SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[x] Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 (No Fee Required)

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)

For the transition period from to

For fiscal year ended	Commission file number
July 31, 1998	0-7536

CRACKER BARREL OLD COUNTRY STORE, INC.
(Exact name of registrant as specified in its charter)

Tennessee	62-0812904
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
Hartmann Drive, P.O. Box 787 Lebanon, Tennessee	37088-0787 (Zip code)

(Address of principal executive offices)

Registrant's telephone number, including area code:

(615)444-5533

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock
(Par Value $.50)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the registrant is $1,458,485,072 as of September 25, 1998.

62,432,731
(Number of shares of common stock outstanding as of September 25, 1998.)

Documents Incorporated by Reference

Document from which Portions are Incorporated by Reference	Part of Form 10-K to which incorporated
1. Annual Report to Shareholders for the fiscal year ended	Items 6, 7 and 8

July 31, 1998
2. Proxy Statement for Annual Meeting of Shareholders to be held November 24, 1998 — Part III

Except for specific historical information, the matters discussed in this Form 10-K, as well as the Company's Annual Report to Shareholders for the year ended July 31, 1998 incorporated herein by reference, are forward-looking statements that involve risks, uncertainties and other factors which may cause actual results and performance of Cracker Barrel Old Country Store, Inc. to differ materially from those expressed or implied by such statements. Factors which will affect actual results include, but are not limited to: the availability and costs of acceptable sites for development; the ability of the Company to recruit and train restaurant personnel in its expansion locations; the acceptance of the Cracker Barrel concept as the Company continues to expand into new geographic regions; continued successful development of new and regional menu items; continued successful acquisition of new businesses; changes in or implementation of additional governmental rules and regulations; and other factors described from time to time in the Company's filings with the Securities and Exchange Commission, press releases and other communications.

PART I

ITEM 1. BUSINESS

Overview

Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company" or "Cracker Barrel") own and operate 369 full service "country store" restaurants which are primarily located in the southeast, midwest, mid-atlantic and southwest United States as of October 30, 1998. The majority of stores are located along interstate highways, however, ten stores are located at "tourist destinations" and one is located at a location which is neither a tourist destination nor an interstate location. The restaurants serve breakfast, lunch and dinner between the hours of 6:00 a.m. and 10:00 p.m. (11:00 p.m. on Fridays and Saturdays) and feature home style country cooking prepared on the premises from the Company's own recipes using quality ingredients and emphasizing authenticity. Menu items are moderately priced and include country ham, chicken, fish, roast beef, beans, turnip greens, vegetable plates, salads, sandwiches, pancakes, eggs, bacon, sausage and grits. The restaurants do not serve alcoholic beverages. The stores are constructed in a rustic, country store design and feature a separate retail area offering a wide variety of decorative and functional items specializing in hand-blown glassware, cast iron cookware, toys and wood crafts as well as various old fashioned candies, jellies and other foods. The Company considers its store operations to constitute an integrated, single line of business.

As announced on August 21, 1996, the Company took a one-time charge related to store closures and certain other write-offs. The details related to this charge are included in Note 1 under "Store closing costs" on page 33 of the Company's 1998 Annual Report.

Acquisitions

On April 1, 1998, the Company through a new subsidiary CPM Merger Corporation ("CPM"), acquired Carmine's Prime Meats, Inc. ("Carmine's") through a merger of Carmine's into CPM. The purchase consisted of cash of $2.5 million and $10.5 million of the Company's Common Stock and was accounted for as a purchase. CPM will do business under the name of Carmine Giardini's Gourmet Market and La Trattoria Ristorante.

Carmine's started 26 years ago as a prime meat market and expanded 15 years ago to a full-service gourmet market. A restaurant (also referred to as the "La Trattoria Ristorante") was added to the Palm Beach Gardens, Florida store five years ago. The Ft. Lauderdale, Florida store has the full-service gourmet market only. The markets consist of separate departments with a strong Italian flavor featuring such items as seafood, meat, prepared foods, deli, bakery, produce, cheese, pizza and wine. The prepared foods department features various meat, seafood and pasta entrees, vegetables, salads and appetizers. The markets also feature off-premise catering, gift baskets and, in the case of the Palm Beach Gardens location, a casual cafe. La Trattoria Ristorante is an upper scale Italian restaurant including a full-service bar and fine dining table service delivered in a casual dining atmosphere.

The Palm Beach Gardens, Florida gourmet market and restaurant comprise approximately 15,000 square feet with 230 seats. The Ft. Lauderdale gourmet market is approximately 6,000 square feet and has no restaurant. The Palm Beach Gardens store will be the model for the prototype that will be developed in two new locations in fiscal 1999 in south Florida.

Operations

Store Format: The format of Cracker Barrel stores consists of a rustic, country store style building. All stores are free standing buildings with adequate parking facilities and standard landscaping. Store interiors are subdivided into a dining room consisting of approximately 23% of the total interior store space, a retail shop consisting of approximately 21% of such space, with the balance primarily consisting of kitchen and storage areas. All stores have functioning stone fireplaces which burn wood wherever permitted and are decorated with antique-style furnishings and other authentic items of the past similar to those used and sold in original old country stores. The kitchens contain modern food preparation and storage equipment allowing for extensive flexibility in menu variation and development.

Products: Cracker Barrel's restaurants offer rural American cooking featuring the Company's own recipes. In keeping with the Company's emphasis on authenticity and quality, Cracker Barrel restaurants prepare menu selections on the premises. The Company's restaurants offer breakfast, lunch and dinner from a moderately-priced menu. Breakfast items can be ordered at any time throughout the day and include juices, eggs, pancakes, bacon, country ham, sausage, grits, and a variety of biscuit specialties, with prices for a breakfast meal ranging from $2.69 to $7.99. Lunch and dinner items include country ham, chicken, fish, steak, roast beef, beans, turnip greens, vegetable plates, salads, sandwiches, homemade soups and specialty items such as beef stew with cornbread. Lunches and dinners range in price from $2.99 to $15.99. The Company from time to time adjusts its prices. The Company increased its menu prices approximately 4% in May 1998.

The retail area of the stores, which are decorated with antique signs, primitive tools and other memorabilia in a turn-of-the-century atmosphere, offer a wide variety of decorative and functional items consisting primarily of hand-blown glassware, cast iron cookware, old-fashioned crockery, handcrafted figurines, classic children's toys and various other gift items, as well as various candies, preserves, smoked sausage, syrups and other foodstuffs. Many of the candy items, smoked bacon, jellies and jams along with other high quality products are sold under the "Cracker Barrel Old Country Store" brand name.

Product Merchandising: Cracker Barrel maintains a product development department which develops new and improved menu items in response to shifts in customer preferences. Company merchandising specialists are involved on a continuing basis in selecting and positioning of merchandise in the retail shop. Management believes that the Company has adequate flexibility to meet future shifts in consumer preference on a timely basis.

