

CRACKER BARREL OLD COUNTRY STORE, INC  
Form DEFA14A  
October 16, 2013

**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):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  
  
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  - (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 with investors beginning on October 16, 2013. This investor presentation was also posted to the Proxy Contest section of the Company s Investor Relations website, investor.crakerbarrel.com.*

Driving Performance  
Focused On The Road Ahead  
Fall 2013  
Investor Presentation

#### Important Additional Information

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 are subject to uncertainties and other factors that may cause actual results and performance of the Company to differ materially from those expected 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 shareholders in connection with the matters to be considered at Cracker Barrel's 2013 Annual Meeting. On October 2, 2013, Cracker Barrel filed its definitive proxy statement (as it may be amended, the "Proxy Statement") with the U.S. Securities and Exchange Commission in connection with any such solicitation of proxies from Cracker Barrel shareholders. **INVESTORS AND SHAREHOLDERS ARE ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT** information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise. 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 for no charge at the Investor Relations section of our corporate website at [www.crackerbarrel.com](http://www.crackerbarrel.com).

Table of Contents

- I.  
Cracker Barrel's Track Record of Success
- II.  
An Unparalleled Guest Experience
- III.  
The Results



IV.

Special Dividend Proposal

V.

Biglari's Corporate Governance Record Continues to Concern Us

Appendix

I.  
Cracker Barrel's Track Record of Success

Cracker  
Barrel s  
Heritage

Pleasing  
People  
Since

1969

Source: Public filings, Technomic, and Company website

(1) Percentages represent each day-part's percentage of restaurant sales in FY2013.

(2) Brands include: Applebee's, Bob Evans, Chili's, Denny's, IHOP, Olive Garden, Outback, Red Lobster, and Steak 'n Shake

Highly differentiated concept providing wholesome connections to guests

625 old-fashioned country stores welcome ~215 million guests a year

~\$2.64bn in annual revenues; ~20% of annual revenues coming from retail business

Welcome break for travelers across 42 states

Lunch

Breakfast

Dinner

Technomic Brand Metrics Study -

Brand Uniqueness

The Cracker Barrel Concept

Diversified

Menu and Meal Offerings

Delivering a Recognized Guest

Experience

Cracker Barrel is Perceived to be

More

Unique

Than

Competitors

2

1

Since 2011 Initial Announcement of Strategic Priorities, CBRL s  
Share Price Is Up 159%...

Source: Public filings, Bloomberg, and IBES

Note: 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011. Proxy fight related annot

\$39.86

\$ 103.18

\$30

\$40  
\$50  
\$60  
\$70  
\$80  
\$90  
\$100  
\$110  
Sep-2011  
Jan-2012  
May-2012  
Sep-2012  
Jan-2013  
May-2013  
Sep-2013  
12-Sep-2011 to 30-Sep-2013  
13-Sep-2011  
New CEO  
Sandy Cochran  
announces  
Strategic  
Priorities  
22-Nov-2011  
CBRL  
reports Q1  
2012 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
dining index  
20-Dec-2011  
A majority of  
votes  
cast by  
shareholders  
(~74% of non-  
Biglari shares)<sup>1</sup>  
are for CBRL's  
slate of directors  
21-Feb-2012  
CBRL reports Q2 2012 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
dining index  
19-Sep-2012  
CBRL reports Q4 and FY 2012 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
22-May-2012  
CBRL reports Q3 2012 Results:  
Exceeds IBES quarterly EPS estimates

Quarterly Comparable Restaurant Sales  
dining index  
15-Nov-2012

A  
majority  
of  
votes  
cast  
by  
shareholders  
(~90% of non-Biglari  
shares)<sup>1</sup>  
are for CBRL's  
slate of directors,  
an even  
higher percentage than  
2011 vote

29-Nov-2012

CBRL reports Q1 2013 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
dining index

26-Feb-2013

CBRL reports Q2 2013 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
index

03-Jun-2013

CBRL reports Q3 2013 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
index

18-Sep-2013

CBRL reports Q4 and FY 2013 Results:  
Exceeds IBES quarterly EPS estimates  
Quarterly Comparable Restaurant Sales  
dining index  
index

outperform Knapp-Track™ casual dining  
outperform Knapp-Track™ casual  
outperform Knapp-Track™ casual  
outperform Knapp-Track™ casual  
outperform Knapp-Track™ casual  
outperform Knapp-Track™ casual

(1) Percentages based on number of shares voted excluding shares controlled by Biglari Holdings and its affiliates.  
outperform Knapp-Track™ casual dining  
outperform Knapp-Track™ casual dining

Cracker Barrel  
Peer Set  
S&P 500 Restaurant Index  
S&P 600 Restaurant Index  
S&P 1,500 Restaurant Index  
S&P 500 Index  
Dramatically Outperforming Benchmarks



80%  
90%  
100%  
110%  
120%  
130%  
140%  
150%  
160%

Oct-2012  
Nov-2012  
Jan-2013  
Mar-2013  
May-2013  
Jul-2013  
Sep-2013

70%  
100%  
130%  
160%  
190%  
220%  
250%  
280%

Sep-2011  
Jan-2012  
May-2012  
Sep-2012  
Jan-2013  
May-2013  
Sep-2013  
1-Oct-2012  
to 30-Sep  
-2013  
12-Sep-2011 to 30-Sep-2013

Source: Bloomberg as of 30-Sep-2013

Note: Peer Set includes BH, BOBE, EAT, CAKE, DRI, DENN, RT, TXRH. S&P 500 Restaurant Index includes the restaurant SBUX, YUM. S&P 600 Restaurant Index includes the restaurant companies in the S&P 600 Index: BJRI, BH, BWLD, CEC, TXRH. S&P 1,500 Restaurant Index includes the restaurant companies in the S&P 1,500 Index: BJRI, BH, BOBE, EAT, BW MCD, PNRA, PZZA, RRGB, RT, RUTH, SONC, SBUX, TXRH, WEN, YUM. All indices market capitalization weighted.

