

CRACKER BARREL OLD COUNTRY STORE, INC  
Form DEFA14A  
November 06, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Cracker Barrel Old Country Store, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(3) Filing Party:

(4) Date Filed:



*Cracker Barrel Old Country Store, Inc. (the Company ) used the following investor presentation in meetings beginning on November 5, 2012, after 4:30 p.m. Central Time. This investor presentation was also posted to the Proxy Contest section of the Company s Investor Relations website, investor.crackerbarrel.com.*

On the Right Track, Generating  
Exceptional Performance  
Fall 2012

**WHY**

**WE**

**BELIEVE**

sARDAR  
BIGLARI  
IS  
wRONG  
FOR  
THIS  
BOARD

IMPORTANT ADDITIONAL INFORMATION

1

Cracker Barrel Old Country Store, Inc. ( the Company ) urges caution in considering current trends and earnings guidance discussed in this presentation. Except for specific historical information, matters discussed in this presentation are forward looking statements that involve risks, uncertainties and other factors that may cause actual results and performance of the Company to differ materially from those expressed or implied in this discussion. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995.

More detailed information on risks, uncertainties, and other factors is provided in the Company's filings with the Securities and Exchange Commission, press releases and other communications.

Cracker Barrel, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cracker Barrel shareholders in connection with the matters to be considered at Cracker Barrel's 2012 Annual Meeting. On October 4, 2012, Cracker Barrel filed a definitive proxy statement (as it may be amended, the "Proxy Statement") with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from Cracker Barrel shareholders.

INVESTORS

AND

SHAREHOLDERS

ARE

STRONGLY

ENCOURAGED

TO

READ

THE

PROXY

STATEMENT

AND

ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR WHOLETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Detailed information

regarding the

identity

of

potential

participants,

and

their

direct

or

indirect

interests,

by

security

holdings

or

otherwise,

is

set

forth

in

the

Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement and other documents filed by Cracker Barrel with the SEC for no charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies will also be available at no charge at the Investor Relations section of our corporate website at [www.crackerbarrel.com](http://www.crackerbarrel.com).



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I.

Executive Summary

II.

Delivering on our Six Priorities

III.

Driving Best-in-Class Results

IV.

Why We Believe Sardar Biglari is Wrong for This Board

Appendix

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I. Executive Summary

4

Improve same store sales  
and traffic trends

Accelerating same store sales  
growth in last three quarters with Q4  
traffic up 1.4%

Cut costs and leverage fixed

costs to enhance profitability  
FY 2012 operating margin growth of  
50 bps

Reconfigure the Board with  
new members bringing a  
fresh perspective

7  
new  
board  
members  
1

,  
including  
a  
new  
independent  
Chairman

2  
Fill in key management  
positions to enhance  
functional capabilities  
Revitalized  
leadership

five  
senior  
executives new to Cracker Barrel or  
serving in new positions since  
January 2011

Develop a long-term plan to  
maintain operating  
momentum

Same store sales outperforming  
casual dining peers in Knapp-  
Track  
for three consecutive  
quarters

#### WHAT WE HAVE ACCOMPLISHED IN THE PAST YEAR

Delivering on the Company's Promises

(1)  
Changes to board since 20-Jun-2011.

(2)  
As announced on 6-Aug-2012, to be effective following Michael A. Woodhouse's retirement in early November 2012.

5

**CBRL STOCK PRICE HAS INCREASED SIGNIFICANTLY**

Since Announcement of Our Strategic Priorities We Have Delivered  
Outstanding Shareholder Returns

Source: Bloomberg, public filings, Company press releases, and IBES

Note: 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011. Please see Appendix  
GAAP basis operating results to adjusted non-GAAP operating results.

(1) Figure used for comparability to IBES estimates is GAAP basis, earnings per diluted share of \$1.47. When adjusted for the in FY

12 and certain charges in the current and prior year, adjusted earnings per diluted share were \$1.20.

\$30

\$40

\$50

\$60

\$70

Sep-2011

Nov-2011

Jan-2012

Mar-2012

May-2012

Jul-2012

Sep-2012

Daily from 12-Sep-2011 to 28

-Sep-2012

22-Nov-2011

CBRL reports 1Q12 EPS

of \$1.09 excl. proxy costs,

4.8% higher than analyst

expectations

20-Dec-2011

A majority of

shareholders vote for

CBRL's slate of directors

22-May-2012

CBRL reports 3Q12 EPS of

\$0.86 excl. proxy costs, 16.2%

higher than analyst

expectations

\$39.86

\$67.11

19-Sep-2012

CBRL reports 4Q12 EPS

1

of \$1.47, 13.1% higher

than analyst expectations

26-Apr-2012

CBRL hosts Analyst and

Investor Day reviewing

strategic initiatives

21-Feb-2012

CBRL reports 2Q12 EPS of

\$1.20 excl. proxy costs, 5.3%

higher than analyst expectations

13-Sep-2011

New CEO Sandy

Cochran announces

strategic priorities

68.4% INCREASE



6

Since December 2011 Proxy Vote

2

Since Announcement of Our Strategic Priorities

1

**CBRL HAS SIGNIFICANTLY OUTPERFORMED ITS PEERS**  
No Matter What Benchmark You Use, CBRL Has Outperformed

Source: Bloomberg

Cracker Barrel

Peer Set

S&P 500 Restaurant Index

S&P 600 Restaurant Index

S&P 1500 Restaurant Index

S&P 500 Index

Note:

Peer

set

includes

BH,

BOBE,

EAT,

CAKE,

DRI,

DENN,

RT,

TXRH.

S&P

Restaurant

Index

includes

the

restaurant

companies

in

the

S&P

500

Index:

CMG,

DRI,

MCD,

SBUX, YUM. S&P 600 Restaurant Index includes the restaurant companies in the S&P 600 Index: BJRI, BH, BWLD, CEC,

RUTH, SONC, TXRH. S&P 1,500 Restaurant Index includes the restaurant companies in the S&P 1,500 Index: BJRI, BH, B

DIN, JACK, MCD, PNRA, PZZA, PEET, RRGB, RT, RUTH, SONC, SBUX, TXRH, WEN, YUM.

(1)

12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

(2)

20-Dec-2011; date of CBRL s 2011 Annual General Meeting, proxies voted.

7

OUR SHAREHOLDERS HAVE BENEFITED FROM OUR  
PERFORMANCE AND RETURN OF CAPITAL POLICIES

(\$ in millions)

Source: Public filings and Bloomberg

Note: 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

\$ 663.5

\$22.4  
\$915.8  
\$14.9  
\$1,616.6  
CBRL Equity  
Market Cap.  
Total  
Shareholder  
Value  
12-Sep-2011  
Increase in  
CBRL Equity  
Market Cap.  
28-Sep-2012  
Increase in  
CBRL Equity  
Market Cap.  
= \$700.7  
FY 2012  
Dividends Paid  
FY 2012  
Shares Repurchased  
28-Sep-2012

8

WE BELIEVE THIS VALUE CREATION RESULTS FROM  
SUCCESSFUL EXECUTION OF OUR STRATEGIC PRIORITIES

Source: Public filings

Note: Announcement of Strategic Priorities on 13-Sep-2011.