Store Management: Store management typically consists of a general manager, four associate managers and a retail manager who are responsible for approximately 100 employees on two shifts. The relative complexity of operating a Cracker Barrel Old Country Store requires an effective management team at the individual store level. As a motivation to store managers to improve sales and operational efficiency, Cracker Barrel has a bonus plan designed to provide store management with an opportunity to share in the pre-tax profits of their store. To assure that individual stores are operated at a high level of quality, the Company emphasizes the selection and training of store managers and has a level of District Management to support individual store managers and a level of Regional Management to support individual District Managers.

The store management recruiting and training program begins with an evaluation and screening process. In addition to multiple interviews and background and experience verification, the Company conducts testing which it believes is important in selecting those applicants best suited to manage store operations. Those candidates who successfully pass this screening process are then required to complete an 11-week training program consisting of eight weeks of in-store training and three weeks of training at the Company's corporate facilities. This program allows new managers the opportunity to become familiar with the Company's operations, management objectives, controls and evaluation criteria before assuming management responsibility.

Purchasing and Distribution: Cracker Barrel negotiates directly with food vendors as to price and other material terms of most food purchases. The Company purchases the majority of its food products and restaurant supplies on a cost-plus basis through a distributor headquartered in Nashville, Tennessee with custom distribution centers in Lebanon, Tennessee; Dallas, Texas; Gainesville, Florida; and Belcamp, Maryland. The distributor is responsible for placing food orders and warehousing and delivering food products to the Company's stores. This distributor is not affiliated with the Company. Certain perishable food items are purchased locally by the Company's stores.

On January 10, 1997, the Company signed a new agreement with the food distributor which became effective February 1, 1997. This agreement, characterized as a "Prime Vendor Contract", outlined the relationship between the Company and the distributor and is considered a mutual agreement between both parties that will permit a profitable relationship. The contract will remain in effect until it is mutually modified in writing by both parties or until terminated by either the Company or the distributor upon one hundred eighty days written notice to the other party.

The single food category accounting for the largest share (approximately 14%) of the Company's food purchasing expense is pork. The single food item within the pork category accounting for the largest share of the Company's food purchasing expense is bacon. The Company presently purchases its pork food items through eight vendors and its bacon through one vendor. Should any pork items from these vendors become unavailable for any reason, management is of the opinion that these food items could be obtained in sufficient quantities from other sources at competitive prices.

The majority of retail items are purchased directly by Cracker Barrel, warehoused at its Lebanon distribution center and shipped to the stores. On December 20, 1996, the Company signed a dedicated carriage agreement with an unaffiliated transportation company for the transportation of retail merchandise from the Company's distribution center throughout the contiguous forty-eight states. This agreement, which is for a period of forty eight (48) months, sets forth the relationship between the respective companies and is structured to facilitate the growth of the Company's retail business over the next four years. The transportation company or the Company may terminate the agreement on any annual anniversary date by giving the other party sixty (60) days prior written notice. Certain retail items are drop-shipped directly from the Company's vendors to its stores.

Quality, Cost and Inventory Controls: Costs are monitored by management to determine if any material variances in food cost or operating expenses have occurred. The Company's computer systems are used to analyze store operating information by providing management reports for continual monitoring of sales mix and detailed operational cost data as well as information on sales trends and inventory levels to facilitate retail purchasing decisions. These systems are also used in the development of budget analyses and planning.

Marketing: New store locations generally are not advertised in the media until several weeks after they have been opened in order to give the staff time to adjust to local customer habits and traffic volume. To effectively reach consumers in the primary trade area for each Cracker Barrel store and also interstate travelers and tourists, outdoor advertising is the primary advertising media utilized, accounting for approximately 50% of advertising expenditures. The Company utilizes various types of media, such as television and radio, in its core markets to maintain customer awareness. Outside of its core markets, television, radio and print are used in an effort to increase name awareness and to build brand loyalty. The Company defines its core market based on geographic location, longevity in the market and name awareness in the market. The Company completed the rollout of its frequency-based Cracker Barrel Old Country Store Neighborhood program to all stores the first week of November 1997. The program is designed to enable the Company to communicate more personally and directly with both local and traveling guests in order to tailor its services to better meet their needs.

Seasonal Aspects: Historically the profits of the Company have been lower in the second fiscal quarter than in the first and third fiscal quarters and highest in the fourth fiscal quarter. Management attributes these variations primarily to the decrease in interstate tourist traffic during the winter months and the increase in interstate tourist traffic during the summer months.

Working Capital: In the restaurant industry substantially all sales are either for cash or credit card. Like most other restaurant companies, the Company is able to, and may from time to time, operate with negative working capital. Restaurant inventories purchased through the food distributor are now on terms of net zero days, while restaurant inventories purchased locally are generally financed from normal trade credit. Retail inventories purchased domestically are generally financed from normal trade credit, while retail imported inventories are generally purchased through letters of credit. These various trade terms are aided by rapid turnover of the restaurant inventory.

Expansion

The Company opened fifty new stores in fiscal 1998. The openings were as follows:

Interstate 85 - Commerce, Georgia; Durham, North Carolina; Gaffney, South Carolina; Henderson, North Carolina and Newnan, Georgia
Interstate 10 - Casa Grande, Arizona; Gonzales, Louisiana; Marana, Arizona and Phoenix, Arizona
Interstate 40 - Gallup, New Mexico; Garner, North Carolina; Russellville, Arkansas and West Memphis, Arkansas
Interstate 95 - Deerfield Beach, Florida; Kingsland, Georgia; Ormond Beach, Florida and Pooler, Georgia
Interstate 90 - Blasdell, New York; Dunkirk, New York and Billings, Montana
Interstate 30 - Greeneville, Texas and Texarkana, Texas
Interstate 35 - Edmond, Oklahoma and Emporia, Kansas
Interstate 44 - Lawton, Oklahoma and Saint Robert, Missouri
Interstate 64 - Cross Lanes, West Virginia and Mount Sterling, Kentucky
Interstate 79 - Fairmont, West Virginia and Meadville, Pennsylvania
Interstate 80 - Hammond, Indiana and Lincoln, Nebraska
Interstate 15 - Springville, Utah
Interstate 29 - Kansas City, Missouri
Interstate 45 - Houston, Texas
Interstate 55 - Hammond, Louisiana
Interstate 59 - Trussville, Alabama
Interstate 65 - Phoenix, Arizona
Interstate 70 - Zanesville, Ohio
Interstate 74 - Harrison, Ohio
Interstate 75 - Brooksville, Florida
Interstate 77 - Beckley, West Virginia
Interstate 81 - Harrisburg, Pennsylvania
Interstate 84 - Boise, Idaho
Interstate 94 - Roseville, Michigan
Interstate 295 - Pennsville, New Jersey
Interstate 480 - Twinsburg, Ohio
US Highway 231 - Dothan, Alabama
US Highway 441 - Pigeon Forge, Tennessee
Loop 101 - Peoria, Arizona.

