitors sales mix, sales trends, operational costs and inventory levels. The information generated by the information technology and telecommunication systems, analysis tools and monitoring processes is used to manage the operations of each store, replenish retail inventory levels and facilitate retail purchasing decisions. These systems and processes also are used in the development of forecasts, budget analyses and planning.

Guest Satisfaction: We are committed to providing our guests a home-style, country-cooked meal, and a variety of retail merchandise served and sold with genuine hospitality in a comfortable environment. Our commitment to offering guests a quality experience begins with our employees. Our mission statement, "Pleasing People," embraces guests and employees alike, and our employees are trained on the importance of that mission in a culture of mutual respect. We also are committed to staffing each store with an experienced management team to ensure attentive guest service and consistent food quality. Through the regular use of guest surveys and store visits by district managers and operational vice presidents, management receives valuable feedback that is used in our ongoing efforts to improve the stores and to demonstrate our continuing commitment to pleasing our guests. We have a guest-relations call center that takes comments and suggestions from guests and forwards them to operations or other management for information and follow up. We use Internet and interactive voice response systems to monitor operational performance and guest satisfaction at all stores on an ongoing basis. We have public notices in our menus, on our website and posted in our stores informing customers and employees about how to contact us by Internet or toll-free telephone number with questions, complaints or concerns regarding services or products. We conduct training on how to gather information and investigate and resolve customer concerns. This is accompanied by comprehensive training for all store employees on our public accommodations policy and commitment to "Pleasing People."

Marketing: We employ multiple media to reach and engage our guests. Outdoor advertising (i.e., billboards and state department of transportation signs) is the largest advertising vehicle we use to reach our traveling and local guests. In 2017, we had over 1,600 billboards and this expenditure accounts for approximately one-third of total advertising spend annually. We believe we are among the top billboard advertisers in the restaurant industry. Our use of non-billboard media has increased in recent years as we look to build market awareness for local occasions. This increased support has used broadcast television, national cable and digital support. In 2017, we ran media in each quarter. We continued to increase our efforts in the digital space to drive preference and engagement with the brand. We now have properties on multiple social media sites, an e-commerce platform and our brand site. Our exclusive music program drives awareness for the brand and builds cultural relevance and affinity with our guests. We plan to continue to have multiple releases each year with specific promotional support for each release. In 2017, we spent approximately 2.9% of our revenues on advertising.

Store Development: We opened six new stores in 2017. We plan to open eight to nine new stores during 2018. As of September 14, 2017, approximately 83% of our stores are located along interstate highways. Our remaining stores are located off-interstate or near tourist destinations. We believe we should pursue development of both interstate locations and off-interstate locations to capitalize on the strength of our brand associated with travelers on the interstate highway system and by locating in certain local markets where our guests live and work, including locations outside of our existing core markets and in states where we currently do not operate.

Of the 645 stores open as of September 14, 2017, we own the land and buildings for 418, while the other 227 properties are either ground leases or ground and building leases. Land costs for stores opened during 2017 averaged $596 per site if owned. Building, site improvement, furniture, equipment and related development costs for stores opened during 2017 averaged $3,942. Pre-opening costs averaged $544 per store in 2017.

Our current store prototype is approximately 9,000 square feet, including approximately 2,100 square feet of retail selling space, and has dining room seating for approximately 180 guests. Our capital investment in new stores may differ in the future due to changes in our store prototype, building design specifications, site location and site characteristics.

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Holler & Dash Concept

In 2016, the Company launched its new fast casual concept, Holler & Dash Biscuit House™. The concept offers biscuit-inspired entrées and a unique portfolio of alcoholic and non-alcoholic beverage options. We opened two new locations in 2017. We plan to open three to four new locations in 2018. At September 14, 2017, five Holler & Dash locations were open - all leased properties in Alabama, Florida, Tennessee and Georgia. The new concept is a smaller footprint and has operating hours limited to the breakfast and lunch day parts.

EMPLOYEES

As of July 28, 2017, we employed approximately 73,000 people, of whom 529 were in advisory and supervisory capacities, 3,547 were in-store management positions and 38 were officers. Many store personnel are employed on a part time basis. None of our employees is represented by any union, and management considers its employee relations to be good.

COMPETITION

The restaurant and retail industries are intensely competitive with respect to the type and quality of food, retail merchandise, price, service, location, personnel, concept, attractiveness of facilities and effectiveness of advertising and marketing. We compete with a significant number of national and regional restaurant and retail chains, some of which have greater resources than us, as well as locally owned restaurants and retail stores. We also face growing competition from the supermarket industry, which offers "convenient meals" in the form of improved entrées and side dishes from the deli section; fast casual restaurants; quick-service restaurants; and highly promotional casual and family dining restaurants. We expect competition to continue in all of these areas, which could cause consumers to choose less expensive alternatives. The restaurant and retail businesses are also often affected by changes in consumer taste and preference; national, regional or local economic conditions; demographic trends; traffic and weather patterns; the type, number and location of competing restaurants and retailers; and consumers' discretionary purchasing power. In addition, factors such as inflation, increased food, labor and benefits costs and the lack of experienced management and hourly employees may adversely affect the restaurant and retail industries in general and our stores in particular. We believe we compete effectively and have successfully differentiated ourselves from many of our competitors in the restaurant and retail industries through a unique brand and guest experience, which offers a diversified full service menu and a large variety of nostalgic and unique retail items. For further information regarding competition, see Item 1A. Risk Factors.

RAW MATERIALS SOURCES AND AVAILABILITY

Essential restaurant supplies and raw materials are generally available from several sources. Generally, we are not dependent upon single sources of supplies or raw materials. However, in our stores, certain branded items are single source products or product lines. Our ability to maintain consistent quality throughout our store system depends in part upon our ability to acquire food products and related items from reliable sources. When the supply of certain products is uncertain or prices are expected to rise significantly, we may enter into purchase contracts or purchase bulk quantities for future use.

Adequate alternative sources of supply, as well as the ability to adjust menus if needed, are believed to exist for substantially all of our restaurant products. Our retail supply chain generally involves longer lead-times and, often, more remote sources of product, including the People's Republic of China, and most of our retail product is distributed to our stores through a single distribution center. Although disruption of our retail supply chain could be difficult to overcome, we continuously evaluate the potential for disruptions and ways to mitigate such disruptions should they occur.

ENVIRONMENTAL MATTERS

Federal, state and local environmental laws and regulations have not historically had a significant impact on our operations; however, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

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TRADEMARKS

We deem the various Cracker Barrel trademarks and service marks that we own to be of substantial value. Our policy is to obtain federal registration of trademarks and other intellectual property whenever possible and to pursue vigorously any infringement of our trademarks and service marks.

RESEARCH AND DEVELOPMENT

While research and development is important to us, these expenditures have not been material due to the nature of the restaurant and retail industries.

SEASONAL ASPECTS

Historically, our revenue and profits have been lower in the first and third fiscal quarters and higher in the second and fourth fiscal quarters. We attribute these variations primarily to the holiday shopping season and the summer vacation and travel season. Our gift shop sales, which are made substantially to our restaurant guests, historically have been highest in our second quarter, which includes the holiday shopping season. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby generally contributing to higher profits in the Company's fourth quarter. We also generally open additional new stores throughout the year. Therefore, the results of operations for any interim period cannot be considered indicative of the operating results for an entire year.

WORKING CAPITAL

In the restaurant industry, substantially all sales are either for cash or third-party credit card. Therefore, like many restaurant companies, we are able to, and often do operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while other restaurant inventories purchased locally generally are financed through trade credit at terms of 30 days or less. Because of our gift shop, which has a lower product turnover than the restaurant, we carry larger inventories than many other companies in the restaurant industry. Retail inventories are generally financed through trade credit at terms of 60 days or less. These various trade terms are aided by rapid product turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears of hours worked except for bonuses that are paid either quarterly or annually in arrears. Many other operating expenses have normal trade terms and certain expenses, such as certain taxes and some benefits, are deferred for longer periods of time.

ITEM 1A. RISK FACTORS

Investing in our securities involves a degree of risk. Persons buying our securities should carefully consider the risks described below and the other information contained in this Annual Report on Form 10-K and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. If any of the following risks actually occurs, our business, financial condition, results of operations or cash flows could be materially adversely affected. In any such case, the trading price of our securities could decline and you could lose all or part of your investment.

General economic, business and societal conditions as well as those specific to the restaurant or retail industries that are largely out of our control may adversely affect our business, financial condition and results of operations.

Our business results depend on a number of industry-specific and general economic factors, many of which are beyond our control. These factors include consumer income, interest rates, inflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends and other matters that influence consumer confidence and spending. The full-service dining sector of the restaurant industry and the retail industry are affected by changes in national, regional and local economic conditions, seasonal fluctuation of sales volumes, consumer preferences, including changes in consumer tastes and dietary habits and the level of consumer acceptance of our restaurant concept and retail merchandise, and consumer spending patterns.

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Discretionary consumer spending, which is critical to our success, is influenced by general economic conditions and the availability of discretionary income. Global economic factors and a weak economic recovery have reduced consumer confidence and affected consumers' ability or desire to spend disposable income. A deterioration in the economy or other economic conditions affecting disposable consumer income, such as unemployment levels, reduced home values, investment losses, inflation, business conditions, fuel and other energy costs, consumer debt levels, lack of available credit, consumer confidence, interest rates, tax rates and changes in tax laws, may adversely affect our business by reducing overall consumer spending or by causing customers to reduce the frequency with which they shop and dine out or to shift their spending to our competitors or to products sold by us that are less profitable than other product choices, all of which could result in lower revenues, decreases in inventory turnover, greater markdowns on inventory, and a reduction in profitability due to lower margins.

In addition, many of the factors discussed above, along with the current economic environment and the related impact on available credit, may affect us and our suppliers and other business partners, landlords, and customers in an adverse manner, including, but not limited to, reducing access to liquid funds or credit (including through the loss of one or more financial institutions that are a part of our revolving credit facility), increasing the cost of credit, limiting our ability to manage interest rate risk, increasing the risk of bankruptcy of our suppliers, landlords or counterparties to or other financial institutions involved in our revolving credit facility and our derivative and other contracts, increasing the cost of goods to us, and other adverse consequences which we are unable to fully anticipate.

We also cannot predict the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against any foreign state or group located in a foreign state or heightened security requirements on the economy or consumer confidence in the United States. Any of these events could also affect consumer sentiment and confidence that in turn affect consumer spending patterns or result in increased costs for us due to security measures.

Unfavorable changes in the factors described above or in other business and economic conditions affecting our customers could increase our costs, reduce traffic in some or all of our locations or impose practical limits on pricing, any of which could lower our profit margins and have a material adverse effect on our financial condition and results of operations.

There can be no assurance that the economic conditions that have adversely affected the restaurant and retail industries, and the capital, credit and real estate markets generally or us in particular will remain static in 2018, or thereafter, in which case we could experience declines in revenues and profits, and could face capital and liquidity constraints or other business challenges.

We face intense competition, and if we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

The restaurant and retail industries are intensely competitive, and we face many well-established competitors. We compete within each market with national and regional restaurant and retail chains and locally-owned restaurants and retailers. Competition from other regional or national restaurant and retail chains typically represents the more important competitive influence, principally because of their significant marketing and financial resources. We also face competition as a result of the convergence of grocery, deli, retail and restaurant services, particularly in the supermarket industry. Moreover, our competitors can harm our business even if they are not successful in their own operations by taking away customers or employees through aggressive and costly advertising, promotions or hiring practices. We compete primarily on the quality, variety and perceived value of menu and retail items. The number and location of stores, the growth of e-commerce, type of concept, quality and efficiency of service, attractiveness of facilities and effectiveness of advertising and marketing programs also are important factors. We anticipate that intense competition will continue with respect to all of these factors. We also compete with other restaurant chains and other retail businesses for quality site locations, management and hourly employees, and competitive pressures could affect both the availability and cost of these important resources. If we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

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The price and availability of food, ingredients, retail merchandise and utilities used by our stores could adversely affect our revenues and results of operations.