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

Comparable Restaurant

Traffic

(4.2)%

(3.8)%

1.1 %

0.6 %

1.4 %

Average Check

2.8 %

2.2 %

2.4 %

2.5 %

2.4 %

Comparable Restaurant

Sales

(1.4)%

(1.6)%

3.5 %

3.1 %

3.8 %

Comparable Retail Sales

(0.7) %

(1.3)%

3.4 %

0.3 %

3.1%

Our Customers Have Responded to Focus on Menu, Marketing, and Execution

Announcement

of Our Strategic

Priorities

9

**WHY WE ARE HERE AGAIN**

Despite losing by a significant margin in last year's proxy fight, Sardar Biglari remains inexplicably insistent in his campaign against Cracker Barrel. Why do we say inexplicably?

Because of all we accomplished over the past year  
What would Biglari have done differently?

We don't know  
he hasn't raised specific new ideas or suggestions to  
management  
or  
the  
Board,  
despite  
having  
many  
opportunities  
to  
do  
so  
We  
believe  
Sardar  
Biglari  
has  
a  
conflict  
of  
interest,  
a  
history  
of  
creeping  
control  
that  
is not in the best interest of shareholders, and a questionable track record on  
corporate governance  
Despite being offered two independent seats (for the second year), he turned the  
offer down

Biglari refuses to consider any settlement offer unless he is personally appointed to  
the Board

Our shareholders determined he was not right for the Board last year

We agreed and believe he is not right for the Board this year either  
This discussion should be about the business and who's got it on the right path



## II. Delivering on our Six Priorities

11  
New marketing messaging  
Reinforce Authentic Value  
Refined menu and pricing  
Increase Variety & Everyday Affordability  
Enhanced restaurant operating  
platform

Sustainably Improve the Guest  
Experience

Innovative tactics driving retail  
sales growth

Deliver Value & Connection With the  
Brand

Focused cost reduction

Offset Commodity Pressures and Other  
Costs

Balanced approach to capital  
allocation

Enhance Shareholder Value

WHAT WE TOLD YOU WE DID DO 12 MONTHS AGO

1

2

3

4

5

6

Key Priorities

Objectives

12  
(4.2%)  
(3.8%)  
1.1%  
0.6%  
1.4%  
Q4

2011

Q1

2012

Q2

2012

Q3

2012

Q4

2012

**NEW MARKETING MESSAGE**

Hand Crafted by Cracker Barrel

Source: Public filings

1

Launched

national

cable

advertising

for

the

first

time,

focusing

on

brand building during the busiest seasons (Q2 & Q4)

Utilized radio advertising to promote products and value

Leveraged billboards to support travel business

Hired new advertising agency Havas Worldwide (formerly known as

Euro RSCG Worldwide)

Continued Investment in Billboards

First National Television Campaign

Comparable Restaurant Traffic

REFINE MENU AND PRICING

Guest

Satisfaction

Results

Show

Overall

Value

Scores

at

Historic

Highs

2

Better-

For-You

Daily

Lunch

Specials

Highlighted an attractive \$5.99 price point

Drove week-day lunch traffic

Reinforced value perception across all day-parts

13

Launched salad refresh as part of the  
summer seasonal promotion

Feature salad, including dressing  
and crackers, under 600 calories

Exceeded expectations for mix and  
guest satisfaction

14

3

During the year, received all-time company high scores in nine categories on the guest feedback program

For the second year in a row we have received top honors in the family dining segment of the Consumer

Picks

survey



conducted

for

Nation s

Restaurant

News

magazine

Past Year s Focus on Guest Experience Has Driven Significant Improvements to Guest Satisfaction

Overall Satisfaction

Intent to Recommend

Overall Value

ENHANCE RESTAURANT OPERATING PLATFORM

July-2011

July-2012

69.7%

70.6%

July-2011

July-2012

70.0%

71.0%

July-2011

July-2012

59.1%

61.1%

Rank<sup>1</sup>

Chain

Score<sup>2</sup>

1

Cracker Barrel Restaurant and Old Country Store

70.3%

2

Marie Callender's

3

62.1

3

Bob Evans Restaurants

61.2

4

The Original Pancake House

3

59.7

5

IHOP

53.5

6

Steak N Shake

52.1

7

Village Inn

51.9

8

Perkins Restaurant & Bakery

51.5

9

Big Boy

50.2

10

Friendly's Ice Cream

47.5

11

Shoney's

45.5

12

Huddle House

44.8

13

Denny's

43.9

14

Waffle House

41.4

(1) Source: Nation's Restaurant News and WD Partners, 2012 Consumer Picks family dining segment survey.

(2) Weighted by attribute importance.

(3) 100-149 responses.

3

15

INNOVATIVE TACTICS DRIVING RETAIL SALES GROWTH

Game Plan for Growing Retail Sales

Source: Public filings

Quarterly Retail Same Store Sales

4

Merchandising

Strategy

Support the restaurant  
by reinforcing the  
emotional connection to  
the Brand

Be a destination retailer  
for specific occasions  
and drive traffic for the  
restaurant

Unique

Nostalgic

Seasonal

Everyday Needs

(0.7)%

(1.3)%

3.4%

0.3%

3.1%

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

April-2012: Appointed new SVP of  
Retail, Laura Daily

16

FOCUSED COST REDUCTION

5

Improving Productivity of the Box

Eliminating Annual G&A and Labor Expenses

April-2012: Realigned field leadership

July-2011: Restructured home office

Labor Management System

Improves direction of weekly training, productivity,  
and execution

Hourly wage expense down 50bps in Q4 2012

Transportation Management System

Improves efficiency in the distribution of retail  
merchandise

Improved

Technology

Streamlined

Supply

Chain and

Purchasing

Increasing

Labor

Productivity

Enhanced

Operating

Systems

Leveraging Our Support Cost Base

Source: Public filings

(1)

Adjusted

for

53

week

in

FY 12,

proxy

contest

expenses,

severance

and

restructuring

charges.

Please

see

Appendix

for

reconciliation

of

GAAP basis

operating

results

to

adjusted

non-GAAP

operating

results.

rd

Margin and Process Improvement

Adjusted EPS

&

Operating Inc as % of Sales

1

17

**BALANCED APPROACH TO CAPITAL ALLOCATION**

Source: Bloomberg and public filings

Note: Market data as of 28-Sep-2012.

(1) Calculated as latest annualized latest dividend per share divided by last twelve months reported diluted earnings per share and / or diluted earnings per share from continuing operations used as disclosed.

(2) Adjusted



for  
53  
rd  
week  
in  
FY 12,  
proxy  
contest  
expenses,  
severance  
and  
restructuring  
charges.  
Please  
see  
Appendix  
for  
reconciliation  
of  
GAAP basis operating results to adjusted non-GAAP operating results.

(3) CAKE

not  
adjusted  
for  
impact  
of  
53  
rd  
week  
in  
FY 11  
due  
to  
lack  
of  
disclosure.