The Company plans to open fifty new stores during fiscal 1999. Twelve of the stores are already open or will be open as of October 30, 1998, and are as follows:

Interstate 24 - Cadiz, Kentucky
Interstate 55 - Brookhaven, Mississippi
Interstate 59 - Bessemer, Alabama
Interstate 65 - Sellersburg, Indiana
Interstate 69 - Marion, Indiana
Interstate 75 - Piqua, Ohio
Interstate 80 - West Omaha, Nebraska
Interstate 81 - Frackville, Pennsylvania
Interstate 87 - Clifton Park, New York
Interstate 90 - Sheffield, Ohio
Interstate 91 - Holyoke, Massachusetts

Prior to committing to a new location, the Company performs extensive reviews of various available sites, gathering approximate cost, demographic and traffic data. This information is entered into a model to help with the decision on building a store. The Company utilizes in-house engineers to consult on architectural plans, to develop engineering plans and to oversee new construction. The Company is currently engaged in the process of seeking and selecting new sites, negotiating purchase or lease terms and developing chosen sites.

It is the Company's preference to own its store properties. Of the 369 Cracker Barrel stores open as of October 30, 1998, the Company owns 347, while the other 22 properties are either ground leases or ground and building leases. Currently, average cost for a new store is approximately $1,250,000 for land and sitework, $800,000 for building, and $550,000 for equipment. The current store size is approximately 10,000 square feet with 184 seats in the restaurant.

Employees

As of July 31, 1998, Cracker Barrel employed 38,815 people, of whom 362 were in advisory and supervisory capacities, 2,100 were in store management positions and 31 were officers of the Company. Many of the restaurant personnel are employed on a part-time basis. The Company has an incentive plan for its hourly employees which is intended to lower turnover and to increase productivity by providing a defined career path through testing and ranking of employees. The Company's employees are not represented by any union, and management considers its employee relations to be good.

Competition

The restaurant business is highly competitive and is often affected by changes in the taste and eating habits of the public, local and national economic conditions affecting spending habits, and population and traffic patterns. Restaurant industry segments overlap and often provide competition for widely diverse restaurant concepts. The principal basis of competition in the industry is the quality and price of the food products offered. Site selection, quality and speed of service, advertising and the attractiveness of facilities are also important.

There are a large number of restaurants catering to the public, including several franchised operations in the restaurant industry, which are substantially larger and have greater financial and marketing resources than those of the Company and which compete directly and indirectly in all areas in which the Company operates.

Trademarks

The Company owns certain registered copyrights, patents and trademarks relating to the name "Cracker Barrel Old Country Store", as well as its logo, menus, designs of buildings, general trade dress and other aspects of operations. The Company also has pending trademark registration relating to the name "Carmine Giardini" and "Carmine Giardini's Gourmet Market and La Trattoria Ristorante". The Company believes that the use of these names have some value in maintaining the atmosphere and public acceptance of its mode of operations.

Research and Development

While research and development are important to the Company, these expenditures have not been material.

Compliance With Environmental Protection Requirements

Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment should have no material effect upon capital expenditures, earnings, or the competitive position of the Company.

ITEM 2. PROPERTIES

The Company's present corporate headquarters and warehouse facilities are situated on approximately 130 acres of land owned by the Company in Lebanon, Tennessee. The Company utilizes approximately 120,000 square feet of office space and 400,000 square feet of warehouse facilities. Management feels that the current amount of office space is sufficient to meet the Company's needs through the end of fiscal 2000.

The Company opened a retail outlet store, named the "Back Porch", in Lebanon, Tennessee in September, 1998 to sell out-of-season, slow-moving and discontinued merchandise.

As noted on page 3 in the "Acquisitions" section, the Company leases two properties in Florida that operate under the name of Carmine Giardini's Gourmet Market and La Trattoria Ristorante.

In addition to the corporate facilities, the Company's outlet store and the Company's two gourmet markets and restaurant in Florida, the Company owns or leases the following Cracker Barrel store properties as of October 30, 1998:

State	Owned			Leased
	Land	Buildings	Land	Buildings
Tennessee	31	30	10	4
Florida	33	32	-	-
Georgia	22	21	2	2
Texas	23	23	1	-
Ohio	19	22	3	-
North Carolina	20	21	1	-
Illinois	20	19	1	-
Indiana	19	18	-	-
Alabama	15	15	1	1
Kentucky	15	14	2	1
Michigan	14	14	-	-
Virginia	14	14	-	-
Missouri	13	13	-	-
South Carolina	10	11	2	1
Mississippi	9	9	-	-
Pennsylvania	10	9	-	-
Arizona	9	8	-	-
Louisiana	8	8	-	-
New York	8	7	2	-
West Virginia	7	7	-	-
Oklahoma	6	6	-	-
Arkansas	6	5	-	-
Kansas	6	5	-	-
Colorado	4	4	-	-
Wisconsin	5	4	-	-
Iowa	3	3	-	-
Minnesota	3	3	-	-
New Mexico	2	3	1	-
Utah	3	3	-	-
Maryland	2	2	-	-
Nebraska	2	2	-	-
Connecticut	1	1	-	-
Idaho	1	1	-	-
Massachusetts	2	1	-	-
Montana	2	1	-	-
New Jersey	1	1	1	-

See "Business-Operations" and "Business-Expansion" for additional information on the Company's stores.

ITEM 3. LEGAL PROCEEDINGS

The Company is not involved in any material pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K and General Instruction G(3) to Form 10-K, the following information is included in Part I of this Form 10-K.

