



November 6, 2012

## **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.--(BUSINESS WIRE)-- 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.

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

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

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

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

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

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

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

**VOTE THE ENCLOSED WHITE PROXY CARD TODAY**

November 6, 2012

Dear Cracker Barrel Shareholders:

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

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

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

- Outperformed the S&P 500 Restaurant Index, S&P 600 Restaurant Index, S&P 1500 Restaurant Index, S&P 500 Index, and the peer set delineated in our 2012 proxy statement;
- Doubled our quarterly dividend from \$0.25 to \$0.50, thereby increasing our dividend yield to 3%;
- Increased cash and cash equivalent balances by nearly \$100 million, or 190%;
- Achieved operating margin expansion of 50 bps for FY 2012;
- Accelerated same store sales growth in the last three quarters; and
- Outperformed casual dining peers in same store traffic and sales growth for three consecutive quarters, as measured by the Knapp-Track™ casual dining index.

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

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

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

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

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

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

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

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

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

Sincerely,

Sandra B. Cochran

President and Chief Executive Officer

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

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

### **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' dumplins as well as its signature biscuits using an old family recipe. The authentic old country retail store is fun to shop and offers unique gifts and self-indulgences.

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

### **IMPORTANT ADDITIONAL INFORMATION**

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

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or

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Source: Cracker Barrel Old Country Store, Inc.

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