We are subject to the general risks of inflation, and our operating profit margins and results of operations depend significantly on our ability to anticipate and react to changes in the price, quality and availability of food and other commodities, ingredients, retail merchandise, utilities and other related costs over which we have limited control. Fluctuations in economic conditions, weather, demand and other factors affect the availability, quality and cost of the ingredients and products that we buy. Some climatologists predict that the long-term effects of climate change may result in more severe, volatile weather, which could result in greater volatility in product supply and price. Furthermore, many of the products that we use and their costs are interrelated. Changes in global demand for corn, wheat and dairy products could cause volatility in the feed costs for poultry and livestock. The effect of, introduction of, or changes to tariffs or exchange rates on imported retail products or food products could increase our costs and possibly affect the supply of those products. In addition, food safety concerns, widespread outbreaks of livestock and poultry diseases, such as, among other things, the Avian Flu, and product recalls, all of which are out of our control, and, in many instances, unpredictable, could also increase our costs and possibly affect the supply of livestock and poultry products. Our operating margins are also affected, whether as a result of general inflation or otherwise, by fluctuations in the price of utilities such as natural gas and electricity, on which our locations depend for much of their energy supply. Our inability to anticipate and respond effectively to one or more adverse changes in any of these factors could have a significant adverse effect on our results of operations. In addition, because we provide a moderately-priced product, we may not seek to or be able to pass along price increases to our customers sufficient to completely offset cost increases.

Our plans depend significantly on our strategic priorities and business initiatives designed to enhance our menu and retail offerings, support our brand, improve operating margins and improve the efficiencies and effectiveness of our operations. Failure to achieve or sustain these plans could adversely affect our results of operations.

We have had, and expect to continue to have, priorities and initiatives in various stages of testing, evaluation and implementation, upon which we expect to rely to improve our results of operations and financial condition. These priorities and initiatives include, but are not limited to, tiered menu pricing, evolving our marketing messaging to support the brand, improving the quality and breadth of retail assortments, re-engineering store processes to reduce costs and improve store margins, applying technology to improve the employee and guest experience, expanding our store footprint, focusing on our new fast casual concept, and extending the brand beyond our existing stores, including initiatives to sell licensed products through grocery and other retail channels and through evaluating strategic transactions such as joint ventures and acquisitions. It is possible that our focus on these priorities and initiatives and constantly changing consumer preferences could cause unintended changes to our current results of operations. Additionally, many of these initiatives are inherently risky and uncertain in their application to our business in general, even when tested successfully on a more limited scale. It is possible that successful testing can result partially from resources and attention that cannot be duplicated in broader implementation. Testing and general implementation also can be affected by other risk factors described herein that reduce the results expected. Successful system-wide implementation across hundreds of stores and involving tens of thousands of employees relies on consistency of training, stability of workforce, ease of execution and the absence of offsetting factors that can adversely influence results. Failure to achieve successful implementation of our initiatives could adversely affect our results of operations.

We are dependent upon attracting and retaining qualified employees while also controlling labor costs.

Our performance is dependent on attracting and retaining a large and growing number of qualified store employees. Availability of staff varies widely from location to location. Many staff members are in entry-level or part-time positions, typically with high rates of turnover. Even though recent trends in employee turnover have been favorable, if store management and staff turnover were to increase, we could suffer higher direct costs associated with recruiting, training and retaining replacement personnel. Management turnover as well as general shortages in the labor pool can cause our stores to be operated with reduced staff, which negatively affects our ability to provide appropriate service levels to our customers. Competition for qualified employees exerts upward pressure on wages paid to attract such personnel, resulting in higher labor costs, together with greater recruiting and training expenses.

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Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, minimum wage legislation, health care legislation, payroll taxes and changing demographics. Many of our employees are hourly workers whose wages are affected by increases in the federal or state minimum wage or changes to tip credits. Tip credits are the amounts an employer is permitted to assume an employee receives in tips when the employer calculates the employee's hourly wage for minimum wage compliance purposes. Increases in minimum wage levels and changes to the tip credit have been made and continue to be proposed at both federal and state levels. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. If competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline.

Our reliance on certain significant vendors, particularly for foreign-sourced retail products, subjects us to numerous risks, including possible interruptions in supply, which could adversely affect our business.

Our ability to maintain consistent quality throughout our operations depends in part upon our ability to acquire specified food and retail products and supplies in sufficient quantities. Partly because of our size, finding qualified vendors and accessing food, retail products, supplies and certain outsourced services in a timely and efficient manner is a significant challenge that typically is more difficult with respect to goods or services sourced outside the United States. In some cases, we may have only one supplier for a product or service. Our dependence on single-source suppliers subjects us to the possible risks of shortages, interruptions and price fluctuations, and possible litigation when we change vendors because of performance issues. Global economic factors and the weak economic recovery continue to put significant pressure on suppliers, with some suppliers facing financial distress and others attempting to rebuild profitability, all of which tends to make the supply environment more expensive. If any of these vendors is unable to fulfill its obligations, or if we are unable to find replacement suppliers in the event of a supply disruption, we could encounter supply shortages and/or incur higher costs to secure adequate supplies, either of which could materially harm our business.

Additionally, we use a number of products that are or may be manufactured in a number of foreign countries. In addition to the risk presented by the possible long lead times to source these products, our results of operations may be materially affected by risks such as:

- fluctuating currency exchange rates or control regulations;
- foreign government regulations;
- import/export restrictions and product testing regulations;
- foreign political and economic instability;
- disruptions due to labor stoppages, strikes or slowdowns, or other disruptions, involving our vendors or the transportation and handling industries; and
- tariffs, trade barriers and other trade restrictions by the U.S. government on products or components shipped from foreign sources.

Possible shortages or interruptions in the supply of food items, retail merchandise and other supplies to our stores caused by inclement weather, natural disasters such as droughts, floods and earthquakes, the inability of our vendors to obtain credit in a tightened credit market or other conditions beyond our control could adversely affect the availability, quality and cost of the items we buy and the operations of our stores. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products that are critical to our store operations. If we temporarily close a store or remove popular items from a store's menu or retail product assortment, that store may experience a significant reduction in revenue during the time affected by the shortage or thereafter as a result of our customers changing their dining and shopping habits.

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Health concerns, government regulation relating to the consumption of food products and widespread infectious diseases could affect consumer preferences and could negatively affect our results of operations.

The sale of food and prepared food products for human consumption involves the risk of injury to our customers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. Additionally, many of the food items on our menu contain beef and chicken. The preferences of our customers toward beef and chicken could be affected by health concerns about the consumption of beef or chicken or health concerns and publicity concerning food quality, illness and injury generally. In recent years there has been publicity concerning E. coli bacteria, hepatitis A, “mad cow” disease, “foot-and-mouth” disease, salmonella, the bird/Avian Flu, peanut and other food allergens, and other public health concerns affecting the food supply, including beef, chicken, pork, dairy and eggs. In addition, if a regional or global health pandemic occurs, depending upon its location, duration and severity, our business could be severely affected. In the event a health pandemic occurs, customers might avoid public places, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease. A regional or global health pandemic might also adversely affect our business by disrupting or delaying production and delivery of materials and products in our supply chain and by causing staffing shortages in our stores. In addition, government regulations or the likelihood of government regulation could increase the costs of obtaining or preparing food products. A decrease in guest traffic to our stores, a change in our mix of products sold or an increase in costs as a result of these health concerns either in general or specific to our operations, could result in a decrease in sales or higher costs to our stores that would materially harm our business.

Our risks are heightened because of our single retail distribution facility and our potential inability or failure to execute on a comprehensive business continuity plan following a major disaster at or near our corporate facility could adversely affect our business.

The majority of our retail inventory is shipped into, stored at and shipped out of a single warehouse located in Lebanon, Tennessee. All of the decorative fixtures used in our stores are shipped into, stored at and shipped out of a separate warehouse that is also located in Lebanon, Tennessee. A natural disaster affecting either of these warehouses could materially adversely affect our business. Additionally, our corporate systems and processes and support for our restaurant and retail operations are centralized on one campus in Tennessee. We have disaster recovery procedures and business continuity plans in place to address most events and back up and offsite locations for recovery of electronic and other forms of data and information. However, if we are unable to implement our disaster recovery and business continuity plans, we may experience delays in recovery of data, failure to support field operations, tardiness in required reporting and compliance and the inability to perform vital corporate functions which could adversely affect our business.

Our ability to manage our retail inventory levels and changes in merchandise mix may adversely affect our business.

The long lead times required for a substantial portion of our retail merchandise and the risk of product damages or non-compliance with required specifications could affect the amount of inventory we have available for sale. Additionally, our success depends on our ability to anticipate and respond in a timely manner to changing consumer demand and preferences for merchandise. If we misjudge the market, we may overstock unpopular products and be forced to take significant markdowns, which could reduce our gross margin. Conversely, if we underestimate demand for our merchandise we may experience inventory shortages resulting in lost revenues. Any of these factors could have an adverse effect on our results of operations, cash flows from operations and our financial condition.

If we fail to execute our business strategy, which includes our ability to find new store locations and open new stores that are profitable, our business could suffer.

One of the means of achieving our growth objectives is opening and operating new and profitable stores. This strategy involves numerous risks, and we may not be able to open all of our planned new stores and the new stores that we open may not be profitable or as profitable as our existing stores.

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A significant risk in executing our business strategy is locating, securing and profitably operating an adequate supply of suitable new store sites. Competition for suitable store sites and operating personnel in our target markets is intense, and there can be no assurance that we will be able to find sufficient suitable locations, or negotiate suitable purchase or lease terms, for our planned expansion in any future period. Recently, our target markets have been expanded to include markets that are outside of our existing core markets and in states where we currently do not have existing operations, which increases the risk of executing our business strategy. The recession and current economic conditions have reduced commercial development activity and limited the availability of attractive sites for new stores. New stores typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly-opened stores generally do not make a significant contribution to profitability in their initial months of operation. Our ability to open and operate new stores successfully also depends on numerous other factors, some of which are beyond our control, including, among other items discussed in other risk factors, the following: our ability to control construction and development costs of new stores; our ability to manage the local, state or other regulatory approvals and permits, zoning and licensing processes in a timely manner; our ability to appropriately train employees and staff the stores; consumer acceptance of our stores in new markets; our ability to manage construction delays related to the opening of a new store. Delays or failures in opening new stores, or achieving lower than expected sales in new stores, or drawing a greater than expected proportion of sales in new stores from existing stores, could materially adversely affect our business strategy and could have an adverse effect on our business and results of operations.

A material disruption in our information technology, network infrastructure and telecommunication systems could adversely affect our business and results of operations.

We rely extensively on our information technology across our operations, including, but not limited to, point of sales processing, supply chain management, retail merchandise allocation and distribution, labor productivity and expense management Our business depends significantly on the reliability and capacity of our information technology systems to process these transactions, summarize results, manage and report on our business and our supply chain. Our information technology systems are subject to damage or interruption from power outages, computer, network, cable system, Internet and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our information technology and telecommunication systems are damaged or cease to function properly, we may have to make a significant investment to repair or replace them, and we could suffer loss of critical data and interruptions or delays in our operations in the interim. Any material interruption in our information technology and telecommunication systems could adversely affect our business or results of operations.

A privacy breach could adversely affect our business.

The protection of customer, employee and company data is critical to us. We are subject to laws relating to information security, privacy, cashless payments, consumer credit, and fraud. Additionally, an increasing number of government and industry groups have established laws and standards for the protection of personal and health information. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. Compliance with these requirements may result in cost increases due to necessary system changes and the development of new administrative processes. In addition, customers and employees have a high expectation that we will adequately protect their personal information. For example, in connection with credit and debit card sales, we transmit confidential card information. Third parties may have the technology or know-how to breach the security of this customer information, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. If we fail to comply with the laws and regulations regarding privacy and security or experience a security breach, we could be exposed to risks of data loss, fines, a loss of the ability to process credit and debit card payments, litigation and serious disruption of our operations. Additionally, any resulting negative publicity could significantly harm our reputation.

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Our capital structure contains significant indebtedness, which may decrease our flexibility, increase our borrowing costs and adversely affect our liquidity. In addition, we cannot provide any guaranty of future cash dividend payments or that we will be able to actively repurchase our common stock pursuant to a share repurchase program.