Executive Officers of the Registrant

The following table sets forth certain information concerning the executive officers of the Company as of September 25, 1998:

Name	Age	Position with Registrant
Dan W. Evins	63	Chairman of the Board & Chief Executive Officer
Ronald N. Magruder	50	President & Chief Operating Officer
Michael A. Woodhouse	53	Senior Vice President, Finance & Chief Financial Officer
Michael D. Adkins	43	Senior Vice President, Restaurant Operations
Norman J. Hill	56	Senior Vice President, Human Resources
Richard G. Parsons	46	Senior Vice President, Retail
Jonathan C. Sleik	47	Senior Vice President, Purchasing and Distribution
James F. Blackstock	51	Vice President, General Counsel and Secretary
Bruce C. Cotton	67	Vice President, Government & Community Relations
Ellen C. Cozart	40	Vice President, Human Resources
Judith K. Donovan	43	Vice President, Marketing
Mattie H. Hankins	58	Vice President & Controller
Debra K. Kidwell	39	Vice President, Retail Purchasing
Donald G. Kravitz	62	Vice President, Property Development
Michael J. Matheny	51	Vice President, Information Services
Thomas R. Pate	39	Vice President, Training and Management Development
Mark W. Tanzer	41	Vice President, Product Development
Scott C. Diffenderfer	44	Regional Vice President, Restaurants
Russell K. Doyle	34	Regional Vice President, Retail
Cecilia S. Gibson	43	Regional Vice President, Retail
Douglas R. Goolsby	37	Regional Vice President, Restaurants
Anthony P. Guadagno	42	Regional Vice President, Restaurants
Carolyn M. Hall	41	Regional Vice President, Retail
Tracy L. Hanchey	37	Regional Vice President, Retail
Dan L. Markley	41	Regional Vice President, Retail
Terry A. Maxwell	39	Regional Vice President, Restaurants
Cyril J. Taylor	44	Regional Vice President, Restaurants
Stanley L. Warner	44	Regional Vice President, Restaurants
Gary L. Wooddell	34	Regional Vice President, Retail

The following background material is provided for those executive officers who have been employed by the Registrant for less than five years:

Prior to his employment with the Company in August, 1995, Mr. Magruder was Vice-Chairman of Darden Restaurants, Inc. from 1994 to 1995. Mr. Magruder had been employed by General Mills for 23 years, serving in various capacities within their restaurant division. Previously, Mr. Magruder was Executive Vice President of General Mills Restaurants and President of the Olive Garden from 1987 to

1994.

Prior to his employment with the Company in November 1995, Mr. Sleik was with Darden Restaurants, Inc. most recently as Vice President of Remodeling and Facilities. He was Executive Vice President of Operations for the Olive Garden from 1985 to 1994 and Vice President of Purchasing and Distribution for Red Lobster from 1980 to 1985.

Prior to his employment with the Company in December 1995, Mr. Woodhouse was Senior Vice President and Chief Financial Officer of Daka International, Inc. from 1993 to 1995. Mr. Woodhouse was Vice President and Chief Financial Officer of Tia's Inc. from 1992 to 1993. Prior to 1992 he was Executive Vice President and Chief Financial Officer of Metromedia Steakhouses, Inc.

Prior to his employment with the Company in February 1996, Mr. Matheny was with Boston Chicken as Director of Systems. He was Director of Management Information Systems with El Chico Restaurants from 1992 through 1995. Prior to 1992, he served in various divisional roles with Metromedia working with their Steak and Ale and Ponderosa concepts.

Prior to her employment with the Company in September 1996, Ms. Donovan was with Darden Restaurants, Inc. from 1989 to 1996 serving most recently as Senior Vice President of New Business Development. Prior to her most recent role, she was Senior Vice President and Division General Manager of The Olive Garden.

Prior to his employment with the Company in June 1997, Mr. Blackstock was with TravelCenters of America, Inc. from 1993 to 1997 serving as Vice President, General Counsel and Secretary. Prior to 1993, Mr. Blackstock practiced law in Los Angeles, California as a principal in the firm of James F. Blackstock, Professional Law Corporation.

Prior to his employment with the Company in October 1997, Mr. Cotton was with Long John Silver's Restaurants, Inc. from 1976 to 1997 serving as Senior Vice President, Public Affairs.

Prior to her employment with the Company in May 1998, Ms. Hanchey was with Brookstone Inc. from 1996 to 1998 serving as a district manager. She was district manager with Ann Taylor, Inc. from 1994 to 1996. Ms. Hanchey was with Circuit City Stores, Inc. from 1988 to 1994 serving most recently as a management recruiter and previously as a personnel manager.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Since the initial public offering of the Company's common stock in November 1981, the Company's common stock has been traded on The Nasdaq Stock Market (National Market System) with the symbol CBRL. There were 19,010 shareholders of record as of September 25, 1998.

The following table indicates the high and low sales prices of the Company's common stock as reported on The Nasdaq Stock Market (National Market System) during the periods indicated.

	Fiscal Year 1998 Prices		Fiscal Year 1997 Prices	
Quarter	High	Low	High	Low
First	$33.13	$27.50	$25.63	$19.63
Second	35.63	29.19	28.38	19.88
Third	43.00	34.19	29.25	24.88
Fourth	36.38	26.00	29.88	23.75

In September 1983 the Board of Directors of the Company initiated a policy of declaring dividends on a quarterly basis. Prior to such date the Board followed a policy of declaring annual dividends during the first fiscal quarter. Quarterly dividends of $.005 per share were paid during all four quarters of fiscal 1997 and 1998. The Company foresees paying comparable cash dividends per share in the future.

The covenants relating to the 9.53% Senior Notes in the original amount of $30,000,000 impose certain restrictions on the payment of cash dividends and the purchase of treasury stock. Retained earnings not restricted under the covenants were approximately $462,000,000 at July 31, 1998.

ITEM 6. SELECTED FINANCIAL DATA

The table "Selected Financial Data" on page 23 of the Company's Annual Report to Shareholders for the year ended July 31, 1998 (the "1998 Annual Report") is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following portions of the 1998 Annual Report are incorporated herein by reference:

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 24 through 27.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk. With certain instruments entered into for other than trading purposes, the Company is subject to market risk exposure related to changes in interest rates. The Company has in place a $125 million bank credit facility. A portion of that facility, a $75 million revolver, bears interest at a pre-agreed percentage point spread from LIBOR. The Company had no amounts outstanding under the revolver during fiscal 1998. The other part of the bank credit facility is a $50 million 5-year term loan bearing interest at a pre-agreed percentage point spread from LIBOR. On December 2, 1996, the Company received the proceeds from the $50 million 5-year term loan, and concurrently, entered into a swap agreement with a bank to fix the interest rate at 6.36% for the life of the term loan. The Company's senior notes payable bear a fixed interest rate of 9.53%, mature January 15, 2003, and had an outstanding balance of $12 million at July 31, 1998. While changes in LIBOR would affect the cost of funds borrowed in the future, existing loans are at fixed rates, therefore, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations or cash flows would not be material.