6  
Dividend Yield  
Dividend Payout Ratio

1  
2.1 %  
3.0 %  
3.6 %  
2.8 %  
2.3 %  
2.1 %  
1.3 %  
0.0 %  
0.0 %  
0.0 %

CBRL -  
One  
CBRL  
DRI  
BOBE  
EAT  
TXRH  
CAKE  
BH  
DENN  
RT

Peer Median: 1.7%

20.5 %  
46.1 %  
54.6 %  
45.6 %  
40.8 %  
38.3 %  
27.6 %  
0.0 %  
0.0 %  
0.0 %

CBRL -  
One  
CBRL  
DRI  
BOBE  
EAT  
TXRH  
CAKE  
BH  
DENN  
RT

Peer Median: 32.9%

2  
3  
Year Ago  
Year Ago

### III. Driving Best-in-Class Results

19

Sales Growth

~5%

Operating Income Growth

~8-10%

Earnings Per Share Growth

~12-15%

Total Shareholder Return

~15-18%

Decisive Action Driving

Total Shareholder

Return

**BUILDING ON OUR RECENT SUCCESS**

Continued focus on six business priorities

Focus on increasing average unit volume in existing stores

Increase retail sales with unique and nostalgic merchandise

Drive increased profitability in existing locations

Continued commitment to profitable new unit growth

Allocate capital in a way to maximize value

New store growth: 2-3% / per year; focus on most profitable growth, best locations, and flawless execution

Extend the power of the brand beyond the physical store

Long term value creation through e-commerce & development of branded products platform

Focus on Operational Excellence in Existing Units AND

Profitable New Restaurant Growth

2012

2015 Strategic Plan

20  
ACCELERATION OF COMPARABLE RESTAURANT SAME STORE  
SALES VS. KNAPP-TRACK  
Three  
Consecutive  
Knapp-Track  
Beats

in  
FY  
2012  
Source:  
Public  
filings  
and  
Knapp-Track  
Note:  
Knapp-Track  
Casual  
Dining  
Index  
Comparable  
Sales  
figure  
is  
an  
approximation  
based  
on  
respective  
weekly  
averages.  
Cracker Barrel vs.  
Knapp-Track  
(2.5)%  
1.3%  
2.1%  
3.5%  
(1.6)%  
3.5 %  
3.1 %  
3.8 %  
0.9 %  
2.2 %  
1.0 %  
0.3 %  
First Quarter  
Second Quarter  
Third Quarter  
Fourth Quarter  
Cracker Barrel Comparable Restaurant Sales  
Knapp-Track  
TM  
Casual  
Dining  
Index  
Comparable  
Sales

21

A SECTOR LEADER IN TOTAL SHAREHOLDER RETURN

TSR Since Announcement of our Strategic Priorities

1

Source: Bloomberg and public filings

Note: Total Shareholder Return calculated by share price appreciation and dividends paid (assumes dividends paid are re-invested (purchasing more shares) on the ex-date of the dividend) over the past year.



(1) 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

22

Refresh Select Menu Categories

Reinforce value proposition for guests with a refresh of Country Dinner Plates

Introduce better-for-you programs, including new sides and Wholesome Fixins

Grow Retail Sales with Unique

Merchandise

Focus on unique, exclusive, authentic merchandise

Improve productivity with visual merchandising and space planning

Build on Successful Handcrafted

Marketing Campaign

Continue national media strategy

Introduce new Hand-crafted creative

advertisements for TV, radio, and billboards

Invest in and Leverage Technology to

Support Operations and Reduce Costs

Implement technology to improve efficiencies and food quality

Streamline processes to increase labor productivity

Focus on Maximizing

Shareholder Returns

Target 2

-3% annual new unit growth over the next three years

Pay competitive dividends and repurchase shares

Improve E-commerce Business

and Develop Branded Products

Platform

Grow e-commerce awareness and revenues

Lay groundwork to sell Cracker Barrel branded

products in grocery stores

**UPDATED BUSINESS PRIORITIES TO CONTINUE DRIVING**

**PERFORMANCE THROUGH 2013**

Key Priorities

Objectives

1

2

3

4

5

6

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**A RENEWED BOARD HELPING TO DRIVE PERFORMANCE**

Note: Represents board changes as implemented or announced. Represents Board members standing for election at Cracker Barrel Shareholder Meeting.

(1) As announced on 6-Aug-2012, to be effective following Michael A. Woodhouse's retirement in early November 2012.

Independent

New Within Past 18 Months

Tom Barr, Vice President, Global Coffee, at Starbucks Coffee Company

Sandy

Cochran,

President

and

CEO,

Cracker

Barrel

and

former

CEO,

Books-A-Million

James Bradford, Dean of Vanderbilt's Owen Graduate School of Management and former President and

CEO

of

AFG

Industries,

Inc.;

Designated

Independent

Chairman

of

the

Board

of

Cracker

Barrel

1

Glenn Davenport, Retired Chairman and CEO, Morrison Management Specialists

Norman Johnson, Executive Chairman and Former CEO, CLARCOR Inc.

William

McCarten,

Chairman

of

the

Board,

DiamondRock

Hospitality

Company

and

former

President

and

CEO, HMS Host Corporation

Coleman

Peterson,

President

and

CEO,

Hollis

Enterprises,  
LLC  
and  
former  
EVP  
and  
Chief  
People  
Officer,  
Wal-Mart Stores, Inc.

Richard  
Dobkin,  
retired  
Managing  
Partner  
of  
the  
Tampa,  
FL  
office  
of  
Ernst  
&  
Young

Martha Mitchell, retired Senior Partner and SVP, Fleishman-Hillard, International Communications  
Andrea Weiss, President and CEO, Retail Consulting and former Chairman, Cortefiel Group

24  
ANALYSTS CONTINUE TO COMMENT FAVORABLY ON THE STRATEGY  
PUT FORTH BY THE INCUMBENT BOARD AND NEW MANAGEMENT  
Selected Analyst Commentary  
Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained  
In  
our

view,  
CBRL  
is  
generating  
positive  
growth  
in  
traffic not  
just  
comps thanks  
to  
its  
effective  
communication  
of  
its  
revamped  
value  
strategy  
and  
we  
expect  
sales  
momentum  
to  
continue.  
At  
the  
same  
time,  
management  
continues  
to  
hone  
the  
efficiency  
of  
operations  
which  
we  
argue  
is  
a  
key  
ingredient  
of  
CBRL's  
earnings  
power  
and



we  
anticipate  
this,  
in  
conjunction  
with  
positive  
sales  
and  
traffic  
growth,  
will  
offset  
the  
effect  
of  
higher  
food  
costs  
in  
the  
next  
12  
months.

-

Stephen Anderson, Miller Tabak; 19-Sep-2012

We  
credit  
management's  
outreach  
to  
local  
customers

which  
account  
for  
about  
60%  
of  
CBRL's  
customer  
base with  
sustained  
same-restaurant  
sales  
gains.  
Specifically,  
we  
think

management s  
barbell  
strategy  
of  
appealing  
to  
value  
customers  
(e.g.,  
\$5.99  
lunch  
entrées)  
and  
customers  
seeking  
non-traditional  
menu  
options  
(e.g.,  
seasonal  
and  
better  
for  
you  
menu  
items)  
with  
helping  
CBRL  
boost  
both  
sales  
and  
traffic.

-  
Stephen Anderson, Miller Tabak; 19-Sep-2012

Since  
taking  
the  
CEO  
reigns  
(sic)  
in  
2011,  
Sandy  
Cochran  
identified  
several  
enhancements  
that

have improved CBRL same-restaurant sales (SRS) and traffic trend we believe the impact of these changes will continue benefiting SRS and traffic. In addition, the Company has identified \$30 million-\$45 million in cumulative cost savings that should be realized by year-end FY15, contributing roughly 100 bps to EBIT margin

improvement  
during  
the  
next  
three  
years  
Lastly,  
management  
appears  
receptive  
to  
returning  
more  
capital  
to  
shareholders  
in  
terms  
of  
dividends  
and  
share  
repurchases.

-

Christopher O'Cull, KeyBanc Capital Markets; 12-Jul-2012

***Under***

the  
leadership  
of  
CEO  
Sandy  
Cochran  
management  
has  
taken  
increasingly  
proactive  
steps  
to  
enhance  
its  
core  
and  
iconic  
Old  
Country  
Store  
brand;  
refine  
and

increase  
the  
relevancy  
of  
its  
food,  
service  
and  
retail  
products;  
and  
improve  
the  
marketing  
of  
its  
concept  
to  
a  
broadened  
consumer  
marketplace.