(1)

12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011.

Trailing Twelve Months

1

Since Announcement of Strategic Priorities

Since Announcing Strategic Priorities, CBRL Has Generated  
Tremendous Shareholder Value

Source: Public filings and Bloomberg

Note: 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011. Years relate to CBRL fiscal  
(\$ in millions)

\$ 915.8

\$ 1,485.4

\$ 67.8

\$ 18.5

\$ 2,487.5

12-Sep

2011

02-Aug-2013

Total

Shareholder

Value

\$1,571.7

CBRL Equity

Market Cap.

2013 Increase

in CBRL Equity

Market Cap.

2012 Increase

in CBRL Equity

Market Cap.

Dividends Paid

Shares

Repurchased

Fiscal Year 2012

Fiscal Year 2013

Consistently Improving Adjusted Earnings Per Share

\$ 5.60

\$ 3.62

\$ 3.81

\$ 4.34

\$ 4.97

\$ 5.80

\$ 0.00  
\$ 1.00  
\$ 2.00  
\$ 3.00  
\$ 4.00  
\$ 5.00  
\$ 6.00

2010

2011

2012

2013

2014 Guidance Range

rd

Source: Public filings

Note:

EPS

numbers

adjusted

for

53

week

in

2012,

and

all

years

adjusted

for

proxy

contest

expenses,

tax

reinstatements,

severance

and

restructuring

charges

where

applicable.

Please see Appendix for reconciliation of GAAP basis operating results to adjusted non-GAAP operating results. 2014 Guidance Years relate to CBRL fiscal years.

Despite Two Shareholder Votes In Favor of CBRL Nominees and  
Strong Business Performance

We Are Here Again

While CBRL Continues to Deliver Strong Performance for Shareholders

Generating

superior

returns

for  
shareholders

Delivered  
~65%  
in  
Total  
Shareholder  
Return  
in  
fiscal  
year  
2013  
and  
~172%  
since  
the  
initial  
announcement

of  
its  
six  
strategic  
priorities  
in  
September  
2011  
Returning  
~\$68  
million  
in  
cash  
dividends  
to  
its  
shareholders  
during  
the  
past  
two  
fiscal  
years  
and  
tripling  
the  
quarterly  
dividend  
since  
November 2011  
Returning

~\$18.5  
million  
in  
cash  
through  
share  
repurchases  
during  
the  
past  
two  
fiscal  
years  
Seven  
consecutive  
quarters  
of  
positive  
comparable  
store  
traffic,  
restaurant  
sales  
and  
retail  
sales,  
and  
outperforming  
the  
Knapp-Track  
casual  
dining  
index  
Ranking  
first  
in  
the  
Company's  
category  
for  
Nation's  
Restaurant  
News  
consumer  
survey  
three  
years  
in  
a  
row



Despite Being Rejected by a Significant Margin of Votes Cast by CBRL Shareholders in Each of the Last Two Years, Sardar Biglari Remains Insistent in His Campaign Against Cracker Barrel 2011 Votes Cast by non-Biglari Shareholders 1 2012 Votes Cast by non-Biglari Shareholders 1 Cracker Barrel Nominees ~74% Biglari Nominees ~26% Cracker Barrel Nominees ~90% Biglari Nominees ~10%

2

3

TM

(1) Percentages based on number of shares voted excluding shares controlled by Biglari Holdings and its affiliates.

(2) Total Shareholder Return calculated by share price appreciation and dividends paid (assumes dividends paid are re-invested into shares).

(3) 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011. Market data as of 30-Sep-2013.

Source: Public filings and Bloomberg

II.  
An Unparalleled Guest Experience

Review of 2013 Business Priorities and Accomplishments  
Refresh Select Menu Categories  
Grow Retail Sales with Unique Merchandise  
Build on Successful Handcrafted Marketing Campaign  
Invest In and Leverage Technology  
Expand the Brand Through eCommerce and Licensing  
Continued Focus on Shareholder Return

1  
2  
3  
4  
5  
6

Refresh Select Menu Categories

Value

Reinforced the affordability of Country Dinner Plates,  
satisfying guests

needs for more affordable options

Over 10 entrée choices with two sides and bread service at a  
\$7.69 price point, as well as seasonal promotions of

additional entrée choices

Better-For-You

Wholesome Fixin's

Key Menu Initiatives Focused on Satisfying Guests

Needs for Affordable Options,

Healthier Items and Customizable Choices

1

New menu category focused on healthier items that provide flavorful and fresh options for under 500 calories at breakfast and under 600 calories at lunch and dinner

Tested throughout the year and added to core menu in the first quarter of fiscal 2014

Four new healthy sides permanently added to the core menu:  
Fresh Steamed Broccoli, Mixed Seasonal Vegetables, Cheese Grits and Fresh Seasonal Fruit

#### Grow Retail Sales with Unique Merchandise

Under leadership of Senior Vice President of Retail, Laura Daily, who joined the Company in May 2012, there is an increased focus on merchandising assortment and an increased number of themes

Developed collections with broad generational appeal and unique / nostalgic product assortments. Examples include our Horse theme and Guys Garage theme, both of which consisted of a variety of gifts,

accessories and home décor items

One of the Company's strongest retail categories, women's apparel and accessories, continued to see growth throughout the year

Source: Public filings

Note: Years relate to CBRL fiscal years.