Commodity Price Risk. Many of the food products purchased by the Company are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties and other factors which are outside the control of the Company and which are generally unpredictable. The single food category accounting for the largest share (approximately 14% of the Company's food purchases) is pork. Other items affected by the commodities markets, such as coffee, country fried beef steak and chicken, may each account for as much as 1% to 2% of the Company's food purchases. While the Company has some of its food items prepared to its specifications, the Company's food items are based on generally available products, and if any existing suppliers fail, or are unable to deliver in quantities required by the Company, the Company believes that there are sufficient other quality suppliers in the marketplace that its sources of supply can be replaced as necessary. The Company also recognizes, however, that commodity pricing is extremely volatile and can change unpredictably and over short periods of time. Changes in commodity prices would affect the Company and its competitors generally and often simultaneously. In many cases, the Company believes it will be able to pass through any increased commodity costs by adjusting its menu pricing. From time to time, competitive circumstances may limit menu price flexibility, and in those circumstances increases in commodity prices can result in lower margins for the Company. However, the Company believes that any changes in commodity pricing which cannot be adjusted for by changes in menu pricing or other product delivery strategies, would not be material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following portions of the 1998 Annual Report are incorporated herein by reference:

Consolidated Financial Statements and Independent Auditors' Report on pages 28 through 41.

Quarterly Financial Data (Unaudited) on page 40.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to directors of the Company is incorporated herein by reference to the section entitled "Election of Directors" in the Company's definitive proxy statement for its 1998 Annual Meeting of Shareholders (the "1998 Proxy Statement"). The information required by this item with respect to executive officers of the Company is set forth in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the section entitled "Executive Compensation" in the Company's 1998 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the section entitled "Security Ownership of Management" in the Company's 1998 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the section entitled "Certain Relationships and Related Transactions" in the Company's 1998 Proxy Statement.

PART IV

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

A. List of documents filed as part of this report:

1. The following Financial Statements and the Report of Deloitte & Touche LLP on pages 28 through 41 of the 1998 Annual Report are incorporated herein by reference:

Independent Auditors' Report dated September 9, 1998

Consolidated Balance Sheet as of July 31, 1998 and August 1, 1997

Consolidated Statement of Income for each of the three fiscal years ended July 31, 1998, August 1, 1997 and August 2, 1996

Consolidated Statement of Changes in Shareholders' Equity for each of the three fiscal years ended July 31, 1998, August 1, 1997 and August 2, 1996

Consolidated Statement of Cash Flows for each of the three fiscal years ended July 31, 1998, August 1, 1997 and August 2, 1996

Notes to Consolidated Financial Statements

2. The exhibits listed in the accompanying Index to Exhibits on pages 15 & 16 are filed as part of this annual report.

B. Reports on Form 8-K:

There were no reports filed on Form 8-K during the fourth quarter of the fiscal year ended July 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Cracker Barrel Old Country Store, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRACKER BARREL OLD COUNTRY STORE, INC.

By: /s/Dan W. Evins Dan W. Evins CEO and Chairman of the Board	By:/s/Mattie H. Hankins Mattie H. Hankins Vice President & Controller

(Principal Executive Officer)

By: /s/Michael A. Woodhouse
Michael A. Woodhouse
Senior Vice President, Finance
(Principal Financial Officer)

Date: October 21, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

/s/James C. Bradshaw, M.D. James C. Bradshaw, M.D., Director	______________________ Charles T. Lowe, Jr., Director
______________________________ Robert V. Dale, Director	/s/B.F. Lowery B. F. Lowery, Director
/s/Dan W. Evins Dan W. Evins, Director	/s/Ronald N. Magruder Ronald N. Magruder, Director
/s/Edgar W. Evins Edgar W. Evins, Director	/s/ Gordon L. Miller Gordon L. Miller, Director
/s/William D. Heydel William D. Heydel, Director	______________________________ Martha M. Mitchell, Director
____________________________ Robert C. Hilton, Director	______________________________ Jimmie D. White, Director
_____________________________ Charles E. Jones, Jr., Director	_____________________________

INDEX TO EXHIBITS

Exhibit

3(a) Charter (1)

3(b) Bylaws (2)

4(a) Note Agreement dated as of January 1, 1991, relating to $30,000,000 of 9.53% Senior Notes (3)

10(a) Credit Agreement dated February 18, 1997, relating to the $50,000,000 Term Loan and the $75,000,000 Revolving Credit and Letter of Credit Facility (4)

10(b) Lease dated August 27, 1981 for lease of Clarksville, Tennessee, and Macon, Georgia, stores between B. F. Lowery, general counsel and a director, and the Company (5)

10(c) The Company's Incentive Stock Option Plan of 1982, as amended (6)

10(d) The Company's 1987 Stock Option Plan, as amended (1)

10(e) The Company's Amended and Restated Stock Option Plan (7)

10(f) The Company's Non-Employee Director's Stock Option Plan, as amended (8)

10(g) The Company's Executive Employment Agreement for Dan W. Evins(6)

10(h) The Company's Non-Qualified Savings Plan, effective 1/1/96, as amended (7)

10(i) The Company's Deferred Compensation Plan, effective 1/1/94 (7)

10(j) Executive Employment Agreement for Ronald N. Magruder dated 7/5/95 (9)

10(k) Executive Employment Agreement for Michael A. Woodhouse dated 11/15/95 (9)

13 Pertinent portions, incorporated by reference herein, of the Company's 1998 Annual Report to Shareholders

21 Subsidiaries of the Registrant

22 Definitive Proxy Materials (10)

23 Consent of Deloitte & Touche LLP

27 Financial Data Schedule

(1) Incorporated by reference to the Company's Registration Statement on Form S-8 under the Securities Act of 1933 (File No. 33-45482).

(2) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended July 28, 1995. (File No. 0-7536).

(3) Incorporated by reference to the Company's Registration Statement on Form S-3 under the Securities Act of 1933 (File No. 33-38989).

(4) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended August 1, 1997 (File No. 0-7536).

(5) Incorporated by reference to the Company's Registration Statement on Form S-7 under the Securities Act of 1933 (File No. 2-74266).

(6) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended July 28, 1989 (File No. 0-7536).

(7) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended August 2, 1996 (File No. 0-7536).

(8) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended August 2, 1991 (File No. 0-7536).

(9) Incorporated by reference to Exhibits 10.2 and 10.3 to the Executive Employment Agreement section, page 39 of the Company's Registration Statement on Form S-4, Amendment No. 1, filed with the Commission on October 5, 1998 (File No. 333-62469)1998 Definitive Proxy materials.

(10) Incorporated by reference to the Company's Registration Statement on Form S-4, Amendment No. 1 containing the 1998 Definitive Proxy materials, filed with the Commission on October 5, 1998 (File No. 333-62469).

Exhibit 13.