-  
Bob Derrington, Northcoast Research; 28-Jun-2012

;  
.  
,  
,  
,  
,

#### IV. Why We Believe Sardar Biglari is Wrong for This Board

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WHY WE BELIEVE SARDAR BIGLARI IS STILL WRONG FOR THIS  
BOARD

New Cracker Barrel CEO and reconfigured Board laid out a new plan and are successfully executing that  
plan

we believe Biglari would be disruptive to current business momentum

We believe

Biglari's  
presence  
on  
our  
Board  
would  
create  
a  
conflict  
of  
interest

he  
is  
the  
CEO  
of  
a  
family

restaurant chain and CEO of a restaurant acquisition vehicle

We believe Biglari would want to be operationally involved but has failed to disclose his specific plans or agenda for the business, either to management or directly to the Board

His repeated public pronouncements highlight his combative approach  
was offered two independent

board seats for representation (twice) but turned BOTH offers down

Biglari has a history of creeping control

that we believe is not in the best interest of shareholders:

took control of Steak 'n Shake over time without paying a premium

We believe Biglari has a questionable track record on corporate governance: still proposing dual class of high vote / low vote stock at Biglari Holdings and proposed excessive compensation for himself at Biglari Holdings which received negative shareholder and ISS responses

Biglari Holdings just agreed to pay a \$850,000 civil penalty to resolve a Federal Trade Commission complaint for failing to comply with the Hart-Scott-Rodino Act in amassing its initial position in Cracker Barrel

a violation the FTC's Chairman characterized as trying to abuse the law's passive investor exemption



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Nominee

ISS Recommendation

Glass Lewis Recommendation

Sardar Biglari

Philip Cooley

PROXY ADVISORY FIRMS AGREE

VOTE THE WHITE  
PROXY CARD

Source: ISS Proxy Advisory Services report (Institutional Shareholder Services) and Proxy Paper report (Glass, Lewis & Co.)  
Nov-2012

Note: Permission to use information neither sought nor obtained.

Our Board Was Fully Recommended on 2-Nov By ISS and Glass Lewis  
Biglari Holdings Nominees

FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR  
FOR

Tom Barr

James Bradford

Sandy Cochran

Glenn Davenport

Richard Dobkin

Norman Johnson

William McCarten

Martha Mitchell

Coleman Peterson

Andrea Weiss

Glass Lewis Recommendation

ISS Recommendation

Nominee

Management Nominees

DO NOT VOTE

DO NOT VOTE

DO NOT VOTE

DO NOT VOTE

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PROXY ADVISORY FIRMS AGREE

VOTE THE WHITE

PROXY CARD

Selected Commentary from ISS

Source: ISS Proxy Advisory Services report (Institutional Shareholder Services) dated 2-Nov-2012

Note: Permission to use quotations neither sought nor obtained.

Emphasis added.

As  
the  
most  
compelling  
explanation  
of  
the  
company's  
resurgence  
is  
the  
leadership  
change  
and  
execution  
on  
the  
new  
strategic  
plan  
by  
the  
existing  
board  
and  
management  
team  
the dissident nominees in last year's or this year's proxy contest, however meritorious it is clear the dissidents  
have not made a compelling case that change at the board level is warranted  
ISS therefore recommends  
shareholders  
vote  
on  
the  
**WHITE**  
proxy  
card  
**FOR**  
the  
management  
nominees.  
To  
the  
extent  
share  
price  
appreciation  
has  
outstripped

growth  
in  
margins  
and  
net  
income,  
one  
might  
reasonably  
conclude  
this  
is  
evidence  
the  
market  
has  
bought  
into  
the  
company's  
turnaround  
strategy  
and  
its  
operating  
leadership.

The  
income  
statement  
for  
fiscal  
2012  
strongly  
supports  
the  
company's  
view  
that  
a  
real  
turnaround  
has  
taken  
root.

It  
is  
worth  
pointing  
out  
that

this  
is  
a  
profoundly  
silly  
reason  
to  
run  
a  
proxy  
contest,  
and  
the  
amount  
of  
attention  
the  
dissidents  
have  
lavished  
on  
it  
may  
raise  
more  
questions  
about  
their  
sense  
of  
perspective  
than  
the  
incoming  
Chairman's  
integrity.

The  
critical  
point,  
in  
all  
the  
company's  
communications  
which  
deployed  
the  
phrase,  
is

that  
Bradford  
has  
significant  
and  
substantial  
executive  
experience  
as  
a  
leader  
an  
unchallenged bona fide which might shareholders assessing his ability to lead this company as Chairman  
might  
appreciate.

and not suggestions of

29

PROXY ADVISORY FIRMS AGREE

VOTE THE WHITE

PROXY CARD

Selected Commentary from Glass Lewis

Source: Proxy Paper report (Glass, Lewis & Co.) dated 2-Nov-2012

Note: Permission to use quotations neither sought nor obtained.



Emphasis added.

With the foregoing factors in mind, we see little reason for shareholders to now support the candidacy of Messrs. Biglari or Cooley, whose own high-level stewardship has failed to generate attractive returns for shareholders of Biglari, despite its

relatively  
substantial

interest

in

a

rebounding

Cracker

Barrel.

Accordingly,

we

recommend

shareholders

vote

FOR

all

nominees

on

management's

WHITE

proxy

card.

we

now

find

a

materially

improved

Company

operating

under

the

stewardship

of

a

substantially

reconstituted

board

and

management

team

that

has

executed

on

a

well-codified

and  
publicly-disclosed  
business  
plan.

Further  
foundering Biglari's most recent solicitation are a series of relatively unconvincing and, at times, specious arguments, which collectively do little to support a forward operating plan that is decidedly light on detail, despite the Dissident's industry experience.

**Cracker**

Barrel  
appears  
to  
have  
dramatically  
improved  
its  
financial  
performance,  
while  
also  
taking  
concrete  
steps  
to  
remediate  
or  
eliminate  
several  
outstanding  
governance  
concerns.

In  
response,  
we  
find  
the  
Dissident  
has  
resorted  
to  
decidedly  
less  
convincing  
quantitative  
arguments  
and  
abrasive  
commentary  
to  
support

a  
vaguely-framed  
plan  
that,  
all  
other  
things  
equal,  
seems  
to  
work  
against  
a  
strategy  
that  
has  
objectively  
improved  
returns  
and  
transparency  
for  
Cracker  
Barrel  
shareholders.

we note the board has already been substantially reconstituted through the appointment of six new independent directors in the last 18 months, and, moreover, several board members with whom we have previously taken issue will not be standing for reelection at the 2012 annual meeting. When taken together with what we view as a well-disclosed business plan, we

see  
little  
reason  
to  
disrupt  
the  
current  
board  
dynamic.

30

BIGLARI HAS ARGUED THAT HE PURCHASED CBRL STOCK FOR INVESTMENT PURPOSES ONLY

(1) Biglari Holdings, press release dated 23-Sep-2011.

However, Biglari's Rhetoric Changes Over Time and We Believe Cannot Be Relied Upon

we told Chairman Michael

Woodhouse that we have

purchased stock for  
investment purposes only

Sardar Biglari

1

Our intention was that even if  
we were to purchase additional  
stock, we would keep  
ownership well under 20%.