Our consolidated indebtedness and our leverage ratio may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs. There are various financial covenants and other restrictions in our revolving credit facility. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity. A default under our credit agreement may also significantly affect our ability to obtain additional or alternative financing. For example, the lenders' ongoing obligation to extend credit under the revolving credit facility is dependent upon our compliance with these covenants and restrictions.

Our ability to make scheduled interest payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. Our inability to refinance our indebtedness when necessary or to do so upon attractive terms would materially and adversely affect our liquidity and results of operations.

In recent years, we have increased the quarterly cash dividends on our common stock and, in 2015, 2016 and 2017, we also declared special dividends on our common stock. Any determination to pay cash dividends on our common stock in the future will be based primarily upon our financial condition, results of operations, business requirements and our Board of Directors' conclusion that the declaration of cash dividends is in the best interest of our shareholders and is in compliance with all laws and agreements applicable to the payment of dividends. Furthermore, there can be no assurance that we will be able to actively repurchase our common stock and we may discontinue plans to repurchase common stock at any time.

Our advertising is heavily dependent on billboards, which are highly regulated; and our evolving marketing strategy involves increased advertising and marketing costs that could adversely affect our results of operations.

Historically, we have relied upon billboards as our principal method of advertising. A number of states in which we operate restrict highway signage and billboards. Because many of our stores are located on the interstate highway system, our business is highly related to highway travel. Thus, signage or billboard restrictions or loss of existing signage or billboards could adversely affect our visibility and ability to attract customers.

Additionally, as we continue to evolve our marketing strategy, we are increasingly utilizing more traditional and higher cost methods of advertising, such as national cable television, radio and online and digital media. These types of advertising, their effects upon our revenues and, in turn, our profits, are uncertain. Additionally, if our competitors increased their spending on advertising and promotions, we could be forced to substantially increase our advertising, media or marketing expenses. If we did so or if our current advertising and promotion programs become less effective, we could experience a material adverse effect on our results of operations.

Unfavorable publicity could harm our business. In addition, our failure to recognize, respond to and effectively manage the impact of social media could materially impact our business.

Multi-unit businesses such as ours can be adversely affected by publicity resulting from complaints or litigation alleging poor food quality, poor service, food-borne illness, product defects, personal injury, adverse health effects (including obesity) or other concerns stemming from one or a limited number of our stores. Even when the allegations or complaints are not valid, unfavorable publicity relating to a limited number of our stores, or only to a single store, could adversely affect public perception of the entire brand. Additionally, negative publicity from online social network postings may also result from actual or alleged incidents taking place in our stores. Adverse publicity and its effect on overall consumer perceptions of food safety or customer service could have a material adverse effect on our business, financial condition and results of operations.

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Our business is somewhat seasonal and also can be affected by extreme weather conditions and natural disasters.

Historically, our highest sales and profits have occurred during the second and fourth quarters, which include the holiday shopping season and the summer vacation and travel season. Retail sales historically have been seasonally higher between Thanksgiving and Christmas. Therefore, the results of operations for any quarter or period of less than one year cannot be considered indicative of the operating results for an entire year.

Additionally, extreme weather conditions in the areas where our stores are located can adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rain storms, floods, droughts or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and can disrupt deliveries of food and supplies to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our retail inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect our business. These risks may be exacerbated in the future as some climatologists predict that the long-term effects of climate change may result in more severe, volatile weather.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our stores, warehouses or suppliers located in the affected areas, thereby disrupting our business operations for a more extended period of time.

Individual store locations are affected by local conditions that could change and adversely affect the carrying value of those locations.

The success of our business depends on the success of individual locations, which in turn depends on stability of or improvements in operating conditions at and around those locations. Our revenues and expenses can be affected significantly by the number and timing of the opening of new stores and the closing, relocating and remodeling of existing stores. We incur substantial pre-opening expenses each time we open a new store and other expenses when we close, relocate or remodel existing stores. The expenses of opening, closing, relocating or remodeling any of our stores may be higher than anticipated. An increase in such expenses could have an adverse effect on our results of operations. Also, as demographic and economic patterns (e.g., highway or roadway traffic patterns, concentrations of general retail or hotel activity, local population densities or increased competition) change, current locations may not continue to be attractive or profitable. Possible declines in neighborhoods where our stores are located or adverse economic conditions in areas surrounding those neighborhoods could result in reduced revenues in those locations. The occurrence of one or more of these events could have a material adverse effect on our revenues and results of operations as well as the carrying value of our individual locations.

Our expansion into new geographic markets may present increased risks due to our relative unfamiliarity with these markets.

Some of our new store locations may be located in areas where we have lower market presence and, as a result, less or no meaningful business experience than in our traditional, existing markets. Those new markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our traditional, existing markets, which may cause our new store locations to be less successful than restaurants in our existing markets. An additional risk of expanding into new markets is the potential for lower or lacking market awareness of our brand in those areas. Stores opened in new markets may open at lower average weekly sales volumes than stores opened in existing markets and may have higher store-level operating expense ratios than in existing markets. Sales at stores opened in new markets may take longer to reach average unit volume and margins, if at all, thereby affecting our overall profitability.

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We are subject to a number of risks relating to federal, state and local regulation of our business, including the areas of minimum wage increases, health care reform and environmental matters, and an insufficient or ineffective response to government regulation may increase our costs and decrease our profit margins.

The restaurant industry is subject to extensive federal, state and local laws and regulations, including those relating to food safety, minimum wage and other labor issues (such as unionization), health care, menu labeling and building and zoning requirements and those relating to the preparation and sale of food as well as certain retail products. The development and operation of our stores depend to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards, federal and state laws governing our relationships with employees (including the Fair Labor Standards Act of 1938, the Immigration Reform and Control Act of 1986, the Patient Protection and Affordable Care Act, the Health Care and Education Reconciliation Act of 2010 and applicable requirements concerning minimum wage, overtime, healthcare coverage, family leave, medical privacy, tip credits, working conditions, safety standards and immigration status), federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the Americans With Disabilities Act of 1990. In addition, we are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. We also face risks from new and changing laws and regulations relating to gift cards, nutritional content, nutritional labeling, product safety and menu labeling. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Increases in state or federal minimum wage rates, including recent proposals to increase state or federal minimum wage rates and index future increases to inflation, or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and customers. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards and tracking costs, which could result in higher costs for goods and services supplied to us.

The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010, was enacted in 2010 and, in June 2012, the U.S. Supreme Court upheld the constitutionality of the law except for certain parts related to the expansion of Medicaid. Although we cannot predict with certainty the financial and operational impacts the law will have on us, such changes could affect our business, financial condition and results of operations. The law requires restaurant companies such as ours to disclose calorie information on their menus. We do not expect to incur any material costs from compliance with this provision of the law, but cannot anticipate the changes in guest behavior that could result from the implementation of this provision, which could have an adverse effect on our sales or results of operations.

There also has been increasing focus by U.S. and foreign governmental authorities on environmental matters, such as climate change, the reduction of greenhouse gases and water consumption. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters, such as the emission of greenhouse gases, where “cap and trade” initiatives could effectively impose a tax on carbon emissions. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in taxes, the cost of raw materials, transportation and utilities, which could decrease our operating profits and necessitate future investments in facilities and equipment.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings. Also, the failure to obtain and maintain required licenses, permits and approvals could adversely affect our operating results. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations, which could adversely affect our business and results of operations.

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Failure to maximize or to successfully assert our intellectual property rights could adversely affect our business and results of operations.

We rely on trademark, trade secret and copyright laws to protect our intellectual property rights. We cannot guarantee that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that we will not be able to obtain and perfect our own, or, where appropriate, license intellectual property rights necessary to support new product introductions or other brand extensions. We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. Our failure to perfect or successfully assert our intellectual property rights could make us less competitive and could have an adverse effect on our business and results of operations.

We outsource certain business processes to third-party vendors that subject us to risks, including disruptions in business and increased costs; our use of third party technologies has increased and if we are unable to maintain our rights to these technologies our business may be harmed.

Some of our business processes are currently outsourced to third parties. Such processes include distribution of food and retail products to our store locations, credit and debit card authorization and processing, gift card tracking and authorization, employee payroll card services, health care and workers' compensation insurance claims processing, wage and related tax credit documentation and approval, guest satisfaction survey programs, employee engagement surveys and externally hosted business software applications. We cannot ensure that all providers of outsourced services are observing proper internal control practices, such as redundant processing facilities, and there are no guarantees that failures will not occur. Failure of third parties to provide adequate services could have an adverse effect on our financial condition and results of operations.

We rely on certain technology licensed from third parties and may be required to license additional technology in the future for use in managing our Internet sites and providing services to our guests and employees. These third-party technology licenses may not continue to be available to us on acceptable terms or at all. The inability to enter into and maintain these technology licenses could adversely affect our business.

Litigation may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, guests, suppliers, shareholders, governmental agencies, competitors or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. These actions and proceedings may involve allegations of illegal, unfair or inconsistent employment practices, including wage and hour violations and employment discrimination; guest discrimination; food safety issues, including poor food quality, food-borne illness, food tampering, food contamination, and adverse health effects from consumption of various food products or high-calorie foods (including obesity); other personal injury; trademark and patent infringement; violation of the federal securities laws; or other concerns. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend future litigation may be significant. There may also be adverse publicity associated with litigation that could decrease guest or consumer acceptance of our brand, regardless of whether the allegations are valid or we ultimately are found liable. Litigation could adversely impact our operations and our ability to expand our brand in other ways as well. As a result, litigation may adversely affect our business, financial condition and results of operations.

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The loss of key executives or difficulties in recruiting and retaining qualified personnel could jeopardize our future growth and success.

We have assembled a senior management team which has substantial background and experience in the restaurant and retail industries. Our future growth and success depends substantially on the contributions and abilities of our senior management and other key personnel, and we design our compensation programs to attract and retain key personnel and facilitate our ability to develop effective succession plans. If we fail to attract or retain senior management or other key personnel, our succession planning and operations could be materially and adversely affected. We must continue to recruit, retain and motivate management and other employees sufficiently to maintain our current business and support our projected growth. A loss of key employees or a significant shortage of high quality store employees could jeopardize our ability to meet our business goals.

Our current insurance programs may expose us to unexpected costs, which could have a material adverse effect on our financial condition and results of operations.

Our insurance coverage is structured to include deductibles, self-insured retentions, limits of liability, stop loss limits and similar provisions that we believe prudent based on our operations. However, there are types of losses we may incur against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of terrorism and some natural disasters, including floods. If we incur such losses, our business could suffer. In addition, we self-insure a significant portion of expected losses under our workers’ compensation, general liability and group health insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses, including unexpected increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs.

Our annual and quarterly operating results may fluctuate significantly and could fall below the expectations of investors and securities analysts due to a number of factors, some of which are beyond our control, resulting either in volatility or a decline in the price of our securities.

Our business is not static – it changes periodically as a result of many factors, including, among other items discussed in other risk factors, the following:

- increases and decreases in guest traffic, average weekly sales, restaurant and retail sales and restaurant profitability;
- the rate at which we open new stores, the timing of new store openings and the related high initial operating costs;
- changes in advertising and promotional activities and expansion into new markets; and
- impairment of long-lived assets and any loss on store closures.

Our quarterly operating results and restaurant and retail sales may fluctuate as a result of any of these or other factors. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and restaurant and retail sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In such event, the price of our securities could fluctuate dramatically over time or could decrease generally.

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Failure of our internal control over financial reporting could adversely affect our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with the United States generally accepted accounting principles ("GAAP"). Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

Our reported results can be affected adversely and unexpectedly by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements.

Our financial reporting complies with GAAP, and GAAP is subject to change over time. If new rules or interpretations of existing rules require us to change our financial reporting (including the upcoming lease accounting changes and the proposed adoption of international financial reporting standards in the United States), our reported results of operations and financial condition could be affected substantially, including requirements to restate historical financial reporting.

Our business could be negatively affected as a result of actions of activist shareholders.