SELECTED FINANCIAL DATA

For each of the fiscal years ended
(In thousands except per share data)

	July 31, 1998	August 1, 1997	August 2, 1996	July 28, 1995	July 29, 1994
OPERATING RESULTS					
Net sales	$1,317,104	$1,123,851	$943,287	$783,093	$640,899
Cost of goods sold	450,120	387,703	324,905	264,809	215,071
Expenses:					
Store operations:					
Labor & other related expenses	441,121	378,117	314,157	256,253	207,227
Other store operating expenses	197,098	162,675	138,701	114,564	92,694
Store closing costs*	--	--	14,199	--	--
General and administrative	63,856	57,798	50,627	44,746	36,807
Total expenses	702,075	598,590	517,684	415,563	336,728
Operating income	164,909	137,558	100,698	102,721	89,100
Interest expense	3,026	2,089	369	723	2,136
Interest income	2,847	1,988	2,051	3,335	3,604
Income before income taxes and change in accounting principle	164,730	137,457	102,380	105,333	90,568
Provision for income taxes	60,594	50,859	38,865	39,290	33,609
Income before change in accounting principle	104,136	86,598	63,515	66,043	56,959
Cumulative effect of change in accounting principle**	--	--	--	--	988
Net income	$ 104,136	$ 86,598	$ 63,515	$ 66,043	$ 57,947
SHARE DATA* **					
Earnings before change in accounting principle per share:					
Basic	$ 1.68	$ 1.42	$ 1.05	$ 1.10	$ .95
Diluted	1.65	1.41	1.04	1.09	.94
Cumulative effect of change in accounting principle per share**:					
Basic	--	--	--	--	.02
Diluted	--	--	--	--	.02
Net earnings per share:					
Basic	1.68	1.42	1.05	1.10	.97
Diluted	1.65	1.41	1.04	1.09	.96
Dividends per share	$ .02	$ .02	$ .02	$ .02	$ .02
Weighted average shares outstanding:					
Basic	61,832	60,824	60,352	59,986	59,749
Diluted	63,028	61,456	60,811	60,554	60,601
FINANCIAL POSITION					
Working capital	$ 60,804	$ 60,654	$ 23,289	$ 43,600	$ 60,721
Total assets	992,108	828,705	676,379	604,515	530,064
Property and equipment -net	812,321	678,167	568,573	479,518	385,960
Long-term debt	59,500	62,000	15,500	19,500	23,500
Capital lease obligations	1,102	1,302	1,468	1,598	1,709
Shareholders' equity	803,374	660,432	566,221	496,083	429,846

*Represents one-time charge to close certain stores and other write-offs. (See Note 1 to the Company's Consolidated Financial Statements.)

**The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes ", effective July 31, 1993.

***Historical amounts have been restated to reflect the adoption of SFAS No. 128, "Earnings per Share" in fiscal 1998.

MARKET PRICE AND DIVIDEND INFORMATION

The following table indicates the high and low sales prices of the Company's common stock, as reported by The Nasdaq Stock Market (National Market), and dividends paid.

	Fiscal Year 1998			Fiscal Year 1997		
	Prices		Dividends	Prices		Dividends
Quarter	High	Low	Paid	High	Low	Paid
First	$33.13	$27.50	$.005	$25.63	$19.63	$.005
Second	35.63	29.19	.005	28.38	19.88	.005
Third	43.00	34.19	.005	29.25	24.88	.005
Fourth	36.38	26.00	.005	29.88	23.75	.005

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table highlights operating results over the past three fiscal years:

	Relationship to Net Sales			Period to Period Increase(Decrease)	
	1998	1997	1996	1998 vs 1997	1997 vs 1996
Net Sales					
Restaurant	76.3%	76.8%	77.8%	16%	18%
Retail	23.7	23.2	22.2	20	25
	100.0%	100.0%	100.0%	17	19
Cost of goods sold	34.2	34.5	34.4	16	19
Expenses:					
Store operations:					
Labor & other related expenses	33.5	33.7	33.3	17	20
Other store operating expenses	15.0	14.5	14.7	21	17
Store closing costs*	--	--	1.5	--	--
General & administrative	4.8	5.1	5.4	10	14
Operating income	12.5	12.2	10.7	20	37
Interest expense	.2	.2	.1	45	466
Interest income	.2	.2	.2	43	(3)
Income before income taxes	12.5	12.2	10.8	20	34
Provision for income taxes	4.6	4.5	4.1	19	31
Net income	7.9	7.7	6.7	20	36

*Represents one-time charge to close certain stores and other write-offs. (See Note 1 to the Company's Consolidated Financial Statements.)

/TABLE

SAME STORE SALES ANALYSIS

	Period to Period Increase 1998 vs 1997 (257 Stores)	1997 vs 1996 (214 Stores)
Restaurant	2%	3%
Retail	2	8
Restaurant & retail	2	4

Same store restaurant sales (which consist of sales of stores open throughout both of the fiscal years under comparison) increased 2% in fiscal 1998 versus the comparable 52 weeks of fiscal 1997. Same store restaurant sales increased 3% for the comparable 52 weeks of fiscal 1997 versus fiscal 1996. The increase in same store restaurant sales growth from fiscal 1997 to fiscal 1998 was primarily due to the approximately 2% menu increase instituted in May 1997 and the approximately 4% menu increase in May 1998, partially offset by decreases in customer traffic.

Same store retail sales increased 2% in fiscal 1998 versus the comparable 52 weeks of fiscal 1997 while same store retail sales increased 8% for the comparable 52-week period in fiscal 1997 versus fiscal 1996. The increase in same store retail sales growth from fiscal 1997 to fiscal 1998 was primarily due to an improved assortment of retail items in the stores.

In fiscal 1998 total sales (restaurant and retail) in the 257 same stores averaged $4.04 million. Restaurant sales were 76.7% of total sales in the same 257 stores in fiscal 1998 and 76.9% in fiscal 1997.

Total net sales, which increased 17% and 19% in fiscal 1998 and 1997, respectively, benefited from comparable store sales growth and the opening of 50, 50 and 43 new stores in fiscal 1998, 1997 and 1996, respectively. The total net sales increase in fiscal 1997 was negatively affected by the extra week in fiscal 1996. (See Note 1 to the Company's Consolidated Financial Statements.)

Cost of goods sold as a percentage of net sales decreased in fiscal 1998 to 34.2% from 34.5% in 1997. This decrease was primarily due to improved initial mark-ons for retail merchandise, partially offset by an increased mix of retail sales which have a higher cost of goods than restaurant sales. Food cost as a percentage of net restaurant sales in fiscal 1998 was unchanged from fiscal 1997 primarily due to increases in coffee, produce and dairy prices offset by the approximately 2% and 4% menu increases in May 1997 and May 1998, respectively. Cost of goods sold as a percentage of net sales increased in fiscal 1997 to 34.5% from 34.4% in fiscal 1996. This increase was primarily due to an increased mix of retail sales which have a higher cost of goods than restaurant sales. Food cost as a percentage of net restaurant sales in fiscal 1997 was unchanged from fiscal 1996 primarily due to menu increases of approximately .6% and 2.3% taken in October 1996 and July 1997, respectively, and the operational efficiencies resulting from the normal winter weather conditions in fiscal 1997 as compared to the extreme conditions in fiscal 1996, which together were offset by increases in coffee, dairy and hog complex prices.