2

Key Focus Areas

Unique Retail Merchandise

Driving Strong Annual

Comparable Store Retail Sales

1.6%

2.9%

2012

2013



(3.8)%  
1.1 %  
0.6 %  
1.4 %  
0.8 %  
0.2 %  
0.7 %

0.6 %

Q1

Q2

Q3

Q4

Q1

Q2

Q3

Q4

Build on Successful Handcrafted Marketing

Campaign

Refreshed ~1,600 billboards to focus on **Handcrafted by Cracker**

Barrel

advertising

campaign

~300 billboards display sharp price point messaging around \$5.99

Daily Lunch Specials or \$7.69 Country Dinner Plates

Continued with **Handcrafted by Cracker**

Barrel

media

advertising,

using

national

cable to drive brand awareness and spot

radio to deliver product news during busy

holiday and summer seasons

Engaged with guests through exclusive music

program with sponsorships of Josh Turner's

Live Across America

and Brad Paisley's

Beat This Summer

tours

Handcrafted by Cracker Barrel

National Television Commercial

Key Focus Areas

Driving Strong Quarterly Comparable Store Traffic

Source: Public filings

Note: Years relate to CBRL fiscal years.

Cracker Barrel Exclusive

Special Edition Album

3

2012

2013

Invest In and Leverage Technology

Adopted improvements to labor system and processes to increase hourly labor productivity and reduce administrative work for the management team, allowing them more time for guest interaction

Source: Public filings

Increased Productivity

Implemented New Merchandise Planning System

Implemented new merchandise planning system to better manage product purchasing for retail stores, allowing the Company to take advantage of opportunistic buys for current trends and move more products through retail stores

Enhanced Food Production System

Implemented second phase of food production planning system, which has reduced food waste by better matching daily production to demand

4

Focused on Initiatives to Reduce Costs and Improve the Guest Experience

Adj. Operating Income as % Sales

1

6.9 %

7.4 %

7.8 %

2011

2012

2013

(1) Figures adjusted for 53 week in 2012, and all years adjusted for proxy contest expenses, tax reinstatements, severance and other non-recurring items. See Appendix for reconciliation of GAAP basis operating results to adjusted non-GAAP operating results. Years relate to CBRL financial year.

Expand the Brand Through eCommerce and  
Licensing

While expected to be a small part of retail sales in fiscal 2014, the Company is investing in its eCommerce infrastructure to establish a platform for long-term sales growth

eCommerce

Initiatives

Licensing

Initiatives

During week of October 7, 2013, the first shipment of seven licensed products under the CB Old Country Store brand were sent to grocery stores and mass merchandisers

Products, under the CB Old Country Store brand, include maple and smoked bacon, spiral ham and four types of lunch meat: oven roasted turkey, smoked turkey, smoked ham, and honey ham

5

Continued Focus on Shareholder Return  
Paid  
~\$45  
million  
in  
total  
cash

dividends

driven

by the

tripling of the quarterly dividend since September 2011

Repurchased ~\$3.6 million of shares

Repaid ~\$125 million in long term debt

Opened eight new stores

Reinvested ~\$74 million in the Company through capital

expenditures

Source: Public filings and Bloomberg

Note: Market data as of 30-Sep-2013.

(1)

Dividend Yield calculated as latest annualized dividend per share divided by share price as of 30-Sep-2013.

(2)

LTM Dividend Payout Ratio calculated by annualizing latest paid quarterly dividend per share divided by LTM adjusted diluted earnings per share from continuing operations per respective peer. For CBRL, please see Appendix for reconciliation of GAAP basis operating results to Adjusted Earnings.

(3)

Quarterly dividends per share shown at declared dates of increases to quarterly dividend since 26-May-2011, which represents the implementation of Strategic Priorities on 13-Sep-2011. Latest declared quarterly dividend was \$0.75 on 26-Sep-2013.

3

1,2

Quarterly

Dividend

per

Share

Since

September

2011

Additional

Focus

on

Shareholder

Return

in

Fiscal

Year

2013

Shareholder-Focused Dividend Policy



III.  
The Results

CBRL Has Delivered Best in Class Total Shareholder Return  
Over Past Year

Source: Bloomberg

Note: Total Shareholder Return calculated by share price appreciation and dividends paid (assumes dividends paid are re-invested ex-date of the dividend).

(1) Darden share price appreciation bar not to scale.

1

Continued Strong Operating Performance

YOY Growth %

6.0%

2.5%

YOY Growth %

8.5%

7.4%

Margin %

11.1%

11.4%

11.9%

(\$ in millions)

\$ 2,434

\$ 2,580

\$ 2,645

2011

2012

2013

\$ 271

\$ 294

\$ 316

2011

2012

2013

Total Revenue

Adjusted EBITDAR<sup>1</sup>

rd

(1) Figures adjusted for 53 week in 2012, and all years adjusted for proxy contest expenses, tax reinstatements, severance and  
see Appendix for reconciliation of GAAP basis operating results to adjusted non-GAAP operating results. Rent expense excluded

Source: Public filings

Note: Years relate to CBRL fiscal years.