The Lion Fund II, L.P., an affiliate of Biglari Holdings Inc. ("BH"), the owner of Steak N Shake and Western Sizzlin' restaurants, is the beneficial owner of approximately 19.7% of our outstanding common stock as of June 7, 2017 (based on Schedule 13D/A filed with the SEC on June 12, 2017 by BH). In the past, BH and its affiliates have nominated candidates for election to our board of directors at our annual meetings of shareholders, resulting in proxy contests, and called publicly for special meetings of shareholders to consider other proposals. While BH and its affiliates have not nominated director candidates for election at our 2017 Annual Meeting of Shareholders, the actions of BH and its affiliates or another activist shareholder in the future could adversely affect our business because:

- responding to public proposals, special meeting requests and other actions by activist shareholders can disrupt our operations, be costly and time-consuming, and divert the attention of our management and employees;
- perceived uncertainties as to our future direction may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and
- pursuit of an activist shareholder's agenda may adversely affect our ability to effectively implement our business strategy and create additional value for our shareholders.

Provisions in our charter, Tennessee law and our shareholder rights plan may discourage potential acquirers of the Company.

Our charter documents contain provisions that may have the effect of making it more difficult for a third party to acquire or attempt to acquire control of the Company. In addition, we are subject to certain provisions of Tennessee law that limit, in some cases, our ability to engage in certain business combinations with significant shareholders. In addition, we have adopted a shareholder rights plan, which provides, among other things, that when specified events occur, our shareholders will be entitled to purchase from us shares of junior preferred stock. The shareholder rights plan will expire on April 9, 2018. The preferred stock purchase rights are triggered ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of our outstanding common stock. The preferred stock purchase rights would cause dilution to a person or group that attempts to acquire the Company on terms that do not satisfy the requirements of a qualifying offer under the shareholder rights plan or are otherwise not approved by our Board of Directors.

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These provisions, either alone or in combination with each other, give our current directors and executive officers a substantial ability to influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our shareholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our securities could decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our home office headquarters and warehouse facilities are located on approximately 90 acres of land owned by the Company in Lebanon, Tennessee. We use approximately 245,000 square feet of office space for our home office headquarters and decorative fixtures warehouse. We also lease our retail distribution center, which consists of approximately 370,000 square feet of warehouse facilities and an additional approximately 14,000 square feet of office and maintenance space.

In addition to the various corporate facilities, we have five owned properties for future development, a motel used for housing management trainees and for the general public, and four parcels of excess real property and improvements that we intend to sell.

In addition to the properties mentioned above, we own or lease the following store properties (including both our 645 Cracker Barrel Old Country Store locations and five locations for our Holler & Dash brand) as of September 14, 2017:

State	Owned	Leased	State	Owned	Leased
Tennessee	37	15	Oklahoma	6	2
Florida	40	19	New Jersey	2	4
Texas	33	18	Wisconsin	5	0
Georgia	31	17	Colorado	3	1
North Carolina	24	16	Kansas	3	1
Kentucky	22	14	Massachusetts	0	4
Alabama	21	11	New Mexico	3	1
Virginia	19	13	Utah	4	0
Ohio	22	9	Idaho	2	1
Indiana	22	7	Iowa	3	0
South Carolina	14	12	Connecticut	1	1
Pennsylvania	9	14	Montana	2	0
Illinois	19	2	Nebraska	1	1
Missouri	14	3	Nevada	0	2
Michigan	13	3	Delaware	0	1
Mississippi	10	4	Maine	0	1
Arizona	2	11	Minnesota	1	0
Arkansas	5	7	New Hampshire	1	0
Louisiana	8	2	North Dakota	1	0
Maryland	3	6	Oregon	0	1
New York	8	1	Rhode Island	0	1
West Virginia	3	6	South Dakota	1	0
			Total	418	232

We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. See "Operations" and "Store Development" in Item 1 of this Annual Report on Form 10-K for additional information on our properties.

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ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are party to various legal and regulatory proceedings and claims incidental to their business in the ordinary course. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position.

Pursuant to Instruction 3 to Item 401(b) of Regulation S K and General Instruction G(3) to Form 10 K, the following information is included in Part I of this Form 10 K.

Executive Officers of the Registrant

The following table sets forth certain information concerning our executive officers:

Name	Age	Position with the Company
Sandra B. Cochran	59	President and Chief Executive Officer
Jill M. Golder	55	Senior Vice President and Chief Financial Officer
Beverly K. Carmichael	58	Senior Vice President and Chief People Officer
Laura A. Daily	53	Senior Vice President, Retail
Nicholas V. Flanagan	51	Senior Vice President, Operations
Donald H. Hoffman	60	Senior Vice President, Marketing
Richard M. Wolfson	51	Senior Vice President, General Counsel and Secretary
Doug Couvillion	53	Senior Vice President, Sourcing and Supply Chain
Jeffrey M. Wilson	42	Vice President, Corporate Controller and Principal Accounting Officer

The following information summarizes the business experience of each of our executive officers for at least the past five years:

Ms. Cochran has been employed with us since 2009 and assumed her current position as President and Chief Executive Officer in September 2011, when she also became a member of our Board of Directors. Prior to September 2011, Ms. Cochran served as our President and Chief Operating Officer since November 2010 and as our Executive Vice President and Chief Financial Officer from April 2009 to November 2010. Before joining us in April 2009, she was the Chief Executive Officer of Books-A-Million, Inc. Ms. Cochran has 24 years of experience in the retail industry and eight years of experience in the restaurant industry.

Ms. Golder has been employed with us since April 2016 and assumed the responsibilities of Senior Vice President and Chief Financial Officer in June 2016. Prior to April 2016, she served as Executive Vice President and Chief Financial Officer of Ruby Tuesday, Inc. since June 2014, and as Senior Vice President, Finance from April 2013 to June 2014. Prior to her tenure with Ruby Tuesday, Inc., she was Chief Financial Officer of Cooper's Hawk Winery & Restaurants from December 2012 to April 2013. Before joining Cooper's Hawk Winery & Restaurants, Ms. Golder spent 23 years at Darden Restaurants, Inc., where she held progressively more responsible positions in finance, including Senior Vice

President of Finance. Ms. Golder has almost 30 years of experience in the restaurant industry.

Ms. Carmichael has been employed with us in her current capacity since January 2014. Previously, she was with Frisco, Texas-based Star HR LLC, a human resource consulting firm, which she founded in 2010 and served as President. From 2009 to 2011, she served as an adjunct professor and advisor in the masters of business administration program in the Price College of Business for the University of Oklahoma. Ms. Carmichael was Executive Vice President Human Resources and Chief People Officer of Ticketmaster from 2006 to 2009. She has over 20 years of human resources leadership experience.

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Ms. Daily has been employed with us as Senior Vice President, Retail since May 2012. Prior to May 2012, she served as Vice President for Ballard Designs, an Internet and catalog home furnishings retailer that is part of HSN, Inc., where she was in charge of all merchandising and trends for the company. She has over 24 years of experience as a merchant with a number of retail organizations.

Mr. Flanagan has been employed with us since 2004 and assumed his current position in November 2010. From 2004 to 2010, he served in various capacities including Vice President of Restaurant Operations. Mr. Flanagan has over 28 years of experience in the restaurant industry.

Mr. Hoffman has been employed with us since November 2015 and assumed his current position in April 2017. Prior to April 2017, Mr. Hoffman served as Vice President, Marketing. Before joining us in November 2015, Mr. Hoffman spent 20 years at DDB Worldwide Communications Group, where he held various positions including Executive Vice President. Mr. Hoffman has almost 30 years of marketing and communications experience.

Mr. Wolfson has been employed with us in his current capacity since July 2017. From January 2006 to April 2017, he served as Vice President, General Counsel and Corporate Secretary at CLARCOR Inc., a publicly traded (NYSE:CLC) industrial company. From 2001 to 2006, he was a partner of the InterAmerican Group, an advisory services and private equity firm. Mr. Wolfson has over 25 years of legal experience.

Mr. Couvillion has been employed with us since 2001 and assumed his current position in November 2016. From 2001 to 2016, he served in various capacities including Vice President of Supply Chain and Quality Assurance and Corporate Controller and Principal Accounting Officer. Mr. Couvillion has 23 years of experience in the restaurant industry and 16 years of experience in the retail industry.

Mr. Wilson has been employed with us since 2007 and assumed his current position in June 2015. From 2007 to 2015, he served in various capacities including Vice President, Operations Analysis. Mr. Wilson has 20 years of experience in the restaurant industry and six years of experience in the retail industry.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Global Select Market ("Nasdaq") under the symbol "CBRL." There were 7,503 shareholders of record as of September 14, 2017.

The following table indicates the high and low sales prices of our common stock, as reported by Nasdaq, and dividends declared and paid for the quarters indicated.

	Fiscal Year 2017				Fiscal Year 2016			
	Prices		Dividends	Dividends	Prices		Dividends	Dividends
	High	Low	Declared	Paid	High	Low	Declared	Paid
First	$162.33	$130.15	$ 1.15	$ 1.15	$155.97	$117.95	$ 1.10	$ 4.10
Second	175.04	131.74	1.15	1.15	141.94	118.01	1.10	1.10
Third	169.07	154.79	1.15	1.15	156.65	124.80	1.10	1.10
Fourth	170.50	154.46	4.70	4.65	172.89	144.00	4.40	4.35

See Note 5 to Consolidated Financial Statements with respect to dividend restrictions.

See the table labeled “Equity Compensation Plan Information” to be contained in the 2017 Proxy Statement, incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

Part III, Item 12 of this Annual Report on Form 10-K is incorporated herein by this reference.

Unregistered Sales of Equity Securities

There were no equity securities sold by the Company during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended.

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Issuer Purchases of Equity Securities

On September 22, 2016, our Board of Directors approved the repurchase of up to $25,000 of our common stock, with such authorization to expire on October 6, 2017 to the extent it remains unused. We did not repurchase any of our common stock in the fourth quarter ended July 28, 2017.

ITEM 6. SELECTED FINANCIAL DATA

	(Dollars in thousands except percentages and share data) For each of the fiscal years ended				
	July 28, 2017	July 29, 2016	July 31, 2015[(a)]	August 1, 2014[(b)]	August 2, 2013
Selected Income Statement Data:					
Total revenue	$2,926,289	$2,912,351	$2,842,284	$2,683,677	$2,644,630
Net income	201,899	189,299	163,903	132,128	117,265
Net income per share:					
Basic	8.40	7.91	6.85	5.55	4.95
Diluted	8.37	7.86	6.82	5.51	4.90
Dividends declared per share	8.15	7.70	7.10	3.25	2.25
Dividends paid per share	8.10	10.65	4.00	3.00	1.90
As Percent of Total Revenue:					
Cost of goods sold (exclusive of depreciation and rent)	30.5 %	31.9 %	32.5 %	32.5 %	32.3 %
Labor and related expenses	34.8	34.6	34.9	36.0	36.5
Other store operating expenses	19.2	19.0	18.4	18.9	18.2
Store operating income	15.5	14.5	14.2	12.6	13.0
General and administrative expenses	4.8	4.9	5.2	4.8	5.4
Operating income	10.7	9.6	9.0	7.8	7.6
Income before income taxes	10.2	9.1	8.4	7.1	6.3
Selected Balance Sheet Data:					
Working capital (deficit)	$(16,971)	$(13,077)	$11,213	$(14,789)	$(13,873)
Total assets	1,521,942	1,497,664	1,576,208	1,432,248	1,388,306
Long-term debt	400,000	400,000	400,000	375,000	400,000
Long-term interest rate swap liability	6,833	22,070	8,704	3,239	11,644
Other long-term obligations	129,353	126,608	133,594	123,221	120,073
Shareholders’ equity	544,507	526,443	538,268	528,641	484,026
Selected Cash Flow Data:					
Purchase of property and equipment, net	$110,108	$113,360	$90,490	$90,564	$73,961
Share repurchases	--	14,653	--	12,473	3,570
Selected Other Data:					
Common shares outstanding at end of year	24,055,682	23,956,134	23,975,755	23,821,227	23,795,327
Stores open at end of year	649	641	637	631	624
Average Unit Volumes[(c)]:					

Restaurant	$3,646	$3,651	$3,581	$3,415	$3,390
Retail	892	926	904	873	869
Comparable Store Sales[(d)]:					
Period to period increase (decrease) in comparable store sales:					
Restaurant	0.2 %	2.2 %	5.1 %	0.7 %	3.1 %
Retail	(3.7)	2.7	3.6	0.4	2.9
Number of stores in comparable base	632	623	621	609	596

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(a) We incurred approximately $3,500 in costs related to a litigation matter, which are included in general and administrative expenses. Our debt refinancing in the second quarter of fiscal 2015 resulted in additional interest expense of $412 related to the write-off of deferred financing costs.