Labor and other related expenses include all direct and indirect labor and related costs incurred in store operations. Labor expenses as a percentage of net sales were 33.5%, 33.7% and 33.3% in fiscal 1998, 1997 and 1996, respectively. The year to year decrease in fiscal 1998 versus fiscal 1997 was primarily due to lower bonus payouts under the store-level bonus program instituted in fiscal 1997 and enhanced operational productivity in the stores, partially offset by store-level hourly wage inflation of approximately 3%. The year to year increase in fiscal 1997 versus fiscal 1996 was primarily due to the introduction of a new store-level bonus program at the beginning of fiscal 1997 and store-level, hourly-employee wage inflation of approximately 3%. These increases were partially offset by the enhanced productivity achieved through operational changes implemented in the fourth quarter of fiscal 1996 and throughout fiscal 1997.

Other store operating expenses include all unit-level operating costs, the major components of which are operating supplies, repairs and maintenance, advertising expenses, utilities, depreciation and amortization. Other store operating expenses as a percentage of net sales were 15.0%, 14.5% and 14.7% in fiscal 1998, 1997 and 1996, respectively. The year to year increase in fiscal 1998 versus fiscal 1997 was primarily due to the incremental advertising expense, resulting from increased general advertising and the rollout of the Cracker Barrel Old Country Store Neighborhood Program, and higher general liability insurance costs versus the prior year. The year to year decrease in fiscal 1997 versus fiscal 1996 was primarily due to a decrease in operating supplies expense resulting from the return to paper napkins from linen napkins in the stores during the fourth quarter of fiscal 1996.

General and administrative expenses as a percentage of net sales were 4.8%, 5.1% and 5.4% in fiscal 1998, 1997 and 1996, respectively. The reductions from year to year were accomplished largely through improved volume. The largest areas of increased spending in absolute dollars in fiscal 1998 were in manager trainee costs to support the continued growth of the business.

Interest expense increased in fiscal 1998 to $3.0 million from $2.1 million in fiscal 1997 and $.4 million in fiscal 1996. The increase was primarily due to the Company's drawing on a $50.0 million term loan on December 2, 1996.

Interest income increased to $2.8 million in fiscal 1998 from $2.0 million in fiscal 1997. The primary reason for the increase in interest income was higher average funds available for investment. Interest income decreased in fiscal 1997 to $2.0 million from $2.1 million in fiscal 1996. The primary reason for the decrease in interest income was lower average funds available for investment.

Provision for income taxes as a percent of pretax income was 36.8% for fiscal 1998, 37.0% for fiscal 1997 and 38.0% for fiscal 1996. The primary reasons for the decreases in the tax rates in fiscal 1998 and 1997 were decreases in the effective state tax rates.

Impact of Recent Accounting Pronouncements not yet Adopted

SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," become effective for the Company in fiscal 1999. The Company is still evaluating the effects of adopting SFAS No. 130 and SFAS No. 131, but does not expect the adoption of either pronouncement to have a material effect on the Company's consolidated financial statements. The Company will adopt SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in the first quarter of fiscal 2000. The Company is still evaluating the effect of adopting SFAS No. 133, but does not expect the adoption to have a material effect on the Company's consolidated financial statements. The American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-1 , "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and SOP 98-5, "Reporting of the Costs of Start-up Activities," become effective for the Company in the first quarter of fiscal 2000. The Company is currently evaluating the effects that SOP 98-1 and SOP 98-5 will have on the Company's consolidated financial statements upon adoption, but does not expect the adoption of either SOP to have a material effect on the Company's consolidated financial statements. (See Note 1 to the Company's Consolidated Financial Statements.)

Year 2000

Many software applications and computer operational programs written in the past were not designed to recognize calendar dates beginning in the Year 2000. The failure of such applications or systems to properly recognize the dates beginning in the Year 2000 could result in miscalculations or systems failures which potentially could have an adverse effect on the Company's operations.

The Company's Year 2000 preparations began in fiscal 1998. The preparations include identification and assessment of all software, hardware and equipment that could be affected by the Year 2000 issue and remedial action, where necessary, followed by further testing. Analysis to identify internal Year 2000 deficiencies is in process and an inventory of systems designated as critical has been developed. As our Year 2000 remediation efforts progress, the Company will first focus, wherever possible, on those systems designated critical. The Company has begun correction of deficiencies found and anticipates completion of the Year 2000 analyses by January 31, 1999 with completion of our remediation efforts by July 31, 1999. The Company's estimated total cost of analysis and remediation of the Year 2000 issues is not anticipated to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

As part of the Year 2000 readiness efforts, the Company will develop contingency plans to identify activities which will need to be performed in the event of systems failures. The contingency plans are expected to be completed by July 31, 1999.

The Company is also contacting critical suppliers of products and services to determine the extent to which the Company may be vulnerable to such suppliers' failures to resolve their own Year 2000 compliance issues. To assess the Company's continuity of supply of products and services, an inventory of significant vendors has been compiled. These vendors were sent questionnaires requesting information as to the status of their Year 2000 readiness and certification that their information systems are Year 2000 compliant. Where practicable, the Company will assess and attempt to mitigate its risks with respect to the failure of its significant vendors to be Year 2000 ready as part of its contingency planning. The effect, if any, on the Company's consolidated financial position, results of operations or cash flows from the failure of its significant vendors to be Year 2000 ready cannot be reasonably estimated.

Liquidity and Capital Resources

The Company's cash generated from operating activities was $151 million in fiscal 1998. Most of this cash was provided by net income adjusted by depreciation and amortization. Increases in accounts payable, taxes withheld and accrued, deferred income taxes and accrued employee compensation and benefits were partially offset by increases in inventories and other assets and decreases in income taxes payable.

Capital expenditures were $181 million in fiscal 1998. Land purchases and costs of new stores accounted for substantially all of these expenditures.

The Company's internally generated cash and short-term investments were sufficient to finance all of its growth in fiscal 1998.

On September 9, 1998, the Company announced that the Board of Directors had authorized the repurchase of up to 3 million shares of the Company's common stock. This will allow the Company to repurchase approximately 5% of the 62.5 million shares outstanding. The purchases are to be made from time to time in the open market at prevailing market prices. One effect of the share repurchase will be to minimize dilution to existing shareholders as shares are issued under the Company's Stock Option Plan.

The Company estimates that its capital expenditures for fiscal 1999 will be approximately $180 million, substantially all of which will be land purchases and construction of new stores. On December 2, 1996 the Company received the proceeds from a $50 million 5-year term loan bearing interest at a three-month LIBOR-based rate ("London Interbank Offered Rate"). Concurrently, the Company entered into a swap agreement with a bank to fix the interest rate at 6.36% for the life of the term loan. This $50 million term loan is part of a $125 million bank credit facility that also includes a $75 million revolver. Management believes that cash at July 31, 1998, along with cash generated from the Company's operating activities and its available $75 million revolver, will be sufficient to finance its stock buyback program and its continued expansion plans through fiscal 2000.