Acceleration of Comparable Store Restaurant Sales

TM

Cracker Barrel vs.

Knapp-Track

(2.5)%

1.3%

2.1%

3.5%

3.6%

4.2%

3.1%

4.5%

Outperformed

Knapp-Track

TM

Casual

Dining

Index

For

The

Last

Seven

Quarters

Cracker Barrel Comparable Restaurant Sales

Source: Public filings and Knapp-Track™

Note: Knapp-Track™ Casual Dining Index Comparable Sales figure is an approximation based on respective weekly averages.

Knapp-Track

Casual

Dining

Index

Comparable

Sales

(1.6)%

3.5 %

3.1 %

3.8 %

3.3 %

3.3 %

3.1 %

2.6 %

0.9 %

2.2 %

1.0 %

0.3 %

(0.3)%

(0.9)%

(0.0)%

(1.9)%

Q1

Q2

Q3

Q4

Q1

Q2

Q3

Q4

2012

2013

Delivering an Outstanding Guest Experience

Note: Brands include: Applebee's, Bob Evans, Chili's, Denny's, IHOP, Olive Garden, Outback, Red Lobster, and Steak 'n Shake

(1) Denotes rating significantly lower than Cracker Barrel at the 95% level of confidence (base: approx. 930 respondents per category)

Leader in Eight of Ten Categories

Source:

Technomic

Consumer



Brand  
Metrics  
Study  
Q1  
2011

Q1  
2013

1  
2  
3  
4  
5  
Updated Business Priorities to Continue Driving  
Performance Through 2014

Focus on Better-For-You menu additions and reinforce everyday value

Introduce Better-For-You menu items with our Wholesome Fixin's program launch

Increase value proposition with menu and process adjustments designed to increase overall guest satisfaction while maintaining our affordable price points

Continue messaging in support of the brand, menu, and merchandise

Continue Handcrafted marketing campaign with additional national television during the first quarter to support the Wholesome Fixin's launch

Drive retail sales with quality, depth, and breadth of the merchandise assortment

Increase the quality and number of themes

Create consistency with promotions and inventory pipeline to smooth the sales curve

Focus on improving operations and margins by applying technology and process improvements

Evolve the employee and guest experiences

Implement technology to improve through-put, efficiencies and food quality

Streamline processes to increase labor productivity

Maximize long-term total shareholder value

Grow the sustainable quarterly dividend over time

Reinvest capital in the business to support existing stores and expand the footprint with modest new unit growth

Extend the brand outside the four walls

IV.  
Special Dividend Proposal

Why You Should Vote Against the \$20 Per Share Special  
Dividend Proposal  
In  
response  
to  
Biglari's  
proposed

call  
of  
special  
meeting  
for  
shareholder  
advisory  
vote  
on

a  
\$20  
per  
share  
Special  
Dividend,  
the  
Board

determined to include the proposal on the Annual Meeting ballot with a **recommendation that shareholders vote AGAINST**

The Company currently deploys meaningful funds for capital expenditures related to existing stores, new store development, in

initiatives  
and  
other  
appropriate  
investments  
in  
order  
to  
ensure  
the  
long-term  
success  
and  
future  
growth  
of  
the  
business

A \$20 per share Special Dividend, representing an aggregate amount of more than \$475 million, would require a substantial in

leverage and in the Company's risk profile. Such leverage would reduce the Company's flexibility to both deal with conting

to invest in and grow the business in a way that the Board believes increases long-term results and enhances total returns to all

The  
Board  
believes  
that  
the  
Company's  
policies  
have  
strongly  
supported

the  
generation  
of  
significant  
cash  
from  
its

operating

business, allowing the Company to triple the annual dividend from November 2011 to today, while maintaining a prudent risk and allowing the operating results to significantly enhance the growth in its stock price

The

Board

is

keenly

focused

on

effective

capital

allocation

that

delivers

long-term

value

to

all

shareholders

and

will

continue

to

assess on a regular basis the Company's capital allocation policy, including all alternatives to return capital to shareholders as well as to continue to make important investments in the core business

The Board Recommends That You Vote AGAINST This Proposal

Background

Board's

Rationale

and

Why

You

Should

Vote

AGAINST

This

Proposal

V.  
Biglari's Corporate Governance Record  
Continues to Concern Us



We Believe Biglari's Corporate Governance Track Record Would  
Not Be Right for This Board

Source: Public filings

Note: Please see following pages for additional detail.

Sardar Biglari used Biglari Holdings' funds to obtain personal voting control of ~15% of Biglari Holdings  
shares

Biglari Holdings transferred ~3.8 million shares of CBRL stock to The Lion Fund (which is controlled by Sardar

Biglari) with a 5-year lock-up

This restructuring transferred control over an asset that constituted ~58% of Biglari Holdings market cap from the public company to The Lion Fund controlled by Sardar Biglari Biglari Holdings entered into a Trademark License Agreement with Sardar Biglari which requires the Company to pay Sardar Biglari 2.5% of revenues per year upon certain events such as Sardar Biglari's termination from the Company or a Change of Control Biglari has engaged in several other transactions which we believe are self-interested

1  
2

2.5% of Biglari Holdings FY2012 revenues was ~\$18

million

This includes changing his compensation structure (potentially circumventing the compensation cap), repeatedly proposing a dual class structure at Biglari Holdings, and completing a rights offering that diluted non-participating shareholders, among others

(1)

Percentage represents value of ~4.0mm CBRL shares held in The Lion Fund II (\$103.18 per share) divided by BH market capitalization

(2)

See definition of revenue and additional detail on slide 29.