(b) We incurred $4,313 in costs related to the November 2013 proxy contest and April 2014 special shareholders' meeting, which are included in general and administrative expenses.

(c) Average unit volumes include sales of all stores.

(d) Comparable store sales consist of sales of stores open at least six full quarters at the beginning of the year and are measured on comparable calendar weeks.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. MD&A should be read in conjunction with the Consolidated Financial Statements and notes thereto. Readers should also carefully review the information presented under the section entitled "Risk Factors" and other cautionary statements in this report. All dollar amounts (other than per share amounts) reported or discussed in this MD&A are shown in thousands. References in MD&A to a year or quarter are to our fiscal year or quarter unless expressly noted or the context clearly indicates otherwise.

This overview summarizes the MD&A, which includes the following sections:

- Executive Overview – a general description of our business, the restaurant and retail industries, our key performance indicators and the Company's performance in 2017.
- Results of Operations – an analysis of our consolidated statements of income for the three years presented in our Consolidated Financial Statements.
- Liquidity and Capital Resources – an analysis of our primary sources of liquidity, capital expenditures and material commitments.
- Critical Accounting Estimates – a discussion of accounting policies that require critical judgments and estimates.

EXECUTIVE OVERVIEW

Cracker Barrel Old Country Store, Inc. (the "Company," "our" or "we") is a publicly traded (Nasdaq: CBRL) company that, through its operations and those of certain subsidiaries, is principally engaged in the operation and development of the Cracker Barrel Old Country Store® ("Cracker Barrel") concept. Each Cracker Barrel store consists of a restaurant with a gift shop. The restaurants serve breakfast, lunch and dinner. The gift shop offers a variety of decorative and functional items specializing in rocking chairs, holiday gifts, toys, apparel and foods. As of September 14, 2017, the Company operated 645 Cracker Barrel stores located in 44 states.

Restaurant and Retail Industries

Our stores operate in both the restaurant and retail industries in the United States. The restaurant and retail industries are highly competitive with respect to quality, variety and price of the food products and retail merchandise offered. We compete with a significant number of national and regional restaurant and retail chains. Additionally, there are many segments within the restaurant industry, such as family dining, casual dining, full-service, fast casual and quick service, which often overlap and provide competition for widely diverse restaurant concepts. We operate in the full-service segment of the restaurant industry. Competition also exists in securing prime real estate locations for new stores, in hiring qualified employees, in advertising, in the attractiveness of facilities and with competitors having similar menu offerings or convenience. The restaurant and retail industries are often affected by changes in consumer taste and preference; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants and retailers; and consumers' discretionary purchasing power.

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Additionally, economic, seasonal and weather conditions affect the restaurant and retail industries. Adverse economic conditions and unemployment rates affect consumer discretionary income and dining and shopping habits. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby contributing to higher profits in our fourth quarter. Retail sales, which are made substantially to our restaurant guests, are strongest in the second quarter, which includes the holiday shopping season. Severe weather also affects restaurant and retail sales adversely from time to time.

Key Performance Indicators

Management uses a number of key performance measures to evaluate our operational and financial performance, including the following:

Comparable store restaurant and retail sales and restaurant guest traffic consist of sales and calculated number of guests, respectively, of stores open at least six full quarters at the beginning of the year and are measured on comparable calendar weeks. This measure excludes the impact of new store openings.

Retail conversion is the percentage of restaurant guest traffic that make a retail purchase. Management uses retail conversion as its metric to analyze a store's ability to convert restaurant traffic into a retail sales occasion.

Average check per guest is an indicator which management uses to analyze the dollars spent per guest in our stores on restaurant purchases. This measure aids management in identifying trends in guest preferences as well as the effectiveness of menu price increases and other menu changes.

Store operating margins are defined as total revenue less cost of goods sold (exclusive of depreciation and rent), labor and other related expenses and other store operating expenses, all as a percentage of total revenue. Management uses this indicator as a primary measure of operating profitability.

Company Performance in 2017

Management believes that the Cracker Barrel brand remains one of the strongest and most differentiated brands in the restaurant industry.

Our long-term strategy includes the following:

- Enhancing the Core business by increasing our brand's relevance to customers in order to drive guest traffic and sales in both restaurant and retail across demographic groups and generations and improving our business model to reduce operating costs and further drive margins;

- Expanding the Footprint in new and developing markets while expanding our store opening pipeline to accelerate future growth; and

- Extending the Brand by optimizing on long-term drivers, such as Holler & Dash Biscuit House™, to further drive shareholder value.

Our first strategic priority, which is to Enhance the Core business, encompasses the key sales and traffic drivers of our business, including menu innovation, retail merchandising, and marketing programs, as well as our cost-saving initiatives. During 2017, we introduced several seasonal menu entrées. These included entrées like a French Dip Sandwich Platter, Mushroom Braised Pot Roast, and Peppermill Steak and Eggs Breakfast. We also expanded our off-premise platform through our holiday Heat 'n Serve program, adding new holiday opportunities for the family-sized meal to be picked up in store and enjoyed at home. We are focused on continuing to grow our off-premise platform in the future. Within advertising, we strengthened the Cracker Barrel brand connection to our guests through multiple channels, including new television and radio messaging, focused digital media outreach, new billboard messaging and creative, and memorable exclusive music programs. Our retail teams merchandised our stores with collections offering broad generational appeal and unique product assortments as we continue to introduce newness into our merchandise assortments. During 2017, we achieved cost reductions and increased our operating income margin through initiatives which targeted labor productivity, food waste and utility expense.

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Our second strategic priority is to Expand the Cracker Barrel Footprint with new store openings outside of our core markets. We opened six new Cracker Barrel Old Country Store locations during the year, continuing our westward expansion with new store openings in Las Vegas, Nevada and Portland, Oregon.

Our third strategic priority is to Extend the Brand outside of the Cracker Barrel store. We further developed our fast casual brand, Holler & Dash Biscuit House, with two store openings.

Additionally, during 2017, we increased shareholder return by growing our regular quarterly dividend to $1.20 per share. Also reflecting our commitment to a balanced approach to capital allocation, we declared a special dividend of $3.50 per share.

We believe that our continued focus on our long-term strategy contributed to our revenue growth during the year, positive comparable store restaurant sales for the year and higher operating margin and profit as compared to the prior year.

RESULTS OF OPERATIONS

The following table highlights operating results over the past three years:

	Relationship to Total Revenue		
	2017	2016	2015
Total revenue	100.0 %	100.0 %	100.0 %
Cost of goods sold (exclusive of depreciation and rent)	30.5	31.9	32.5
Labor and other related expenses	34.8	34.6	34.9
Other store operating expenses	19.2	19.0	18.4
Store operating income	15.5	14.5	14.2
General and administrative	4.8	4.9	5.2
Operating income	10.7	9.6	9.0
Interest expense	0.5	0.5	0.6
Income before income taxes	10.2	9.1	8.4
Provision for income taxes	3.3	2.6	2.6
Net income	6.9	6.5	5.8

Total Revenue

The following table highlights the key components of revenue for the past three years:

	2017	2016	2015
Revenue in dollars:			
Restaurant	$2,351,212	$2,323,199	$2,269,610
Retail	575,077	589,152	572,674
Total revenue	$2,926,289	$2,912,351	$2,842,284
Total revenue percentage increase	0.5 %	2.5 %	5.9 %
Total revenue by percentage relationships:			
Restaurant	80.3 %	79.8 %	79.9 %
Retail	19.7 %	20.2 %	20.1 %
Comparable number of stores	632	623	621
Comparable store averages per store:			
Restaurant	$3,669	$3,670	$3,569
Retail	890	925	894

Total	$4,559	$4,595	$4,463
Restaurant average weekly sales [1]	$70.1	$70.2	$68.9
Retail average weekly sales [1]	17.1	17.8	17.4

[1] Average weekly sales are calculated by dividing net sales by operating weeks and include all stores.

Total revenue benefited from the opening of eight new stores in 2017 and six new stores in both 2016 and 2015.

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The following table highlights comparable store sales* results over the past two years:

	Period to Period Increase (Decrease) 2017 vs 2016 (632 Stores)	2016 vs 2015 (623 Stores)
Restaurant	0.2 %	2.2 %
Retail	(3.7)	2.7
Restaurant & Retail	(0.6)	2.3

*Comparable store sales consist of sales of stores open at least six full quarters at the beginning of the year and are measured on comparable calendar weeks.

Our comparable store restaurant sales increase from 2016 to 2017 resulted from a higher average check of 1.6%, primarily attributable to a 1.8% average menu price increase, partially offset by a decrease in guest traffic of 1.4%. Our comparable store restaurant sales increase from 2015 to 2016 resulted from a higher average check of 3.5%, primarily attributable to a 2.8% average menu price increase, partially offset by a decrease in guest traffic of 1.3%.

Our comparable store retail sales decrease from 2016 to 2017 resulted primarily from the decrease in guest traffic and lower performance in apparel and accessories, bed and bath, and toys merchandise categories. Our comparable store retail sales increase from 2015 to 2016 resulted primarily from strong performance in apparel and accessories, media, and food merchandise categories partially offset by a planned reduction in the toys merchandise category.

Cost of Goods Sold (Exclusive of Depreciation and Rent)

The following table highlights the components of cost of goods sold in dollar amounts for the past three years:

	2017	2016	2015
Cost of Goods Sold:			
Restaurant	$595,186	$627,713	$630,417
Retail	296,107	300,463	293,754
Total Cost of Goods Sold	$891,293	$928,176	$924,171

The following table highlights restaurant cost of goods sold as a percentage of restaurant revenue for the past three years:

	2017	2016	2015
Restaurant Cost of Goods Sold	25.3%	27.0%	27.8%

The decrease from 2016 to 2017 was primarily the result of food commodity deflation of 4.6%, our menu price increase referenced above and lower food waste. Lower food waste accounted for 0.1% in restaurant cost of goods sold as a percentage of restaurant revenue. The decrease from 2015 to 2016 was the result of food commodity deflation of 0.4% and our menu price increase referenced above partially offset by a shift to higher cost menu items. Higher cost menu items accounted for 0.1% in restaurant cost of goods sold as a percentage of restaurant revenue.

We presently expect the rate of commodity deflation to be approximately 1.5% in 2018 as compared to 2017.

The following table highlights retail cost of goods sold as a percentage of retail revenue for the past three years:

	2017	2016	2015
Retail Cost of Goods Sold	51.5%	51.0%	51.3%

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The increase in retail cost of goods sold as a percentage of retail revenue in 2017 as compared to 2016 resulted primarily from higher markdowns, lower initial margin and an increase in the provision for obsolete inventory partially offset by higher retail credits.

	2016 to 2017 Increase (Decrease) as a Percentage of Total Revenue	
Markdowns	0.4	%
Lower initial margin	0.2	%
Provision for obsolete inventory	0.1	%
Retail credits	(0.3	%)

The decrease in retail cost of goods sold as a percentage of retail revenue in 2016 as compared to 2015 resulted from higher initial margin and lower freight costs partially offset by higher markdowns and an increase in the provision for obsolete inventory.

	2015 to 2016 (Decrease) Increase as a Percentage of Total Revenue	
Higher initial margin	(0.8	%)
Freight	(0.1	%)
Markdowns	0.5	%
Provision for obsolete inventory	0.1	%

Labor and Related Expenses

Labor and other related expenses include all direct and indirect labor and related costs incurred in store operations. The following table highlights labor and other related expenses as a percentage of total revenue for the past three years:

	2017	2016	2015
Labor and other related expenses	34.8%	34.6%	34.9%

The year-to-year percentage change from 2016 to 2017 resulted primarily from the following:

	2016 to 2017 Increase (Decrease) as a Percentage of Total Revenue	
Store hourly labor	0.1	%
Store management compensation	0.1	%
Employee health care expenses	(0.1	%)

The increase in store hourly labor in 2017 as compared to 2016 resulted primarily from wage inflation partially offset by improvements in productivity resulting from the continuation of our cost-saving initiatives.

