

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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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(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 WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Detailed information

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. Copies will also be available at no charge at the Investor Relations section of our corporate website at 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 A for
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

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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%

Rank¹

Chain

Score²

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

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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

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

26
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

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.

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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

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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

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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)

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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

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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

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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

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LEBANON, TENNESSEE

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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.¹ 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%;

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

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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."² 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."

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

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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 plan 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.

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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. Copies will also be available at no charge at the Investor Relations section of our corporate website at 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.

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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

(212) 929-5500 (Call Collect)

Or

TOLL-FREE (800) 322-2885