We Believe Biglari's Corporate Governance Track Record Would  
Not Be Right for This Board (Cont.)

Source: Public filings

Note: Diagram

simplified

for

illustrative

purposes.

References

to

The

Lion

Fund

denote

The

Lion

Fund

I,

L.P.

(1)

Biglari Holdings Schedule 13D/A, filed 24-Sep-2013.

(2)

Biglari Holdings Form 10-K, filed 10-Dec-2012, page 18.

Sardar Biglari Used Biglari Holdings' Funds to Obtain Personal Voting Control of ~15% of Biglari Holdings Shares

General Partner

~1%

2010 Cash

Investment

Limited

Partnership

Interests

In 2010, Biglari Holdings invested ~\$36mm in The

Lion

Fund

2

and

The

Lion

Fund

acquired

~15%

of

Biglari Holdings shares

The General Partner of The Lion Fund is Biglari

Capital Corp., which Sardar Biglari acquired in

July 2013

Sardar Biglari claims voting and investment power

over

the

BH

shares

1

~15% of

BH

Shares

1

Biglari

Holdings  
The Lion  
Fund  
Sardar  
Biglari  
1

In July and September 2013, Biglari Holdings undertook a series of complicated restructurings which included, among other things, Biglari Holdings transferring ~3.8 million shares of CBRL stock to The Lion Fund with a 5-year lock-up

Under the  
terms  
of  
the

partnership  
agreement  
with  
The  
Lion  
Fund,  
CBRL  
shares  
contributed

to  
The  
Lion  
Fund  
are  
subject  
to  
a  
five-

year lock-up period; any distribution upon BH's withdrawal of funds will be paid out over two years

We Believe Biglari's Corporate Governance Track Record Would  
Not Be Right for This Board (Cont.)

(1)  
Percentage represents value of ~4.0mm CBRL shares held in The Lion Fund II (\$103.18 per share) divided by BH market capitalization

(2)  
Per Biglari Holdings public filings; Revenues means all revenues received, on an accrual basis under GAAP, by Biglari Holdings and its subsidiaries and affiliates from products and services covered by the License Agreement bearing or associated with the names Biglari and Biglari Holdings in the public name of a business providing any products or services in the category would include, without limitation, the use of Biglari or Biglari Holdings in the public name of a business providing any products or services and businesses that Biglari Holdings has specifically identified, prior to a Triggering Event, will bear, use or be associated with. In May-2013, Biglari Holdings, Steak n Shake, and Steak n Shake Enterprises entered into a Trademark Sublicense Agreement. All trademarks, trade names, subsidiaries and affiliates from Steak n Shake's restaurants, products and brands would come within the definition of Revenues

(3)  
Percentage represents net earnings attributable to Biglari Holdings divided by total net revenues for FY2012 as disclosed by Biglari Holdings  
Source: Public filings

Note: References to The Lion Fund denote The Lion Fund II, L.P.

A Triggering Event, such as a change of control or certain conditions under which Sardar Biglari leaves BH, will entitle Sardar Biglari

to  
receive  
a  
royalty  
of  
2.5%  
of  
revenues  
for  
at  
least  
five  
years;  
Biglari



Holdings

FY2012

Net

Income

margin

was

~2.9%

This restructuring

transferred

voting

and

investment

control

over

an

asset

that

constituted

~58%

of

Biglari

Holdings

market

cap

from the public company to Sardar Biglari, who acquired the General Partner of The Lion Fund from Biglari Holdings

We Believe Biglari Has Engaged in Several Other Self-Interested Transactions

Increasing His Control

3

1

2

In January 2013, Biglari Holdings entered into a Trademark License Agreement with Sardar Biglari, in which Sardar Biglari g

Holdings

an

exclusive

license

to

use

the

name

Biglari

with

an

expiration

of

twenty

years

Prior to the July 2013 restructuring Sardar Biglari's compensation was subject to a shareholder-approved cap

In FY2012, Sardar Biglari received the maximum bonus payment possible, primarily driven by investment gains in CBRL

At  
Biglari  
Holdings

2013

Annual  
Meeting,

a  
non-binding  
advisory

say

on

pay

vote

failed

by

a

margin

of

~46%

against

to

~33%

for,

with

~21% of shareholders abstaining

The July 2013 restructuring may serve to circumvent this incentive compensation cap

As General Partner of The Lion Fund, Biglari Capital Corp. (owned by Sardar Biglari) will receive an incentive reallocation equal to

the

net

profits

allocated

to

the

limited

partners

(including

Biglari

Holdings)

in

excess

of

their

applicable

hurdle

rate

including

investment

gains

on

the

CBRL

shares  
transferred  
to  
The  
Lion  
Fund

without  
a  
compensation  
cap

We Believe Biglari's Corporate Governance Track Record Would  
Not Be Right for This Board (Cont.)

Source: Public filings

Note: References to The Lion Fund denote The Lion Fund II, L.P.

(1)

(2)

We Believe Biglari Has Engaged in Several Other Self-Interested Transactions  
Compensation

1

2

Biglari Holdings Schedule 14A, filed 27-Feb-2013, page 21.

Biglari Holdings Form 8-K, filed 3-Jul-2013.

