

CRACKER BARREL OLD COUNTRY STORE, INC  
Form DEFA14A  
October 26, 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:



*On October 25, 2012, after 5:30 p.m. Eastern Time, representatives of Cracker Barrel Old Country Store, Inc. (the Company ) delivered the following presentation to Institutional Shareholder Services. This letter was also posted to the Proxy Contest section of the Company s Investor Relations website, investor.crackerbarrel.com.*

Fall 2012  
On the Right Track, Generating  
Exceptional Performance

**WHY wE  
BELIEVE sARDAR BIGLARI IS  
wRONG**

FOR  
THIS BOARD

1  
IMPORTANT ADDITIONAL INFORMATION  
Cracker  
Barrel  
Old  
Country  
Store,

Inc.  
( the  
Company )  
urges  
caution  
in  
considering  
current  
trends  
and  
earnings  
guidance  
disclosed  
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  
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).

2

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

Table of Contents



## 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

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.

new  
independent  
Chairman

2

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.

68.4% INCREASE

\$30

\$40

\$50

\$60

\$70

2011

Nov-

2011

Jan-

2012

Mar-

2012

May-

2012

Jul-

2012

Sep-

2012

CBRL reports 1Q12 EPS of \$1.09 excl. proxy costs, 4.8% higher than analyst expectations

2011

A majority of shareholders vote for CBRL's slate of directors

CBRL reports 3Q12 EPS of \$0.86 excl. proxy costs, 16.2% higher than analyst expectations

\$39.86

CBRL reports 4Q12 EPS 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  
Sep-  
Nov-2011  
Dec-  
-May-  
2012  
Sep-  
2012  
1  
22-  
20-  
22  
19-  
\$67.11  
Daily from 12-Sep-2011 to 28  
-Sep-2012

6

Since December 2011 Proxy Vote<sup>2</sup>

Since Announcement of Our Strategic Priorities<sup>1</sup>

**CBRL HAS SIGNIFICANTLY OUTPERFORMED ITS PEERS**

No Matter What Benchmark You Use, CBRL Has Outperformed

Cracker Barrel

Peer Set

S&P 500 Restaurant Index

S&P 600 Restaurant Index  
S&P 1500 Restaurant Index  
S&P 500 Index

90%  
100%  
110%  
120%  
130%  
140%

Daily from 20-Dec-2011 to 28-Sep-2012

36.4%  
25.8%  
21.9%  
16.1%  
3.1%  
1.0%  
90%  
100%  
110%  
120%  
130%  
140%  
150%  
160%  
170%

Daily from 12-Sep-2011 to 28-Sep-2012

68.4%  
35.1%  
34.8%  
17.8%  
15.4%  
24.0%

(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.

Source: Bloomberg

Note: Peer set includes BH, BOBE, EAT, CAKE, DRI, DENN, RT, TXRH. S&P Restaurant Index includes the restaurant companies in the S&P Restaurant Index: MCD, SBUX, YUM. S&P 600 Restaurant Index includes the restaurant companies in the S&P 600 Index: BJRI, BH, BWLD, RT, RUTH, SONC, TXRH. S&P 1,500 Restaurant Index includes the restaurant companies in the S&P 1,500 Index: BJRI, BH, CBRL, DRI, DIN, JACK, MCD, PNRA, PZZA, PEET, RRGB, RT, RUTH, SONC, SBUX, TXRH, WEN, YUM.



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

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

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

13  
REFINE MENU AND PRICING  
Guest  
Satisfaction  
Results  
Show  
Overall

Value

Scores

at

Historic

Highs

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

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

14  
(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  
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

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 <sup>3</sup>

62.1

3

Bob Evans Restaurants

61.2

4

The Original Pancake House <sup>3</sup>

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 <sup>3</sup>  
44.8  
13  
Denny s  
43.9  
14  
Waffle House  
41.4  
July-2011  
July-2012  
69.7%  
70.6%



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

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

(0.7)%

(1.3)%

3.4%

0.3%

3.1%

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

16  
FOCUSED COST REDUCTION  
Source: Public filings  
(1)  
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.

5

Improving Productivity of the Box  
Margin and Process Improvement  
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  
Adjusted EPS & Operating Inc as % of Sales  
FY 2011  
FY 2012  
\$3.81  
\$4.34  
FY 2011 Q4

FY 2012 Q4

\$1.01

\$1.20

FY 2011

FY 2012

6.9%

7.4%

1

17

BALANCED APPROACH TO CAPITAL ALLOCATION

6

Dividend Yield

Dividend Payout Ratio

2.1 %

3.0 %

3.6 %

2.8 %

2.3 %

2.1 %

1.3 %

0.0 %

0.0 %

0.0 %

CBRL -

One

Year Ago

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

Year Ago

CBRL

DRI

BOBE

EAT

TXRH

CAKE

BH

DENN

RT

Peer Median: 32.9%

2

3

Source: Bloomberg and public filings

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

(1)

(2)

(3)

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

CAKE

not

adjusted

for

impact

of

53

rd

week

in

FY 11

due

to

lack

of

disclosure.