The increase in store management compensation in 2017 as compared to 2016 was primarily the result of an increase in variable costs resulting from a higher rate of vacancy in management headcounts.

The decrease in employee health care expenses in 2017 as compared to 2016 resulted primarily from lower claims activity.

The year-to-year percentage change from 2015 to 2016 resulted from the following:

	2015 to 2016 (Decrease) as a Percentage of Total Revenue	
Store bonus expense	(0.2	%)
Payroll taxes	(0.1	%)

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Lower store bonus expense in 2016 as compared to 2015 was driven by lower performance against financial objectives in 2016 as compared to the prior year.

The decrease in payroll tax expense as a percentage of total revenue in 2016 as compared to 2015 resulted primarily from lower unemployment tax rates.

Other Store Operating Expenses

Other store operating expenses include all store-level operating costs, the major components of which are utilities, operating supplies, repairs and maintenance, depreciation and amortization, advertising, rent, credit card fees, real and personal property taxes, general insurance and costs associated with our store manager conference. The following table highlights other store operating expenses as a percentage of total revenue for the past three years:

	2017	2016	2015
Other store operating expenses	19.2%	19.0%	18.4%

The year-to-year percentage change from 2016 to 2017 resulted from the following:

	2016 to 2017 Increase (Decrease) as a Percentage of Total Revenue	
Depreciation	0.3	%
Advertising	0.1	%
Maintenance	(0.2	%)

The increase in depreciation expense as a percentage of total revenue for 2017 as compared to 2016 resulted from higher capital investments in 2016 and the capital additions in 2017.

The increase in advertising expense as a percentage of total revenue for 2017 as compared to 2016 is consistent with our planned increase in advertising spend for 2017.

Lower maintenance expense as a percentage of total revenue for 2017 as compared to 2016 resulted primarily from reduced spending on building repairs.

The year-to-year percentage change from 2015 to 2016 resulted from the following:

	2015 to 2016 Increase (Decrease) as a Percentage of Total Revenue	
Advertising	0.3	%
Maintenance	0.2	%
Supplies	0.1	%
Depreciation	0.1	%
Store manager conference expense	0.1	%
Utilities	(0.2	%)

The increase in advertising expense as a percentage of total revenue for 2016 as compared to 2015 is consistent with our planned increase in advertising spend for 2016.

Higher maintenance expense as a percentage of total revenue for 2016 as compared to 2015 resulted primarily from expenses associated with the preventative maintenance and related repair of certain building components and kitchen equipment.

The increase in supplies expense as a percentage of total revenue for 2016 as compared to 2015 resulted primarily from a higher volume of purchases in certain categories.

The increase in depreciation expense as a percentage of total revenue for 2016 as compared to 2015 resulted from higher capital expenditures in 2016 as compared to 2015.

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In the first quarter of 2016, we held a bi-annual manager conference and training event which was attended by our store operations management team. We did not hold a manager's conference and training event in 2015.

The decrease in utilities expense from 2015 to 2016 resulted primarily from lower natural gas prices and usage and lower electricity costs. Lower electricity costs resulted primarily from our LED lighting installation initiative.

General and Administrative Expenses

The following table highlights general and administrative expenses as a percentage of total revenue for the past three years:

	2017	2016	2015
General and administrative expenses	4.8 %	4.9 %	5.2 %

The year-to-year percentage changes from 2016 to 2017 and from 2015 to 2016 both resulted primarily from lower incentive compensation. Lower incentive compensation in 2017 as compared to 2016 and in 2016 as compared to 2015 was driven by lower performance against financial objectives as compared to each prior year period.

Interest Expense

The following table highlights interest expense for the past three years:

	2017	2016	2015
Interest expense	$14,271	$14,052	$16,679

The year-to-year increase from 2016 to 2017 resulted primarily from higher weighted average interest rates. The year-to-year decrease from 2015 to 2016 resulted primarily from lower weighted average interest rates and the non-recurrence of $412 in deferred financing costs as a result of our debt refinancing in 2015.

Provision for Income Taxes

The following table highlights the provision for income taxes as a percentage of income before income taxes ("effective tax rate") for the past three years:

	2017	2016	2015
Effective tax rate	32.4%	28.9%	31.2%

The increase in our effective tax rate from 2016 to 2017 resulted primarily from lower Work Opportunity Tax Credit collections in 2017 than in the prior year and a reduction in certain reserves for uncertain tax positions in 2016. The decrease in our effective tax rate from 2015 to 2016 resulted primarily from a reduction during 2016 of our reserves for uncertain tax positions.

We presently expect our effective tax rate for 2018 to be between 31% and 32%.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of our cash flows for the last three years:

	2017	2016	2015
Net cash provided by operating activities	$320,767	$271,378	$334,055

Net cash used in investing activities	(109,605)	(112,515)	(88,614)
Net cash used in financing activities	(201,127)	(273,352)	(99,347)
Net increase (decrease) in cash and cash equivalents	$ 10,035	$ (114,489)	$ 146,094

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Our primary sources of liquidity are cash generated from our operations and our borrowing capacity under our revolving credit facility. Our internally generated cash, along with cash on hand at July 29, 2016, was sufficient to finance all of our growth, dividend payments, working capital needs and other cash payment obligations in 2017.

We believe that cash at July 28, 2017, along with cash expected to be generated from our operating activities and the borrowing capacity under our revolving credit facility, will be sufficient to finance our continuing operations, our continuing expansion plans, our expected share repurchases and our expected dividend payments for 2018.

Cash Generated from Operations

The increase in net cash flow provided by operating activities from 2016 to 2017 primarily reflected the timing of payments for income taxes, higher net income, the timing of payroll payments as compared to prior year due to our fiscal year end dates and lower incentive compensation payments made in 2017 as a result of the prior year's performance partially offset by the decrease in accounts payable. The decrease in accounts payable reflected the results of conversion to more electronic invoice methods and lower accounts payable related to retail inventory. The decrease in net cash flow provided by operating activities from 2015 to 2016 primarily reflected the timing of payments for accounts payable and income taxes and the change in retail inventories.

Capital Expenditures

The following table presents our capital expenditures (purchase of property and equipment), net of proceeds from insurance recoveries, for the last three years:

	2017	2016	2015
Capital expenditures, net of proceeds from insurance recoveries	$110,108	$113,360	$90,490

Our capital expenditures consisted primarily of capital investments for existing stores, new store locations and strategic initiatives. The increases in capital expenditures from 2016 to 2017 and from 2015 to 2016 both resulted primarily from capital for existing stores, as well as an increase in the number of new store locations.

We estimate that our capital expenditures during 2018 will be between $150,000 to $160,000. This estimate includes the acquisition of sites and construction costs of eight to nine new Cracker Barrel stores and three to four new Holler & Dash Biscuit House™ locations that we plan to open during 2018, as well as acquisition and construction costs for store locations to be opened in 2019. We also expect to increase capital expenditures for technology and strategic initiatives, which are intended to improve the guest experience and improve margins. We intend to fund our capital expenditures with cash generated by operations and borrowings under our revolving credit facility, as necessary.

Borrowing Capacity and Debt Covenants

In 2015, we entered into a five-year $750,000 revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility replaced a term loan totaling $181,250 and a $218,750 revolving credit facility ("Prior Credit Facility").

The following table highlights our borrowing capacity and outstanding borrowings under the Revolving Credit Facility, our standby letters of credit and our borrowing availability under the Revolving Credit Facility as of July 28, 2017:

	July 28, 2017
Borrowing capacity under the Revolving Credit Facility	$ 750,000
Less: Outstanding borrowings under the Revolving Credit Facility	400,000
Less: Standby letters of credit*	9,655

Borrowing availability under the Revolving Credit Facility	$ 340,345

*Our standby letters of credit relate to securing reserved claims under workers' compensation insurance and reduce our borrowing availability under the Revolving Credit Facility.

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We did not borrow or make any debt payments in 2017 or 2016. In 2015, we both borrowed and paid down $6,250 under our Prior Credit Facility.

See "Material Commitments" below and Note 5 to our Consolidated Financial Statements for further information on our long-term debt.

The Revolving Credit Facility contains customary financial covenants, which include maintenance of a maximum consolidated total leverage ratio and a minimum consolidated interest coverage ratio. We presently are and expect to remain in compliance with the Revolving Credit Facility's financial covenants for the remaining term of the facility.

Dividends, Share Repurchases and Share-Based Compensation Awards

Our Revolving Credit Facility imposes restrictions on the amount of dividends we are permitted to pay and the amount of shares we are permitted to repurchase. Under the Revolving Credit Facility, provided there is no default existing and the total of our availability under the Revolving Credit Facility plus our cash and cash equivalents on hand is at least $100,000 (the "cash availability"), we may declare and pay cash dividends on shares of our common stock and repurchase shares of our common stock (1) in an unlimited amount if at the time the dividend or the repurchase is made our consolidated total leverage ratio is 3.00 to 1.00 or less and (2) in an aggregate amount not to exceed $100,000 in any fiscal year if our consolidated total leverage ratio is greater than 3.00 to 1.00 at the time the dividend or repurchase is made; notwithstanding (1) and (2), so long as immediately after giving effect to the payment of any such dividends, cash availability is at least $100,000, we may declare and pay cash dividends on shares of our common stock in an aggregate amount not to exceed in any fiscal year the product of the aggregate amount of dividends declared in the fourth quarter of the immediately preceding fiscal year multiplied by four.

During each of the first three quarters of 2017, we declared a regular quarterly dividend of $1.15 per share of our common stock. Each of these dividends was paid in the immediately following quarter. Additionally, during the fourth quarter of 2017, we increased our regular quarterly dividend by 4.3% by declaring a dividend of $1.20 per share and declared a special dividend of $3.50 per share. The special dividend was paid on July 28, 2017 to shareholders of record on July 14, 2017. The regular quarterly dividend was paid on August 4, 2017 to shareholders of record on July 14, 2017. Both special dividends of $3.00 and $3.25 per share of common stock declared in the fourth quarters of 2015 and 2016, respectively, were paid in 2016.

The following table highlights the dividends per share we paid for the last three years:

	2017	2016	2015
Dividends per share paid	$8.10	$10.65	$4.00

Our current criteria for share repurchases are that they be accretive to expected net income per share and are within the limits imposed by our Revolving Credit Facility. Subject to the limits imposed by our credit facility, in each of 2017, 2016 and 2015, we were authorized by our Board of Directors to repurchase shares at the discretion of management up to $25,000. We did not repurchase any shares of our common stock in 2017 and 2015. In 2016, we repurchased 100,000 shares of our common stock in the open market at an aggregate cost of $14,653.

In 2017, 2016 and 2015, related tax withholding payments on certain share-based compensation awards exceeded proceeds received from the exercise of stock options which resulted in a net use of cash of $6,896, $5,779 and $4,816, respectively.

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Working Capital

In the restaurant industry, substantially all sales are either for cash or third-party credit card. Like many other restaurant companies, we are able to, and often do, operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while other restaurant inventories purchased locally are generally financed through trade credit at terms of 30 days or less. Because of our gift shop, which has a lower product turnover than the restaurant, we carry larger inventories than many other companies in the restaurant industry. Retail inventories are generally financed through trade credit at terms of 60 days or less. These various trade terms are aided by rapid turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears for hours worked except for bonuses that are paid either quarterly or annually in arrears. Many other operating expenses have normal trade terms and certain expenses such as certain taxes and some benefits are deferred for longer periods of time.

The following table highlights our working capital (deficit):

	2017	2016	2015
Working capital (deficit)	$(16,971)	$(13,077)	$11,213

The change in working capital at July 28, 2017 compared to July 29, 2016 primarily reflected the timing of payments for income taxes, an increase in deferred revenue related to the sale of our gifts cards and higher payroll accruals due to the timing of payments partially offset by lower accounts payable and an increase in cash. The decrease in accounts payable reflected the results of conversion to more electronic invoice methods and lower accounts payable related to retail inventory. The increase in cash resulted primarily from cash generated by operations partially offset by spending for capital expenditures and the payment of dividends. The change in working capital at July 29, 2016 compared to July 31, 2015 primarily reflected a decrease in cash from operations partially offset by a decrease in our dividend payable and the timing of payments for income taxes.