In September 2012, Biglari Holdings agreed to pay an \$850,000 civil penalty to resolve a Federal Trade Commission complaint with the Hart-Scott-Rodino Act in amassing its initial position in Cracker Barrel

Biglari Holdings has regularly proposed a dual class structure of high vote / low vote stock at Biglari Holdings

Biglari Holdings delayed or adjourned a special meeting to authorize the dual class structure three times

Ultimately, Biglari Holdings stated it had postponed a special meeting to implement a dual class structure and conducted a right

alternative;  
however,  
Biglari  
Holdings  
noted  
should  
it  
be  
unable  
to  
effectuate  
a  
dual  
class  
structure,  
Biglari  
Holdings  
expects  
to  
conduct  
additional  
rights  
offerings  
Biglari Holdings announced the completion of a rights offering on September 16, 2013

The  
Rights  
Offering,  
which  
was  
at  
a  
36%-38%  
discount  
of  
to  
market  
1  
,  
required  
existing  
shareholders  
to  
participate  
in  
the  
offering  
in  
order  
to

prevent  
dilution of their ownership stake

In  
July  
2013,  
as  
part  
of  
the  
restructuring,  
Sardar  
Biglari  
acquired  
100%  
of  
the  
stock  
of  
Biglari  
Capital  
Corp.  
for  
~\$1.7  
million

2  
,  
an  
asset  
that  
Biglari  
Holdings  
previously  
purchased  
from  
Sardar  
Biglari  
in  
2010  
for  
~\$4.1  
million

3  
We Believe Biglari's Corporate Governance Track Record Would  
Not Be Right for This Board (Cont.)

(1)

Per Biglari Holdings prospectus filed on 22-Aug-2013; the subscription price per share represents a discount of approximately  
BH common stock over the 31-trading day period ended 6-Aug-2013, the last trading day immediately prior to the announcement  
from \$428.47, the closing price of BH common stock on 6-Aug-2013. Based on subscription price of \$265.00 per whole share

(2)

Biglari Holdings Form 8-K, filed 3-Jul-2013.

(3)

Biglari Holdings Form 10-K, filed 13-Dec-2010.

Source: Public filings

Other Corporate Governance Matters at Biglari Holdings



Cracker Barrel's Operating Performance Has Outshined Biglari's  
Steak 'n Shake Business  
(\$ in thousands)

While  
Cracker  
Barrel  
Has

Experienced  
Improvement  
in  
Earnings  
per  
Store

3

Steak 'n Shake Earnings per Store Have Fallen Since These Proxy Fights Began...

2

(1)

Per Biglari Capital Corp. s definitive proxy statement filed on 8-Oct-2013.

(2)

Earnings per Store as measured by Steak 'n Shake s earnings before income taxes and noncontrolling interests as reported by

(3)

Earnings per Store as measured by Cracker Barrel s adjusted operating income as reported by CBRL over period average store operating results to adjusted non-GAAP operating results. Quarters relate to CBRL fiscal year.

Source: Public filings

Note: Time frames referenced relate to ending month of respective quarter. Quarters represent last three reported quarters per both businesses, metrics do not use identical methodology due to lack of publicly disclosed information.

We believe operating income per store is the metric that more accurately reflects the Company s underlying performance and long-term financial health.

Biglari

Capital

Corp.

(8-Oct-2013)

1

As Has Cracker Barrel's Stock Price Performance Vis-à-Vis  
Biglari Holdings

Source: Bloomberg and public filings

Note: 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011.

Cracker

Barrel

Shares

Currently

Account

for

~69%

of

BH s

Market

Capitalization

70%

100%

130%

160%

190%

220%

250%

280%

Sep-2011

Jan-2012

May-2012

Sep-2012

Jan-2013

May-2013

Sep-2013

12-Sep-

2011 to 30-Sep

-

2013

Cracker Barrel

Biglari Holdings

159%

49%

1

(1) Represents market value of \$489mm stake in CBRL (\$103.18 per share) owned by Biglari Holdings and its affiliates divi  
Sep-2013.

The Cracker Barrel Board is Composed of Highly Experienced Individuals

Cracker Barrel's Outstanding Board

Source: Public filings

Board Member

Summary Biography

First Elected

to Board

Independent

Sandy Cochran

President and CEO, Cracker Barrel Old Country Store, Inc.

Former CEO, Books-A-Million, Inc.

2011

Tom Barr

President and COO, Hailo Network, USA

Former Vice President, Global Coffee at Starbucks Corporation

2012

Jim Bradford

(Chairman)

Former Dean of Vanderbilt University's Owen Graduate School of Management

Former President and CEO, AFG Industries, Inc.

2011

Glenn Davenport

President of G.A. Food Service, Inc.

Former Chairman and CEO, Morrison Management Specialists

2012

Dick Dobkin

Former Managing Partner, Tampa, FL office of Ernst & Young, LLP

2005

Norm Johnson

Former Executive Chairman and CEO, CLARCOR Inc.

2012

Bill McCarten

Chairman of the Board, DiamondRock Hospitality Company

Former President and CEO, HMSHost Corporation

2011

Coleman Peterson

President and CEO, Hollis Enterprises, LLC

Former Chief People Officer, Wal-Mart Stores, Inc.

2011

Andrea Weiss

President and CEO, Retail Consulting, Inc.

Former President, dELIA\*s Corp.

2003

Analysts Continue to Comment Favorably on the Strategy  
Put Forth by the Incumbent Board and Management Team

Source: Publicly available equity research reports

Note: Permission to use quotations neither sought nor obtained.  
Emphasis added.