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.

1



### 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

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

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

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  
-Track  
Cracker Barrel Comparable Restaurant Sales  
Knapp  
TM  
Casual  
Dining  
Index  
Comparable  
Sales

21  
A SECTOR LEADER IN TOTAL SHAREHOLDER RETURN  
TSR  
Since  
Announcement  
of  
our

Strategic  
Priorities

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.

68.4%

74.8%

35.7%

36.8%

28.4%

25.6%

22.4%

3.7%

4.1%

3.9%

0.5%

5.0%

2.7%

72.1%

78.9%

39.6%

39.5%

37.3%

33.4%

28.3%

22.4%

(3.7)%

CBRL

EAT

BOBE

DENN

CAKE

DRI

TXRH

BH

RT

Share Price Appreciation

Dividends Paid

Peer Median: 35.3%

1

Daily from 12-

Sep-

2011 to 28-

Sep-2012

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

23

**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.

New Within Past 18 Months

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

Independent

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

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

1

ANALYSTS CONTINUE TO COMMENT FAVORABLY ON THE STRATEGY  
PUT FORTH BY THE INCUMBENT BOARD AND NEW MANAGEMENT

24  
Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained  
Selected Analyst Commentary

#### 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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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

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

Sardar Biglari

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

1

1

28

WHAT SARDAR BIGLARI RECENTLY CONFIRMED ABOUT  
BIGLARI HOLDINGS

We,  
however,  
are  
control

investors

1  
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.

2  
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.

2  
(1)  
Biglari Holdings, 2011 Letter from the Chairman, dated 10-Dec-2011.

(2)  
Biglari Holdings, Schedule 14A, filed 12-Sep-2012.

Source: Public filings  
Note: Emphasis added.

29

**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  
the  
jockey  
and  
then  
deny  
him  
the  
saddle  
or  
whip.  
1

Source: Public filings

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

(1)

30

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

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

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

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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

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

As per Biglari's Schedule 13D/A filing on 3-Feb-2010.

As per Biglari's preliminary proxy filing on 12-Sep-2012.

17-Aug-2007

Share Price:

\$309.00

Biglari discloses

5.8% ownership in

Steak 'n Shake

Nominates himself

and Cooley to the

Board

Purchased

through:

-

Lion Fund

-

Western Sizzlin

-

P. Cooley

Call Options:

-

20,000 shares

through Lion

Fund

-

561,000 shares

through Western

Sizzlin

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

Biglari originally claimed that

he had acquired shares

for investment purposes

Instead he:

Became Chairman and CEO

Merged with Western Sizzlin

22-Oct-2009

Announces Merger with

Western Sizzlin

**BIGLARI**

## HOLDINGS

5.8%

Ownership

Today:

Control of 15.5%

and CEO

Share Price

(28-Sep-2012)

\$365.06

8-Apr-2010

Renamed Biglari Holdings

Biglari only controlled 6.8%

Renamed Biglari Holdings

Took control

1

2

3

(1)

(2)

(3)

INC.

33  
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.

90%

100%

110%

120%

130%

140%

150%

160%

170%

Sep-2011

Nov-2011

Jan-2012

Mar-2012

May-2012

Jul-2012

Sep-2012

Daily from 12-Sep-2011 to 28-Sep-2012

Cracker Barrel

Biglari Holdings

What value has Biglari

created for his

shareholders in his own

restaurant business

without CBRL?

34  
BIGLARI AGAIN TURNED DOWN A GOOD FAITH SETTLEMENT  
OFFER  
Biglari Rejected The Following Settlement Proposal:  
Biglari Holdings was offered two board seats subject only to the reasonable requirements that nominees:  
  
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

35

ONE THING THAT HAS NOT CHANGED AT BIGLARI HOLDINGS

.It s All About Sardar

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OTHER SHAREHOLDER MATTERS

Compensation

Pay for Performance Culture

Compensation Committee Review and Revisions of Compensation Practices in 2012

Compensation Policies

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:

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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**OTHER SHAREHOLDER MATTERS**

Shareholder-Friendly Rights Plan is Fully Consistent with ISS Guidelines, Including a 20% Threshold 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  
plan  
would  
not  
be  
triggered  
by  
qualifying  
offers  
(all-cash,  
fully  
financed  
tender  
offers  
that remain open for at least 60 business days)



Rights plan is focused on creeping acquisitions above 20% and would not deter a non-coercive cash tender offer for all shares

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

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

Shareholder-Friendly Rights Plan

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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

42  
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  
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  
CBRL  
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