Sardar Biglari

1

Current ownership of 17.4% exceeds his previously  
announced intentions

Biglari has twice attempted to gain board seats to  
influence the Company

not investment purposes  
only

In September 2012, Biglari Holdings agreed to pay  
\$850,000 to settle charges that it violated anti-trust  
rules when it purchased Cracker Barrel shares

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WHAT SARDAR BIGLARI RECENTLY CONFIRMED ABOUT  
BIGLARI HOLDINGS

We,  
however,  
are  
control

investors

Biglari Holdings is an unconventional public company because it is in the business of owning other businesses without regard to any particular industry along with the stipulation that

all

major

capital

allocation

decisions

are

made

by

Sardar

Biglari,

Chairman

and

CEO.

The logic underlying the dual class structure indicates that we could gain increased flexibility in structuring acquisitions and financing transactions to augment our growth. As a holding company, we believe that the greater flexibility resulting from our proposal would transform into an advantage in our pursuit of other businesses. We may also use such

stock

to

acquire

other

businesses

or

combinations

thereof.

Source: Public filings

Note: Emphasis added.

(1)

Biglari Holdings, 2011 Letter from the Chairman, dated 10-Dec-2011.

(2)

Biglari Holdings, Schedule 14A, filed 12-Sep-2012.

1

2

2



32

**WHAT DOES BIGLARI REALLY THINK?**

Biglari Holdings is a jockey stock.  
You are choosing the jockey; I am choosing the horses.  
It  
would  
be

asinine  
to  
bet  
on  
the  
jockey  
and  
then  
deny  
him  
the  
saddle  
or  
whip.  
1

Source: Public filings

(1)

Biglari Holdings, 2011 Letter from the Chairman, dated 10-Dec-2011.

33

OUR VIEWS ON BIGLARI ARE SHARED BY WALL STREET  
ANALYSTS

Selected Analyst Commentary

Source: Public news sources and publicly available equity research reports, permission to use quotations neither sought nor obtained

Mr. Biglari's argument seems to be less focused on corporate governance and shareholder performance, which was the basis of last year's proxy fight, and more focused on demanding that as the largest

shareholder he deserves two  
seats  
on  
Cracker  
Barrel s  
board.  
We  
are  
skeptical  
that  
the  
other  
82%  
of  
Cracker  
Barrel s  
shareholders  
would  
vote  
for  
two  
executives  
of  
a  
direct  
competitor,  
Steak  
n  
Shake,  
to  
join  
Cracker  
Barrel s  
board.  
We  
find  
it  
interesting  
that  
if  
you  
exclude  
the  
investment  
in  
Cracker  
Barrel,  
Biglari  
Holdings  
has

not  
made  
many  
shareholder  
enhancing  
decisions  
the  
past  
two  
years.

Assuming the market is reflecting the CBRL investment gain in BH's market valuation, we estimate BH's market value would be down about 10% since it became an active investor in Cracker Barrel on June 13, 2011 (vs. KBCM Restaurant Index +30%).

We  
estimate  
the  
CBRL  
investment  
represents  
roughly  
55%  
of  
BH's  
enterprise  
value.

We  
expect  
Biglari  
Holdings  
will lose the proxy fight in November.

-  
Chris O Cull, KeyBanc Capital Markets; 20-Sep-2012

Mr.  
Biglari  
has  
not  
issued  
an  
alternative  
strategic  
plan  
for  
CBRL  
but  
has  
suggested  
aggressive  
goals  
to  
drive

sales  
and  
traffic  
without  
supporting  
details

as  
to  
how  
such  
results  
would  
be  
realized.

Under  
Sandy  
Cochran,  
who  
became  
CEO  
in

September 2011, the company has performed strongly.

Numerous changes have been implemented ranging from board composition (much higher quality board in our opinion) to marketing, cost management, and willingness to return cash to shareholders.

**It**  
is  
not  
clear  
what  
Mr.  
Biglari s

plans  
might  
involve  
or  
if  
they  
could  
be

as  
effective  
as  
management s  
recent performance.

-  
Joseph T. Buckley, Bank of America Merrill Lynch; 19-Sep-2012

At this  
point  
in

time  
[Biglari]  
hasn't  
revealed  
any  
plan,  
of  
which  
I'm  
aware,  
to  
the  
company.  
I  
think  
the  
company  
wants  
to  
make  
sure  
if  
he  
has  
designs  
on  
taking  
over  
this  
company  
and  
its  
business,  
they'd  
like  
to  
make  
sure  
the  
shareholders,  
other  
than just him, are well taken care of.

-  
Bob Derrington, Northcoast Research, as quoted in the San Antonio Express; 18-Oct-2012

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OUR VIEWS ON BIGLARI ARE SHARED BY WALL STREET  
ANALYSTS (CONT.)  
Selected Analyst Commentary  
Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained  
**Whatever**  
Biglari s



intentions

for

CBRL

still

may

be,

however,

we

continue

to

side

with

management

in

this fight,

as the company already has enacted several measures to boost operational performance (as evidenced by CBRL's industry-leading comps in family dining), enhance shareholder value (e.g., increased dividend 14% for FY12, removed operating and corporate-level costs), and improve managerial oversight (e.g., splitting the roles of CEO

and

Chairman

of

the

Board).

**We**

surmise

there

will

be

even

less

incentive

for

shareholders

to

side

with a potential Biglari-sponsored slate of Board nominees this November. Although the potential for a second proxy fight remains, we now think a repeat of last year's contentious fight appears less likely.

-

Stephen

Anderson,

Miller

Tabak;

6-Aug-2012

Mr.

Biglari

has

a

record

of

creeping  
takeovers.

Biglari  
Holdings  
is  
essentially  
sending  
excess  
cash  
from  
Steak  
n  
Shake  
to  
the  
Lion  
Fund.  
These  
investments  
in  
the  
Lion  
Fund  
do  
not  
appear  
in  
Biglari  
Holdings  
balance

sheet due to the requirement to fully consolidate the Lion Fund in BH's financial statements. In addition, the Lion Fund's portfolio has purchased significant interests in BH common stock, which is classified on BH's balance sheet as treasury stock, yet the shares remain outstanding. BH's pro-rata ownership of its common stock through Lion Fund as of June 13, 2012 was roughly 100,000 shares, but the Lion Fund, in total, owns roughly 200,000 shares. Essentially, **Mr. Biglari has voting control of roughly 15% of BH's common stock, but he personally owns roughly 10,000 shares (0.7%).**

We wonder how BH decides between allocating excess cash to the Lion Fund and investing more in Steak  
n  
Shake (since Mr. Biglari argues it is doing so well) or just returning it to BH shareholders.

-  
Christopher  
O'Cull,  
KeyBanc  
Capital  
Markets;  
12-Jul-2012

35

BIGLARI OFTEN STATES HE IS A "CONTROL INVESTOR  
BUT WE BELIEVE  
YOU SHOULD NOT ALLOW HIM TO TAKE CREEPING CONTROL OF  
CRACKER BARREL AS HE DID WITH STEAK 'N SHAKE

Source: Public filings and Bloomberg

(1) Stock price adjusted for reverse split to be comparable to current market price.

- (2) As per Biglari's Schedule 13D/A filing on 3-Feb-2010.
- (3) As per Biglari's preliminary proxy filing on 12-Sep-2012.