**Under the leadership of CEO Sandy Cochran, management**  
has taken increasingly proactive steps to enhance its core

and iconic Cracker Barrel 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, Wunderlich Securities; 6-Sep-2013

Cracker Barrel's **EPS results demonstrate that management's** turnaround efforts continue to substantially improve the business...

We

believed

that

the

maturity

of

the

brand

was

such

that the sustained and material improvement was beyond reach;

management has proven us very wrong, and our hat is off to

them.

Bryan Elliot, Raymond James; 4-Jun-2013

We **remain impressed with Cracker Barrel's strong operating** performance

in

recent

quarters

despite

tough

comparisons,

sluggish industry sales, and macro headwinds for consumers,

including the Social Security payroll tax.

Joseph Buckley, BofA Merrill Lynch; 3-Jun-2013

Based on the sales success of CBRL's new salads, we anticipate

Wholesome Fixin's

will help CBRL not only generate sales

growth (we estimate an incremental 50bps y/y), **but also convert**

many of the occasional travel

customers into everyday

local

customers that can visit CBRL more often.

Stephen Anderson, Miller Tabak; 28-Jun-2013

We expect CBRL to continue to deliver best-in-class results

relative to its family dining peers, **and argue CBRL management**

already has addressed Biglari's concerns about margin

expansion and shareholder returns in the past two years.

Stephen Anderson, Miller Tabak; 3-Jun-2013

**Cracker Barrel's management team has successfully**

executed plans to grow sales with changes in marketing,



product  
flow  
and  
service.

This  
has  
occurred  
in  
an  
overall

challenging restaurant sales environment.

Joseph Buckley, BofA Merrill Lynch; 30-May-2013

It Appears, Sardar Keeps the Focus on Himself

**We Believe You Should Vote the White Proxy Card Because**

We have accomplished a great deal over the last two years and have the right Board and management team in place to continue executing against our stated priorities

We have a strong, capable and experienced Board that is committed to the highest standards of corporate governance and works diligently to create new opportunities for enhancing shareholder value via effective capital allocation over the long-term

We offer our guests an unparalleled experience and continue to cater to their needs

by refreshing menu categories, reinforcing affordability and launching a new Better-For-You offering

The nominees brought, again, by Biglari Holdings and its affiliates are not the right fit for our Board

We have concerns based upon Biglari's corporate governance record that his agenda could harm our shareholders and the Company

Appendix

Reconciliation of GAAP Basis Operating Results to Adjusted  
Non-GAAP Operating Results  
Twelve Months Ended August 3, 2012  
Twelve Months Ended July 29, 2011  
As Reported  
Adjustments  
1,2

53rd Week

As Adjusted

As Reported

Adjustments

1,2,4,5

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  
 Earnings  
 Per  
 Share  
  
 Basic  
 \$ 4.47  
 \$ 0.21  
 (0.27)  
 \$ 4.41  
 \$ 3.70  
 \$ 0.21  
 \$ 3.91  
 Earnings  
 Per  
 Share  
  
 Diluted  
 \$ 4.40  
 \$ 0.21  
 (0.27)  
 \$ 4.34  
 \$ 3.61  
 \$ 0.20  
 \$ 3.81



Source: Public filings

- (1) Severance, other charges and tax effects related to organizational changes.
- (2) Charges and tax effects of the proxy contest concluded at the Company's annual meeting of shareholders.
- (3) Provision

for  
taxes  
adjusted  
to  
exclude  
the  
\$2.1  
million  
prior  
year  
favorable  
effect  
of  
the  
retroactive  
reinstatement  
of  
the  
work  
opportunity  
tax  
credit.

- (4)  
(Charges)  
Gain  
and  
tax  
effects  
of  
impairment  
net  
of  
gain  
on  
sale  
of  
property.

- (5) Refinancing costs and tax effects related to the Company's \$750 million credit facility.

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

Twelve Months Ended August 2, 2013

As Reported

Adjustments

1,2,3

As Adjusted

Total Revenue

\$ 2,644,630

\$ 2,644,630

Store Operating Income

344,786

344,786

General and Administrative Expenses

143,262

(5,634)

137,628

Impairment and Store Dispositions, Net

Operating Income

201,524

5,634

207,158

Interest Expense

35,742

35,742

Pretax Income

165,782

5,634

171,416

Provision for Income Tax

48,517

3,847

52,364

Net Income

\$ 117,265

\$ 1,787

\$ 119,052

Earning

Per

Share

Basic

\$ 4.95

\$ 0.08

\$ 5.02

Earning

Per

Share

Diluted

\$ 4.90

\$ 0.07

\$ 4.97

Reconciliation of GAAP Basis Operating Results to Adjusted  
Non-GAAP Operating Results (Cont.)  
(Unaudited and \$ in thousands)  
Twelve Months Ended  
August 2, 2013  
Twelve Months Ended  
August 3, 2012

Twelve Months Ended

July 29, 2011

Adjusted

Operating

Income

\$ 207,158

\$ 188,115

\$ 168,523

Depreciation and amortization

66,120

64,467

62,788

Rent

Expense

42,349

41,407

39,572

Adjusted EBITDAR

\$ 315,627

\$ 293,989

\$ 270,883

Note: See full reconciliation on prior page for additional detail.

(1)

See

full

reconciliation

on

prior

page

for

additional

detail

regarding

respective

adjusted

operating

income

figures.