Off-Balance Sheet Arrangements

Other than various operating leases, which are disclosed more fully in “Material Commitments” below and Notes 2 and 9 to our Consolidated Financial Statements, we have no other material off-balance sheet arrangements.

Material Commitments

Our contractual cash obligations and commitments as of July 28, 2017, are summarized in the tables below:

		Payments due by Years			
Contractual Obligations [a]	Total	2018	2019-2020	2021-2022	After 2022
Revolving Credit Facility[b]	$400,000	$--	$400,000	$--	$--
Operating leases [c]	707,158	65,253	101,400	60,365	480,140
Purchase obligations [d]	49,661	37,953	10,970	738	--
Other long-term obligations [e]	38,269	242	5,000	333	32,694
Total contractual cash obligations	$1,195,088	$103,448	$517,370	$61,436	$512,834

	Amount of Commitment Expirations by Years				
	Total	2018	2019-2020	2021-2022	After 2022
Revolving Credit Facility[b]	$750,000	$--	$750,000	$--	$ --
Standby letters of credit[f]	9,655	9,655	--	--	--
Guarantees [g]	952	235	471	246	--
Total commitments	$760,607	$9,890	$750,471	$246	$ --

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(a) At July 28, 2017, the entire liability for uncertain tax positions (including penalties and interest) is classified as a long-term liability. At this time, we are unable to make a reasonably reliable estimate of the amounts and timing of payments in individual years because of uncertainties in the timing of the effective settlement of tax positions. As such, the liability for uncertain tax positions of $26,859 is not included in the contractual cash obligations and commitments table above.

(b) Our Revolving Credit Facility expires on January 8, 2020. Even though the Revolving Credit Facility expires in 2020, we have the intent and ability to refinance our debt to maintain a sufficient amount of outstanding borrowings during the terms of our interest rate swaps that expire in 2021 and 2024. Using projected interest rates, we anticipate having interest payments of $13,374, $25,268, $24,334 and $21,864 in 2018, 2019-2020, 2021-2022 and after 2022, respectively. The projected interest rates for our swapped portion of our outstanding borrowings are our fixed rates under our interest rate swaps (see Note 6 to the Consolidated Financial Statements) plus our current credit spread of 1.00%. The projected interest rate for our unswapped portion of our outstanding borrowings is the average of the three-year and five-year swap rates at July 28, 2017 of 1.77% plus our current credit spread of 1.00%. Based on our outstanding borrowings under our Revolving Credit Facility, our standby letters of credit at July 28, 2017 and our current unused commitment fee as defined in the Revolving Credit Facility, our unused commitment fees in 2018 and 2019-2020 would be $516 and $740, respectively; however, the actual amount will differ based on actual usage of the Revolving Credit Facility in those years.

(c) Includes base lease terms and certain optional renewal periods for which, at the inception of the lease, it is reasonably assured that we will exercise.

(d) Purchase obligations consist of purchase orders for food and retail merchandise; purchase orders for capital expenditures, supplies, other operating needs and other services; and commitments under contracts for maintenance needs and other services. We have excluded contracts that do not contain minimum purchase obligations. We excluded long-term agreements for services and operating needs that can be cancelled within 60 days without penalty. We included long-term agreements and certain retail purchase orders for services and operating needs that can be cancelled with more than 60 days notice without penalty only through the term of the notice. We included long-term agreements for services and operating needs that only can be cancelled in the event of an uncured material breach or with a penalty through the entire term of the contract. Because of the uncertainties of seasonal demands and promotional calendar changes, our best estimate of usage for food, supplies and other operating needs and services is ratably over either the notice period or the remaining life of the contract, as applicable, unless we had better information available at the time related to each contract.

(e) Other long-term obligations include our Non-Qualified Savings Plan ($31,196, with a corresponding long-term asset to fund the liability; see Note 12 to the Consolidated Financial Statements), Deferred Compensation Plan ($1,741) and our long-term incentive plans ($5,332).

(f) Our standby letters of credit relate to securing reserved claims under workers' compensation insurance and reduce our borrowing availability under the Revolving Credit Facility.

(g) Consists solely of guarantees associated with lease payments for two properties. We are not aware of any non-performance under these arrangements that would result in us having to perform in accordance with the terms of these guarantees.

Recent Accounting Pronouncements Adopted and Not Yet Adopted

See Note 2 to the accompanying Consolidated Financial Statements for a discussion of recent accounting guidance adopted and not yet adopted. The adopted accounting guidance discussed in Note 2 did not have a significant impact on our consolidated financial position or results of operations. The Company either expects that the accounting guidance not yet adopted will not have a significant impact on the Company's consolidated financial position or results of operations or is currently evaluating the impact of adopting the accounting guidance.

CRITICAL ACCOUNTING ESTIMATES

We prepare our Consolidated Financial Statements in conformity with GAAP. The preparation of these financial statements requires us to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates and judgments on historical experience, current trends, outside advice from parties believed to be experts in such matters and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results could differ from those assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 to the Consolidated Financial Statements. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Critical accounting estimates are those that:

- management believes are most important to the accurate portrayal of both our financial condition and operating results; and
- require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We consider the following accounting estimates to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements:

- Impairment of Long-Lived Assets and Provision for Asset Dispositions
- Insurance Reserves
- Retail Inventory Valuation
- Tax Provision
- Share-Based Compensation
- Legal Proceedings

Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Impairment of Long-Lived Assets and Provision for Asset Dispositions

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total expected future cash flows are less than the carrying amount of the asset, the carrying value is written down, for an asset to be held and used, to the estimated fair value or, for an asset to be disposed of, to the fair value, net of estimated costs of disposal. Any loss resulting from impairment is recognized by a charge to income. Judgments and estimates that we make related to the expected useful lives of long-lived assets and future cash flows are affected by factors such as changes in economic conditions and changes in operating performance. The accuracy of such provisions can vary materially from original estimates and management regularly monitors the adequacy of the provisions until final disposition occurs.

We have not made any material changes in our methodology for assessing impairments during the past three years and we do not believe that there is a reasonable likelihood that there will be a material change in the estimates or assumptions used by us to assess impairment of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values of long-lived assets, we may be exposed to losses that could be material.

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Insurance Reserves

We self-insure a significant portion of our expected workers' compensation and general liability programs. In 2015, we purchased insurance for individual workers' compensation claims that exceeded $250, $500 or $1,000 depending on the state in which the claim originates. Beginning in 2016, we purchase insurance for individual workers' compensation claims that exceed $250, $750 or $1,000 depending on the state in which the claim originated. We purchase insurance for individual general liability claims that exceed $500. We record a reserve for workers' compensation and general liability for all unresolved claims and for an estimate of incurred but not reported ("IBNR") claims. These reserves and estimates of IBNR claims are based upon a full scope actuarial study which is performed annually at the end of our third quarter and is adjusted by the actuarially determined losses and actual claims payments for the fourth quarter. Additionally, we perform limited scope actuarial studies on a quarterly basis to verify and/or modify our reserves. The reserves and losses in the actuarial study represent a range of possible outcomes within which no given estimate is more likely than any other estimate. As such, we record the losses in the lower end of that range and discount them to present value using a risk-free interest rate based on projected timing of payments. We also monitor actual claims development, including incurrence or settlement of individual large claims during the interim periods between actuarial studies as another means of estimating the adequacy of our reserves.

Our group health plans combine the use of self-insured and fully-insured programs. Benefits for any individual (employee or dependents) in the self-insured group health program are limited. We record a liability for the self-insured portion of our group health program for all unpaid claims based upon a loss development analysis derived from actual group health claims payment experience. We also record a liability for unpaid prescription drug claims based on historical experience. The majority of our fully-insured health insurance plans for calendar 2014 contained a retrospective feature which could increase or decrease premiums based on actual claims experience.

Our accounting policies regarding insurance reserves include certain actuarial assumptions and management judgments regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. We have not made any material changes in the accounting methodology used to establish our insurance reserves during the past three years and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate the insurance reserves. However, changes in these actuarial assumptions or management judgments in the future may produce materially different amounts of expense that would be reported under these insurance programs.

Retail Inventory Valuation

Cost of goods sold includes the cost of retail merchandise sold at our stores utilizing the retail inventory method ("RIM"). Under RIM, the valuation of our retail inventories is at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value of our inventories. Inherent in the RIM calculation are certain significant management judgments and estimates, including initial markons, markups, markdowns and shrinkage, which may significantly impact the gross margin calculation as well as the ending inventory valuation.

Inventory valuation provisions are included for retail inventory obsolescence and retail inventory shrinkage. Retail inventory is reviewed on a quarterly basis for obsolescence and adjusted as appropriate based on assumptions made by management and judgment regarding inventory aging and future promotional activities. Cost of goods sold includes an estimate of shrinkage that is adjusted upon physical inventory counts. Annual physical inventory counts are conducted throughout the third quarter based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a three-year average of the physical inventories' results on a store-by-store basis.

We have not made any material changes in the methodologies, estimates or assumptions related to our merchandise inventories during the past three years and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions in the future. However, actual obsolescence or shrinkage recorded may produce materially different amounts than we have estimated.

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Tax Provision

We must make estimates of certain items that comprise our income tax provision. These estimates include effective state and local income tax rates, employer tax credits for items such as FICA taxes paid on employee tip income and the Work Opportunity credit, as well as estimates related to certain depreciation and capitalization policies. Our estimates are made based on current tax laws, the best available information at the time of the provision and historical experience.

We recognize (or derecognize) a tax position taken or expected to be taken in a tax return in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained (or not sustained) upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

We file our income tax returns many months after our year end. These returns are subject to audit by various federal and state governments years after the returns are filed and could be subject to differing interpretations of the tax laws. We then must assess the likelihood of successful legal proceedings or reach a settlement with the relevant taxing authority. Although we believe that the judgments and estimates used in establishing our tax provision are reasonable, an unsuccessful legal proceeding or a settlement could result in material adjustments to our Consolidated Financial Statements and our consolidated financial position.

Share-Based Compensation

Our share-based compensation primarily consists of nonvested stock awards and units and performance-based market stock units (“MSU Grants”). Share-based compensation expense is recognized based on the grant date fair value and the achievement of performance conditions for certain awards. We recognize share-based compensation expense on a straight-line basis over the requisite service period, which is generally the award’s vesting period, or the date on which retirement eligibility is achieved, if shorter.

Compensation expense is recognized for only the portion of our share-based compensation awards that are expected to vest. Therefore, an estimated forfeiture rate is derived from historical employee termination behavior and is updated annually. The forfeiture rate is applied on a straight-line basis over the service (vesting) period and we update the estimated forfeiture rate to actual at each reporting period.

Our share-based compensation awards accrue dividends. Dividends will be forfeited for any share-based compensation awards that do not vest.

The fair value of our nonvested stock awards which accrue dividends is equal to the market price of our stock at the date of the grant. Our nonvested stock awards are time vested except for awards under our long-term incentive plans which also contain performance conditions. At each reporting period, we reassess the probability of achieving the performance conditions under our long-term incentive plans. Determining whether the performance conditions will be achieved involves judgment and the estimate of expense for nonvested stock awards may be revised periodically based on changes in our determination of the probability of achieving the performance conditions. Revisions are reflected in the period in which the estimate is changed. If any performance conditions are not met, no shares will be granted, no compensation will ultimately be recognized and, to the extent previously recognized, compensation expense will be reversed.

In addition to providing the requisite service, MSU Grants contain both a market condition, total shareholder return, and a performance condition. Total shareholder return is defined as the change in our stock price plus dividends paid during the performance period. The number of shares awarded at the end of the performance period will vary in direct proportion to a target number of shares set at the beginning of the period, up to a maximum of 150% of target, based on the change in our cumulative total shareholder return over the period. The probability of the actual shares expected to be awarded is considered in the grant date valuation; therefore, the expense will not be adjusted to reflect the actual units awarded. However, if the performance condition is not met, no shares will be granted, no compensation will ultimately be recognized and, to the extent previously recognized, compensation expense will be reversed.