17-Aug-2007

Share Price:

\$309.00

1

Biglari discloses

5.8% ownership in

Steak 'n Shake

Nominates himself

and Cooley to the

Board

7-Mar-2008

Biglari wins Proxy

Contest

19-Jun-2008

Biglari appointed Chairman

of the Board

Jul-2008

Two executive team

members resign

8-Aug-2008

Biglari appointed

CEO

Took control

Became Chairman and CEO

Merged with Western Sizzlin

Renamed Biglari Holdings

22-Oct-2009

Announces Merger with

Western Sizzlin

5.8%

Ownership

Today:

Control of 15.5%

3

and CEO

Share Price

(28-Sep-2012)

\$365.06

8-Apr-2010

Renamed Biglari Holdings

Biglari only controlled 6.8%

2

Purchased

through:

-

Lion Fund

-

Western Sizzlin

-  
P. Cooley  
Call Options:

-  
20,000 shares  
through Lion  
Fund

-  
561,000 shares  
through Western  
Sizzlin

**BIGLARI  
HOLDINGS**

Biglari originally claimed that  
he had acquired shares  
for investment purposes

Instead he:  
INC.

36  
EVEN  
WITH  
BIGLARI  
HOLDINGS  
LARGE  
STAKE,

BH  
HAS  
SIGNIFICANTLY UNDERPERFORMED CBRL

CBRL Represents over 50% of BH's Market Cap

Source: Bloomberg and public filings

Note: 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

What value has Biglari

created for his

shareholders in his own

restaurant business

without CBRL?

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**BIGLARI AGAIN TURNED DOWN A GOOD FAITH SETTLEMENT  
OFFER**

Biglari Rejected The Following Settlement Proposal:

Not be affiliated with Biglari Holdings



Not be a current executive officer or director of a competing restaurant company

Comply with CBRL's long-standing publicly disclosed qualification criteria

This offer was subject to the minimal conditions that, Biglari Holdings:

Support the Board-recommended slate of nominees at the 2012 annual meeting that would include the two nominees of Biglari Holdings

Not nominate other candidates or present shareholder proposals at the 2012 annual meeting

Not seek to call or support any special meeting prior to the Company's 2013 annual meeting

Many proxy fights are settled with the appointment of one or more directors that are not affiliated with the dissident, yet Biglari refuses even to consider nominating an independent director, insisting that it has to be him and Cooley

Does

Mr.

Biglari

really

want

representation

or

simply

a

platform

for

himself?

In voting Biglari down last year, shareholders determined last year he wasn't right for the Board

Biglari Holdings was offered two board seats subject only to the reasonable requirements that nominees:

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ONE THING THAT HAS NOT CHANGED AT BIGLARI HOLDINGS

.It s All About Sardar

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**OUR SHAREHOLDER RIGHTS PLAN IS DESIGNED TO PROTECT  
SHAREHOLDERS AND HAS BEEN RECOMMENDED BY ISS**

Source: ISS Proxy Advisory Services report (Institutional Shareholder Services) dated 2-Nov-2012

Our Shareholder-Friendly Rights Plan Protects Shareholders From Biglari's Tactics

Adopted in April 2012 in response to threat that Biglari could gain creeping control without paying a control premium

In his 2011 Letter From the Chairman, Biglari said We are control investors when we own a sizeable block of stock engendering influence

Tennessee law preventing shareholders from voting shares above 20% without shareholder approval is not sufficient. By acquiring shares above 20%, Biglari could still prevent other shareholders from voting those shares and gain greater influence by virtue of economic ownership  
Shareholder-friendly provisions include:

Rights expire if shareholders do not approve rights plan at November 2012 annual meeting

If shareholders approve, rights would expire on April 9, 2015

ISS Recommends A Vote FOR

Our Shareholder Rights Plan

A vote **FOR**

this proposal is warranted because **the rights plan contains features that protect shareholders** from entrenchment risk.

Specifically, the pill has a three-year term, a 20-percent trigger, and a robust qualifying offer clause and there is no dead-hand or slow-hand provision. In addition, there are no significant governance concerns at the company.

Note: Permission

to  
use  
quotations  
neither  
sought  
nor  
obtained.  
Emphasis  
added.

Rights plan is focused on creeping acquisitions above 20% and would not be triggered by qualifying offers (all-cash, fully financed tender offers that remain open for at least 60 business days)

40

OTHER SHAREHOLDER MATTERS

Compensation

Pay for Performance Culture

Compensation Committee Review and Revisions of Compensation Practices in 2012

80% of CEO's target total direct 2012 compensation, and 69% of other named executive officers, is contingent upon measurable performance

Incentive programs have one, two and three year performance periods to promote both short and long term appreciation of shareholder value

2012

Total

Shareholder

Return

significantly

outperformed

the

S&P

500,

600,

and

1,500

Restaurant

indices

Revenue growth, improved margins, and strong Return On Invested Capital performance resulted in incentive plan performance in excess of targets

Initiated full review of compensation practices based on say-on-pay vote results and feedback from shareholders and proxy advisory services in connection with 2011 annual meeting

Instituted a number of revisions to compensation practices as a result of this analysis:

Compensation Policies

Revised overall compensation philosophy to target total compensation paid to our executive officers at median of peer group

Revised

stock

ownership

guidelines

to

multiple

of

base

salary

for

executive

officers

and

total

cash

retainer

for

non-employee

directors:

5x base salary for CEO

3x base salary for CFO and Executive Vice Presidents; 2x base salary for all other executive officers

For non-employee directors, greater of 5,000 shares or 5x the annual cash retainer

No covered persons may sell any shares until threshold is reached

Worked  
to  
clarify  
disclosure  
in  
CD&A  
of  
compensation  
performance  
targets  
and  
performance  
relative  
to  
them

Adopted anti-hedging policy for officers and directors

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**WHY YOU SHOULD VOTE THE WHITE PROXY CARD**

We have accomplished a great deal over the last year  
with more to come

Our reconfigured Board is highly engaged and continuously seeks to create value  
We believe Biglari's and Cooley's presence would create a conflict of interest and  
would be detrimental to the functioning of our Board



We again made a good faith offer this year to permit Biglari to appoint two independent directors to the Board and again he rejected. Is his fight about having representation or just about him?

We believe Biglari's historic playbook of creeping control and poor corporate governance could harm Cracker Barrel and its shareholders

Appendix

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**RECONCILIATION OF GAAP BASIS OPERATING RESULTS  
TO ADJUSTED NON-GAAP OPERATING RESULTS**

(Unaudited and \$ in thousands, except per share data)

- (1) Severance, other charges and tax effects related to operational restructuring.
- (2) (Charges) Gain and tax effects of impairment net of gain on sale of property.
- (3) Refinancing costs and tax effects related to the Company's \$750 million credit facility.

(4) Charges and tax effects of the proxy contest concluded at the Company's annual meeting of shareholders.  
 Fourth Quarter Ended August 3, 2012  
 Fourth Quarter Ended July 29, 2011  
 As Reported  
 Adjust  
 53rd Week  
 As Adjusted  
 As Reported  
 Adjust  
 1,2,3,4  
 As Adjusted  
 Total Revenue  
 \$ 700,010  
 (51,059)  
 \$ 648,951  
 \$ 612,942  
 \$ 612,942  
 Store Operating Income  
 97,577  
  
 (11,093)  
 86,484  
 74,660  
  
 74,660  
 General and Administrative Expenses  
 37,671  
  
 (1,370)  
 36,301  
 35,323  
 (2,172)  
 33,151  
 Impairment and Store Dispositions, Net  
  
  
 1,249  
 (1,044)  
 205  
 Operating Income  
 59,906  
  
 (9,723)  
 50,183  
 38,088  
 3,216  
 41,304  
 Interest Expense

11,354

(811)

10,543

16,327

(5,136)

11,191

Pretax Income

48,552

(8,912)

39,640

21,761

8,352

30,113

Provision for Income Tax

13,856

(2,632)

11,224

4,218

2,201

6,419

Net Income

\$ 34,696

\$ (6,280)