(2)

Rent

expense

excludes

advertising

related

billboard

rentals

expenses.

1

2

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

For purposes of consistency, we are using the same peer set as last year

We believe this subset of casual and family dining restaurants represents the most comparable set of companies to benchmark Cracker Barrel's operational performance

Leading casual / family dining concepts

Operational comparability

Similar scale

Geographical proximity

A Note on Peer Set Used for Benchmarking

Peer Set

Rationale for Inclusion

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  
DPZ  
Domino's Pizza  
DRI  
Darden Restaurants  
EAT  
Brinker International  
Ticker  
Company Name  
Logo  
S&P  
500  
S&P  
600  
S&P  
1,500  
JACK  
Jack in the Box  
MCD  
McDonald's  
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  
Source: Standard & Poor's

Source: Public filings

Note: Diagrams simplified for illustrative purposes. References to SNS Operations denote BH wholly owned subsidiary Steak 'n Shake Operations with BH shares outstanding of 23,785,827 as of 28-May-2013 per CBRL Form 10-Q filed 3-Jun-2013 and BH shares outstanding of 1,433,783 as of 28-May-2013 per CBRL's definitive proxy statement filed on 2-Oct-2013 and BH shares outstanding of 1,720,600 as of 28-May-2013 per CBRL's definitive proxy statement filed on 2-Oct-2013.

(1) Reflects share ownership directly by Biglari Holdings and its wholly owned subsidiary Steak n Shake Operations.

Overview of 2013 Biglari Holdings Restructuring

Pre-Transaction

Today

G.P.

L.P.

<1%

Wholly Owned Subsidiaries

~ 1% of CBRL

~ 14% of BH

~ 19% CBRL

~ 15% BH

~3% CBRL

100%

~1%

~ 17 % CBRL

Wholly Owned

Subsidiary

Sardar

Biglari

Sardar

Biglari

Biglari

Holdings

Biglari

Capital Corp.

Biglari

Holdings

The Lion

Fund, L.P.

Biglari Capital

Corp.

BH / SNS

Operations<sup>1</sup>

The Lion

Fund I, L.P.

The Lion

Fund II, L.P.

SNS

Operations

*Set forth below is an e-mail delivered by Sandra B. Cochran, President and CEO of Cracker Barrel Old Country Store, Inc. (the Company), to home office employees of the Company. The e-mail was sent after 7 a.m. Central Time on October 16, 2013.*

**From:** Home Office News

**Sent:** Wednesday, October 16, 2013 8:56 AM

**To:** Home Office News

**Subject:** Proxy Update

**From Sandy Cochran**

On October 3, Cracker Barrel began mailing its proxy statement for our Annual Meeting of Shareholders that will be held on November 13, 2013. Included in that mailing was a letter to our shareholders urging them to elect the Company's nine nominees to the Board of Directors, and to, once again, vote against the election of Sardar Biglari and Phil Cooley, Biglari Holdings and its affiliates nominees. We also urged shareholders to vote against the non-binding, advisory proposal on a \$20 per share special dividend, which was publicly proposed by affiliates of Biglari Holdings last month. Further details about this are included in the letter, and in the news release that is attached, which you can also find on Cracker Barrel's Investor Relations [website](#).

I want to reinforce the fact that we have in place a long-term plan that is designed to fully realize shareholder value through continued operational excellence and by providing the best possible experience for our 240 million guests – an experience that would not be possible without the daily efforts of our 72 thousand dedicated employees. We will continue to keep you updated on developments concerning the proxy contest, and, in the interim, ask you to maintain your strong operational focus to please our guests and support our employees. Thank you for your continued commitment to making sure we deliver on the promise of the Cracker Barrel experience.

**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 2013 Annual Meeting. On October 2, 2013, 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).

*Set forth below is an e-mail delivered by Sandra B. Cochran, President and CEO of Cracker Barrel Old Country Store, Inc. (the Company), to field management employees of the Company. The e-mail was sent after 7 a.m. Central Time on October 16, 2013.*

**From:** Store Operations

**Sent:** Wednesday, October 16, 2013 9:02 AM

**To:** Stores Restaurant Managers; Stores Retail Managers

**Cc:** Retail Regional Vice Presidents; Restaurant Regional Vice Presidents; Retail District Managers; Restaurant District Managers

**Subject:** From Sandy Cochran: Proxy Update

**Importance:** High

**From Sandy Cochran**

On October 3<sup>rd</sup>, Cracker Barrel began mailing its proxy statement for our Annual Meeting of Shareholders that will be held on November 13, 2013. Included in that mailing was a letter to our shareholders urging them to elect the Company's nine nominees to the Board of Directors, and to, once again, vote against the election of Sardar Biglari and Phil Cooley, Biglari Holdings and its affiliates nominees. We also urged shareholders to vote against the non-binding, advisory proposal on a \$20 per share special dividend, which was publicly proposed by affiliates of Biglari Holdings last month. Further details about this are included in the letter, and in the news release that is attached, which you can also find on Cracker Barrel's Investor Relations website.

I want to reinforce the fact that we have in place a long-term plan that is designed to fully realize shareholder value through continued operational excellence and by providing the best possible experience for our 240 million guests – an experience that would not be possible without the daily efforts of our 72 thousand dedicated employees. We will continue to keep you updated on developments concerning the proxy contest, and, in the interim, ask you to maintain your strong operational focus to please our guests and support our employees. Thank you for your continued commitment to making sure we deliver on the promise of the Cracker Barrel experience.

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