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The fair value of our MSU Grants was determined using the Monte-Carlo simulation model, which simulates a range of possible future stock prices and estimates the probabilities of the potential payouts. The Monte-Carlo simulation model uses the average prices for the 60 consecutive calendar days beginning 30 days prior to and ending 30 days after the first business day of the performance period. This model also incorporates the following ranges of assumptions:

- The expected volatility is a blend of implied volatility based on market-traded options on our stock and historical volatility of our stock over the period commensurate with the three-year performance period.
- The risk-free interest rate is based on the U.S. Treasury rate assumption commensurate with the three-year performance period.
- The expected dividend yield is assumed to be zero since the award holders are entitled to any dividends paid over the performance period.

We update the historical and implied components of the expected volatility assumption when new grants are made. No MSU Grants were awarded in 2017.

Beginning in 2017, we adopted long-term incentive plans that award nonvested stock units based upon relative total shareholder return. In addition to requiring the requisite service, these nonvested stock units contain both a market condition based on relative total shareholder return and a performance condition based on operating income. Relative total shareholder return is defined as increases in our stock price plus dividends paid during the performance period as compared to the total shareholder return of a group of peer companies determined by the Compensation Committee. The number of shares awarded at the end of the performance period for each nonvested stock unit may range from 75% to 125% of the target award. The probability of the actual shares expected to be awarded is considered in the grant date valuation; therefore, the expense will not be adjusted to reflect the actual units awarded. However, if the performance condition is not met, no shares will be granted, no compensation will ultimately be recognized and, to the extent previously recognized, compensation expense will be reversed.

The fair value of these nonvested stock units was determined using the Monte-Carlo simulation model, which simulates a range of possible future stock prices and estimates the probabilities of the potential payouts. The Monte-Carlo simulation model uses the average prices for the 60 consecutive calendar days beginning 30 days prior to and ending 30 days after the first business day of the performance period. This model also incorporates the following ranges of assumptions:

- The expected volatility is the historical volatility of our stock and the members of the peer group over the period commensurate with the performance period.
- The risk-free interest rate is based on the U.S. Treasury rate assumption commensurate with the performance period.
- The expected dividend yield is assumed to be zero since the award holders are entitled to any dividends paid over the performance period.

We update the expected volatility assumption when new grants are made.

We have not made any material changes in our estimates or assumptions used to determine share-based compensation during the past three years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to determine share-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in share-based compensation expense that could be material.

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Legal Proceedings

We are parties to various legal and regulatory proceedings and claims incidental to our business from time to time. We review outstanding claims and proceedings internally and with external counsel, as necessary and appropriate, to assess probability of loss and for the ability to estimate loss. These assessments are re-evaluated each quarter or as new information becomes available to determine whether a reserve should be established or if any existing reserve should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded reserve. Although we believe that the judgments and estimates used in establishing our legal reserves are reasonable, an unsuccessful legal proceeding or a settlement could result in material adjustments to our Consolidated Financial Statements and our consolidated financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, such as changes in interest rates and commodity prices. We do not hold or use derivative financial instruments for trading purposes.

Interest Rate Risk. We have interest rate risk relative to our outstanding borrowings under our revolving credit facility. At both July 28, 2017 and July 29, 2016, our outstanding borrowings totaled $400,000 (see Note 5 to our Consolidated Financial Statements). Loans under our credit facility bear interest, at our election, either at the prime rate or LIBOR plus a percentage point spread based on certain specified financial ratios. Our policy has been to manage interest cost using a mix of fixed and variable rate debt (see Notes 5, 6 and 9 to our Consolidated Financial Statements). To manage this risk in a cost efficient manner, we have entered into interest rate swaps. A summary of our interest rate swaps at July 28, 2017 is as follows:

Trade Date	Effective Date	Term (in Years)	Notional Amount	Fixed Rate
March 18, 2013	May 3, 2015	3	$ 50,000	1.51 %
April 22, 2013	May 3, 2015	3	25,000	1.30 %
April 25, 2013	May 3, 2015	3	25,000	1.29 %
June 18, 2014	May 3, 2015	4	120,000	2.51 %
June 24, 2014	May 3, 2015	4	90,000	2.51 %
July 1, 2014	May 5, 2015	4	90,000	2.43 %
January 30, 2015	May 3, 2019	2	80,000	2.15 %
January 30, 2015	May 3, 2019	2	60,000	2.16 %
January 30, 2015	May 4, 2021	3	120,000	2.41 %
January 30, 2015	May 3, 2019	2	60,000	2.15 %
January 30, 2015	May 4, 2021	3	80,000	2.40 %

The notional amount for the interest rate swap entered into on June 18, 2014 increases by $40,000 each May over the four-year term of the interest rate swap until the notional amount reaches $160,000 in May 2018. The notional amounts for the interest rate swaps entered into on June 24, 2014 and July 1, 2014 increase by $30,000 each May over the four-year terms of the interest rate swaps until the notional amounts each reach $120,000 in May 2018.

At July 28, 2017 and July 29, 2016, our outstanding borrowings were swapped at a weighted average interest rate of 3.21% and 3.10%, respectively, which are the weighted average fixed rates of our interest rate swaps plus our current credit spread. See Note 6 to our Consolidated Financial Statements for further discussion of our interest rate swaps.

Commodity Price Risk. Many of the food products that we purchase are affected by commodity pricing and are, therefore, subject to price volatility caused by market conditions, weather, production problems, delivery difficulties and other factors which are outside our control and which are generally unpredictable.

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The following table highlights the five food categories which accounted for the largest shares of our food purchases in 2017 and 2016:

	Percentage of Food Purchases			
	2017		2016	
Beef	14	%	15	%
Dairy (including eggs)	12	%	13	%
Fruits and vegetables	12	%	12	%
Poultry	11	%	11	%
Pork	10	%	11	%

Other categories affected by the commodities markets, such as grains and seafood, may each account for as much as 8% of our food purchases. While some of our food items are produced to our proprietary specifications, our food items are based on generally available products, and if any existing suppliers fail, or are unable to deliver in quantities required by us, we believe that there are sufficient other quality suppliers in the marketplace that our sources of supply can be replaced as necessary to allow us to avoid any material adverse effects that could be caused by such unavailability. We also recognize, however, that commodity pricing is extremely volatile and can change unpredictably even over short periods of time. Changes in commodity prices would affect us and our competitors generally, and depending on the terms and duration of supply contracts, sometimes simultaneously. We enter into contracts for certain of our products in an effort to minimize volatility of supply and pricing. In many cases, or over the longer term, we believe we will be able to pass through some or much of the increased commodity costs by adjusting our menu pricing. From time to time, competitive circumstances, or judgments about consumer acceptance of price increases, may limit menu price flexibility, and in those circumstances, increases in commodity prices can result in lower margins.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of Cracker Barrel Old Country Store, Inc.
Lebanon, Tennessee

We have audited the accompanying consolidated balance sheets of Cracker Barrel Old Country Store, Inc. and its subsidiaries (the “Company”) as of July 28, 2017 and July 29, 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three fiscal years in the period ended July 28, 2017. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cracker Barrel Old Country Store, Inc. and its subsidiaries as of July 28, 2017 and July 29, 2016, and the results of their operations and their cash flows for each of the three fiscal years in the period ended July 28, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of July 28, 2017, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 22, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 22, 2017

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CRACKER BARREL OLD COUNTRY STORE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except share data)

ASSETS	July 28, 2017	July 29, 2016
Current Assets:		
Cash and cash equivalents	$ 161,001	$ 150,966
Accounts receivable	18,116	19,389
Income taxes receivable	4,265	16,184
Inventories	156,367	152,308
Prepaid expenses and other current assets	16,047	14,573
Deferred income taxes	3,061	2,320
Total current assets	358,857	355,740
Property and Equipment:		
Land	306,105	303,416
Buildings and improvements	837,804	814,176
Buildings under capital leases	3,289	3,289
Restaurant and other equipment	604,413	572,551
Leasehold improvements	326,750	306,489
Construction in progress	15,087	11,924
Total	2,093,448	2,011,845
Less: Accumulated depreciation and amortization of capital leases	995,351	931,656
Property and equipment – net	1,098,097	1,080,189
Other assets	64,988	61,735
Total	$ 1,521,942	$ 1,497,664

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$118,395	$132,493
Taxes withheld and accrued	36,725	37,561
Accrued employee compensation	70,945	61,187
Accrued employee benefits	26,759	27,928
Deferred revenues	72,376	64,028
Dividend payable	30,639	29,706
Other current liabilities	19,989	15,914
Total current liabilities	375,828	368,817
Long-term debt	400,000	400,000
Long-term interest rate swap liability	6,833	22,070
Other long-term obligations	129,353	126,608
Deferred income taxes	65,421	53,726
Commitments and Contingencies (Notes 9 and 15)		

Shareholders' Equity:		
Preferred stock – 100,000,000 shares of $.01 par value authorized; 300,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued	--	--
Common stock – 400,000,000 shares of $.01 par value authorized; 2017 – 24,055,682 shares issued and outstanding; 2016 – 23,956,134 shares issued and outstanding	241	240
Additional paid-in capital	55,659	51,462
Accumulated other comprehensive loss	(4,229)	(13,740)
Retained earnings	492,836	488,481
Total shareholders' equity	544,507	526,443
Total	$1,521,942	$1,497,664

See Notes to Consolidated Financial Statements.

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CRACKER BARREL OLD COUNTRY STORE, INC.

CONSOLIDATED STATEMENTS OF INCOME

	(In thousands except share data) Fiscal years ended July 28, 2017	July 29, 2016	July 31, 2015
Total revenue	$2,926,289	$2,912,351	$2,842,284
Cost of goods sold (exclusive of depreciation and rent)	891,293	928,176	924,171
Labor and other related expenses	1,017,124	1,006,188	992,382
Other store operating expenses	563,300	554,534	523,307
Store operating income	454,572	423,453	402,424
General and administrative expenses	141,414	142,982	147,544
Operating income	313,158	280,471	254,880
Interest expense	14,271	14,052	16,679
Income before income taxes	298,887	266,419	238,201
Provision for income taxes	96,988	77,120	74,298
Net income	$201,899	$189,299	$163,903
Net income per share - basic	$8.40	$7.91	$6.85
Net income per share - diluted	$8.37	$7.86	$6.82
Basic weighted average shares outstanding	24,031,810	23,945,041	23,918,368
Diluted weighted average shares outstanding	24,118,288	24,074,273	24,048,924

See Notes to Consolidated Financial Statements.

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CRACKER BARREL OLD COUNTRY STORE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(In thousands) Fiscal years ended July 28, 2017	July 29, 2016	July 31, 2015
Net income	$ 201,899	$ 189,299	$ 163,903
Other comprehensive income (loss) before income tax expense (benefit):			
Change in fair value of interest rate swaps	15,402	(16,188)	1,641
Income tax expense (benefit)	5,891	(6,173)	633
Other comprehensive income (loss), net of tax	9,511	(10,015)	1,008
Comprehensive income	$ 211,410	$ 179,284	$ 164,911

See Notes to Consolidated Financial Statements.

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CRACKER BARREL OLD COUNTRY STORE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands except share data)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Total Shareholders'
	Shares	Amount	Capital	Loss	Earnings	Equity
Balances at August 1, 2014	23,821,227	$ 238	$ 39,969	$ (4,733)	$ 493,167	$ 528,641
Comprehensive Income:						
Net income	--	--	--	--	163,903	163,903
Other comprehensive income, net of tax	--	--	--	1,008	--	1,008
Total comprehensive income	--	--	--	1,008	163,903	164,911
Cash dividends declared - $7.10 per share	--	--	--	--	(171,383)	(171,383)
Share-based compensation	--	--	16,210	--	--	16,210
Issuance of share-based compensation awards, net of shares withheld for employee taxes	154,528	2	(4,818)	--	--	(4,816)
Tax benefit realized upon exercise of share-based compensation awards	--	--	4,705	--	--	4,705
Purchases and retirement of common stock	--	--	--	--	--	--
Balances at July 31, 2015	23,975,755	240	56,066	(3,725)	485,687	538,268
Comprehensive Income:						
Net income	--	--	--	--	189,299	189,299
Other comprehensive income, net of tax	--	--	--	(10,015)	--	(10,015)