\$ 28,416

\$ 17,543

\$ 6,151

\$ 23,694

Earning Per Share

Basic

\$ 1.49

(0.27)

\$ 1.22

\$ 0.77

\$ 0.27

\$ 1.04

Earning Per Share

Diluted

\$ 1.47

(0.27)

\$ 1.20

\$ 0.75

\$ 0.26

\$ 1.01

Twelve Months Ended August 3, 2012

Twelve Months Ended July 29, 2011

As Reported

Adjust

1,4

53rd Week

As Adjusted

As Reported

Adjust

1,2,3,4

As Adjusted

Total Revenue

\$ 2,580,195

(51,059)

\$ 2,529,136

\$ 2,434,435

\$ 2,434,435

Store Operating Income

337,146

(11,093)

326,053

305,778

305,778

General and Administrative Expenses

146,171

(6,863)

(1,370)

137,938

139,222

(2,172)

137,050

Impairment and Store Dispositions, Net

(625)

830

205

Operating Income

190,975

6,863

(9,723)

188,115

167,181

1,342

168,523

Interest Expense

44,687

(811)  
 43,876  
 51,490  
 (5,136)  
 46,354  
 Pretax Income  
 146,288  
 6,863  
 (8,912)  
 144,239  
 115,691  
 6,478  
 122,169  
 Provision for Income Tax  
 43,207  
 2,027  
 (2,632)  
 42,602  
 30,483  
 1,707  
 32,190  
 Net Income  
 \$ 103,081  
 \$ 4,836  
 \$ (6,280)  
 \$ 101,637  
 \$ 85,208  
 \$4,771  
 \$ 89,979  
 Earning Per Share  
 Basic  
 \$ 4.47  
 \$ 0.21  
 (0.27)  
 \$ 4.41  
 \$ 3.70  
 \$ 0.21  
 \$ 3.91  
 Earning Per Share  
 Diluted  
 \$ 4.40  
 \$ 0.21  
 (0.27)  
 \$ 4.34  
 \$ 3.61  
 \$ 0.20  
 \$ 3.81

44

A NOTE REGARDING PEER SET USED FOR BENCHMARKING

Last year our peer set included:

Biglari Holdings, Brinker International,  
Cheesecake Factory, Darden Restaurants, P.F.  
Chang's China Bistro, Ruby Tuesday, and



Texas Roadhouse

During the past year P.F. Chang's China Bistro was acquired by Centerbridge Partners and is no longer publicly traded

Based on feedback received we have added Bob Evans Farms and Denny's Corporation both full-service restaurants chains We believe this subset of casual and family dining restaurants represents the most comparable set of companies to benchmark CBRL performance

Leading casual / family dining concepts

Operational comparability

Similar scale

Geographical proximity

Rationale for Inclusion

Peer Set

Ticker

Company Name

Logo

BH

Biglari Holdings

BOBE

Bob Evans Farms

EAT

Brinker International

CAKE

The Cheesecake Factory

DRI

Darden Restaurants

DENN

Denny's Corporation

RT

Ruby Tuesday

TXRH

Texas Roadhouse

45  
S&P RESTAURANT INDEX COMPOSITION  
Respective S&P Restaurant Index Constituents  
Ticker  
Company Name  
Logo  
S&P

500  
S&P  
600  
S&P  
1,500  
BJRI  
BJ's Restaurants  
BH  
Biglari Holdings  
BOBE  
Bob Evans Farms  
BWLD  
Buffalo Wild Wings  
CAKE  
The Cheesecake Factory  
CBRL  
Cracker Barrel Old Country Store  
CEC  
CEC Entertainment  
CMG  
Chipotle Mexican Grill  
DIN  
DineEquity  
DRI  
Darden Restaurants  
EAT  
Brinker International  
JACK  
Jack in the Box  
Ticker  
Company Name  
Logo  
S&P  
500  
S&P  
600  
S&P  
1,500  
MCD  
McDonald's  
PEET  
Peet's Coffee & Tea  
PNRA  
Panera Bread Company  
PZZA  
Papa John's International  
RRGB  
Red Robin Gourmet Burgers  
RT  
Ruby Tuesday

RUTH

Ruth's Hospitality Group

SBUX

Starbucks

SONC

Sonic

TXRH

Texas Roadhouse

WEN

The Wendy's Company

YUM

Yum! Brands

POST OFFICE BOX 787

LEBANON, TENNESSEE

37088-0787

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**CRACKER BARREL URGES SHAREHOLDERS TO PROTECT THE FUTURE OF THEIR  
INVESTMENT BY SUPPORTING ONGOING BUSINESS SUCCESS**

**Asks For YES Votes on All Board Nominees at Annual Meeting Next Week, as Recommended by ISS and Glass Lewis**

**Urges Approval of Shareholder-Friendly Rights Plan Endorsed by ISS**

LEBANON, Tenn. November 6, 2012 Cracker Barrel Old Country Store, Inc. ( Cracker Barrel or the Company ) (Nasdaq: CBRL) today sent a letter to shareholders from Sandra B. Cochran, President and Chief Executive Officer, urging them to protect the future of their investment by supporting the Company s ongoing business success and preventing Sardar Biglari from taking creeping control without paying shareholders a premium.

Ms. Cochran asked shareholders to approve all Board nominees at the Company s annual meeting on November 15, 2012, in line with recommendations of leading independent proxy advisory services Institutional Shareholder Services (ISS) and Glass Lewis & Co. She also urged approval of the Company s shareholder-friendly rights plan, which was also endorsed by ISS.

We believe that Mr. Biglari has used unnecessarily divisive rhetoric, and has cherry-picked unfavorable data points of questionable relevance in an effort to distract from our successes over the past year, Ms. Cochran stated. We further believe that his presence on our Board would risk derailing our success and interfere with the Board s ongoing effectiveness.

She emphasized the importance of shareholders voting for the Shareholder Rights Plan, which was designed to prevent Mr. Biglari or anyone else from gaining creeping control of Cracker Barrel without paying shareholders a premium, while retaining several shareholder-friendly provisions.

- MORE -

Page 2

She concluded: We believe that change at the Board level is not warranted at this time, and we are pleased that ISS and Glass Lewis recognize our successful business execution over the past year, as well as the lack of foundation for Mr. Biglari's arguments. We urge you to protect your investment and support all ten of your Board's nominees.

*Text of Letter from Ms. Cochran to Cracker Barrel Shareholders:*

**PROTECT THE FUTURE OF YOUR INVESTMENT AND SUPPORT YOUR**

**COMPANY'S ONGOING BUSINESS SUCCESS**

**Leading Proxy Advisory Firms Agree: Reject Biglari and Cooley for Board Seats;**

**Vote FOR Cracker Barrel's Highly Qualified Board Slate**

**ISS Recommends Voting FOR Shareholder Rights Plan;**

**Prevent Biglari from Taking Creeping Control of Your Company**

**VOTE THE ENCLOSED WHITE PROXY CARD TODAY**

November 6, 2012

Dear Cracker Barrel Shareholders:

At Cracker Barrel's November 15, 2012 Annual Meeting of Shareholders, you will have an important decision to make regarding the future of your investment. By supporting your Board-designated nominees, you will be able to reaffirm your support for our ongoing commitment to generating value for shareholders.

As you review the large amount of correspondence generated thus far, we encourage you to consider the following key facts: we have successfully executed on the strategic initiatives we announced last year; we had strong financial and operational performance during our 2012 fiscal year; we have added new perspectives, skills and expertise to our Board through seven new directors over the past 18 months; and we have added key senior management hires in areas vital to our organization.

Our accomplishments across multiple operational and financial metrics have translated into not only improvements in sales, operating margins and earnings per share, but also a 68.4% appreciation in the value of the Company's shares in the year following the announcement of our strategic initiatives.<sup>1</sup> Since launching our strategic priorities in September 2011, we have:

Outperformed the S&P 500 Restaurant Index, S&P 600 Restaurant Index, S&P 1500 Restaurant Index, S&P 500 Index, and the peer set delineated in our 2012 proxy statement;

Doubled our quarterly dividend from \$0.25 to \$0.50, thereby increasing our dividend yield to 3%;

<sup>1</sup> From September 12, 2011, the day prior to announcement of our six strategic priorities, through September 28, 2012.

- MORE -

Increased cash and cash equivalent balances by nearly \$100 million, or 190%;

Achieved operating margin expansion of 50 bps for FY 2012;

Accelerated same store sales growth in the last three quarters; and

Outperformed casual dining peers in same store traffic and sales growth for three consecutive quarters, as measured by the Knapp-Track™ casual dining index.

Mr. Biglari has distributed materials that attempt to dispute these facts and distract you from our operational and financial success, recruitment of new Board members and positive ongoing momentum. However, we believe he has failed to contribute any new meaningful or original ideas, and has made assertions about our performance and governance that we believe are, at best, uninformed, and, at worst, intentionally misleading. For example, Mr. Biglari has asserted that we changed the formula used to calculate ROIC for purposes of executive compensation. This is incorrect. As noted by Institutional Shareholder Services (ISS) in its report: "Contrary to assertions by the dissidents, the formula used to calculate ROIC in the executive incentive plans is unchanged from the one the board adopted in fiscal 2011, when it introduced the metric for executive compensation plans."<sup>2</sup> In its report, Glass Lewis & Co. noted that Mr. Biglari's most recent solicitation includes "a series of unconvincing and, at times, specious arguments."

We believe that Mr. Biglari has used unnecessarily divisive rhetoric, and has cherry-picked unfavorable data points of questionable relevance in an effort to distract from our successes over the past year. We further believe that his presence on our Board would risk derailing our success and interfere with the Board's ongoing effectiveness.

We firmly stand behind the qualifications of our Board, and remain confident that we have the right members in place to drive continued execution of our strategic plan. In addition, our nominees have received the unequivocal endorsement of two leading proxy advisory firms, ISS and Glass Lewis, both of which recommend that you reject the nominations of Mr. Biglari and Mr. Cooley to our Board.

In its recommendation to support Cracker Barrel's slate of nominees, ISS states: "As the most compelling explanation of the company's resurgence is the leadership change and execution on the new strategic plan by the existing board and management team—and not suggestions of the dissident nominees in last year's or this year's proxy contest, however meritorious—it is clear the dissidents have not made a compelling case that change at the board level is warranted. ISS therefore recommends shareholders vote on the WHITE proxy card FOR the management nominees."

In its report, Glass Lewis states that: "We see limited reason for shareholders to further alter the current board and prospectively hinder Cracker Barrel's recent progress."

<sup>2</sup> Permission to use quotes from the ISS report or the Glass Lewis report neither sought nor obtained.

- MORE -

Page 4

ISS also recommends that shareholders vote FOR the Company's Shareholder Rights Plan, which was designed to prevent investors like Mr. Biglari, or anyone else, from gaining creeping control of Cracker Barrel without paying our shareholders a premium while retaining several shareholder-friendly provisions. In recommending that you vote in favor of the Shareholder Rights Plan, ISS states: "A vote FOR this proposal is warranted because the rights plan contains features that protect shareholders from entrenchment risk. Specifically, the pill has a three-year term, a 20-percent trigger, and a robust qualifying offer clause and there is no dead-hand or slow-hand provision. In addition, there are no significant governance concerns at the company."

In sum, we believe that change at the Board level is not warranted at this time, and we are pleased that ISS and Glass Lewis recognize our successful business execution over the past year, as well as the lack of foundation for Mr. Biglari's arguments. We urge you to protect your investment and support all ten of your Board's nominees.

To support your Board, vote the enclosed WHITE card and vote FOR ALL of the Company's nominees to the Board and FOR the Company's Shareholder Rights Plan. To ensure that your vote is received in time, vote by telephone or Internet by following the instructions on the Company's WHITE card. We urge you NOT to sign any gold proxy card sent to you by Mr. Biglari. Even a withhold vote for Mr. Biglari and Mr. Cooley on his gold proxy card will cancel any previous proxy that you previously submitted to vote FOR ALL the Company's nominees as it is only the latest dated proxy card that will be counted at the shareholder meeting.

If you have any questions or require assistance with voting your WHITE proxy card, please call MacKenzie Partners, Inc., toll-free, at (800) 322-2885.

Sincerely,

Sandra B. Cochran

President and Chief Executive Officer

#### **About Cracker Barrel**

Cracker Barrel Old Country Store restaurants provide a friendly home-away-from-home in their old country stores and restaurants. Guests are cared for like family while relaxing and enjoying real home-style food and shopping that's surprisingly unique, genuinely fun and reminiscent of America's country heritage all at a fair price. The restaurant serves up delicious, home-style country food such as meatloaf and homemade chicken n' dumplings as well as its signature biscuits using an old family recipe. The authentic old country retail store is fun to shop and offers unique gifts and self-indulgences.

Headquartered in Lebanon, Tennessee, Cracker Barrel Old Country Store, Inc. (Nasdaq: CBRL) was established in 1969 and operates 621 company-owned locations in 42 states. Every Cracker Barrel unit is open seven days a week with hours Sunday through Thursday, 6 a.m. - 10 p.m., and Friday and Saturday, 6 a.m. - 11 p.m. For more information, visit: [crackerbarrel.com](http://crackerbarrel.com).

- MORE -



**IMPORTANT ADDITIONAL INFORMATION**

Cracker Barrel, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cracker Barrel shareholders in connection with the matters to be considered at Cracker Barrel's 2012 Annual Meeting. On October 4, 2012, Cracker Barrel filed a definitive proxy statement (as it may be amended, the Proxy Statement) with the U.S. Securities and Exchange Commission (the SEC) in connection with any such solicitation of proxies from Cracker Barrel shareholders. INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement and other documents filed by Cracker Barrel with the SEC for no charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies will also be available at no charge at the Investor Relations section of our corporate website at [www.crackerbarrel.com](http://www.crackerbarrel.com).

CBRL-F

- END -

*Cracker Barrel Old Country Store, Inc. (the Company ) sent the following letter to shareholders of the Company in a mailing commenced on November 6, 2012. This letter was also posted to the Proxy Contest section of the Company s Investor Relations website, investor.crackerbarrel.com.*

**PROTECT THE FUTURE OF YOUR INVESTMENT AND SUPPORT YOUR  
COMPANY'S ONGOING BUSINESS SUCCESS**

**Leading Proxy Advisory Firms Agree: Reject Biglari and Cooley for Board Seats;**

**Vote FOR Cracker Barrel's Highly Qualified Board Slate**

**ISS Recommends Voting FOR Shareholder Rights Plan;**

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November 6, 2012

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*If you have any questions, require assistance with voting your WHITE proxy card,*

*or need additional copies of the proxy materials, please contact:*

105 Madison Avenue  
New York, NY 10016

[cbrlproxy@mackenziepartners.com](mailto:cbrlproxy@mackenziepartners.com)

(212) 929-5500 (Call Collect)

Or

TOLL-FREE (800) 322-2885