CONSOLIDATED BALANCE SHEET

(In thousands except share data)	July 31, 1998	August 1, 1997
Assets		
Current Assets:		
Cash and cash equivalents	$ 62,593	$ 64,933
Short-term investments	--	1,666
Receivables	5,192	4,836
Inventories	91,609	73,269
Prepaid expenses	5,432	4,707
Total current assets	164,826	149,411
Property and Equipment:		
Land	227,000	192,258
Buildings and improvements	498,148	423,260
Buildings under capital leases	3,289	3,289
Restaurant and other equipment	223,905	176,959
Leasehold improvements	19,686	12,646
Construction in progress	22,332	22,985
Total	994,360	831,397
Less: Accumulated depreciation and amortization of capital leases	182,039	153,230
Property and equipment-net	812,321	678,167
Other Assets	14,961	1,127
Total	$992,108	$828,705
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 38,212	$ 27,422
Current maturities of long-term debt	2,500	3,500
Current portion of capital lease obligations	200	166
Taxes withheld and accrued	17,650	13,969
Income taxes payable	649	2,429
Deferred income taxes	879	2,362
Accrued employee compensation	24,192	22,374
Accrued employee benefits	11,821	9,961
Other accrued expenses	7,919	6,574
Total current liabilities	104,022	88,757
Long-term Debt	59,500	62,000
Capital Lease Obligations	1,102	1,302
Non-compete Agreement	400	--
Deferred Income Taxes	23,710	16,214
Commitments and Contingencies (Note 10)		
Shareholders' Equity:		
Common stock -150,000,000 shares of $.50 par value authorized; shares issued and outstanding: 1998, 62,480,775; 1997 61,065,306	31,240	30,533
Additional paid-in capital	251,236	211,850
Retained earnings	520,898	418,049
Total shareholders' equity	803,374	660,432
Total	$992,108	$828,705

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

(In thousands except per share data)

	Fiscal years ended July 31, 1998	August 1, 1997	August 2, 1996
Net sales	$1,317,104	$1,123,851	$943,287
Cost of goods sold	450,120	387,703	324,905
Gross profit on sales	866,984	736,148	618,382
Expenses:			
Store operations:			
Labor & other related expenses	441,121	378,117	314,157
Other store operating expenses	197,098	162,675	138,701
Store closing costs	--	--	14,199
General and administrative	63,856	57,798	50,627
Total expenses	702,075	598,590	517,684
Operating income	164,909	137,558	100,698
Interest expense	3,026	2,089	369
Interest income	2,847	1,988	2,051
Income before income taxes	164,730	137,457	102,380
Provision for income taxes	60,594	50,859	38,865
Net income	$ 104,136	$ 86,598	$ 63,515
Net earnings per share-basic	$ 1.68	$ 1.42	$ 1.05
Net earnings per share-diluted	$ 1.65	$ 1.41	$ 1.04

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balances at July 28, 1995	$29,996	$195,421	$270,666	$496,083
Cash dividends - $.02 per share	--	--	(1,208)	(1,208)
Exercise of stock options	301	4,865	--	5,166
Tax benefit realized upon exercise of stock options	--	2,665	--	2,665
Net income	--	--	63,515	63,515
Balances at August 2, 1996	30,297	202,951	332,973	566,221
Cash dividends - $.02 per share	--	--	(1,522)	(1,522)
Exercise of stock options	236	7,288	--	7,524
Tax benefit realized upon exercise of stock options	--	1,611	--	1,611
Net income	--	--	86,598	86,598
Balances at August 1, 1997	30,533	211,850	418,049	660,432
Cash dividends - $.02 per share	--	--	(1,287)	(1,287)
Exercise of stock options	576	24,677	--	25,253
Tax benefit realized upon exercise of stock options	--	4,340		4,340
Issuance of stock for acquisition	131	10,369	--	10,500
Net income	--	--	104,136	104,136

Balances at July 31, 1998	$31,240	$251,236	$520,898	$803,374

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	(In thousands) Fiscal years ended July 31, 1998	August 1, 1997	August 2, 1996
Cash flows from operating activities:			
Net income	$104,136	$ 86,598	$ 63,515
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	43,434	35,735	31,433
Loss on disposition of property and equipment	227	135	14,689
Changes in assets and liabilities, net of effects from acquisition:			
Receivables	(356)	(2,033)	390
Inventories	(17,901)	(11,799)	(9,955)
Prepaid expenses	(725)	(3,222)	(573)
Other assets	(1,109)	(436)	(212)
Accounts payable	10,196	(3,143)	814
Taxes withheld and accrued	3,640	1,494	1,651
Income taxes payable	(1,780)	(1,694)	(1,465)
Accrued employee compensation	1,818	6,727	1,965
Accrued employee benefits	1,860	269	2,590
Other accrued expenses	1,345	59	806
Deferred income taxes	6,013	15,505	(1,978)
Net cash provided by operating activities	150,798	124,195	103,670
Cash flows from investing activities:			
Purchase of short-term investments	--	(603)	(4,011)
Proceeds from maturities of short-term investments	1,666	4,237	13,852
Purchase of property and equipment	(180,599)	(148,649)	(137,633)
Cash paid for acquisition, net of cash acquired	(1,886)	--	--
Proceeds from sale of property and equipment	3,141	3,299	2,456
Net cash used in investing activities	(177,678)	(141,716)	(125,336)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	--	50,000	--
Proceeds from exercise of stock options	25,253	7,524	5,166
Tax benefit realized upon exercise of stock options	4,340	1,611	2,665
Principal payments under long-term debt, capital lease obligations and non-compete agreement	(3,766)	(4,130)	(4,110)
Dividends on common stock	(1,287)	(1,522)	(1,208)
Net cash provided by financing activities	24,540	53,483	2,513
Net (decrease) increase in cash and cash equivalents	(2,340)	35,962	(19,153)
Cash and cash equivalents, beginning of year	64,933	28,971	48,124
Cash and cash equivalents, end of year	$ 62,593	$ 64,933	$ 28,971

Supplemental disclosures of cash flow

information:
Cash paid during the year for:

Interest	$ 4,748	$ 3,349	$ 2,084
Income taxes	52,690	35,664	39,642

Supplemental schedule of noncash investing and financing activities:

On April 1, 1998, the Company acquired all of the capital stock of Carmine's Prime Meats, Inc. for cash of $2,500 and common stock of $10,500. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 1,185
Goodwill	12,450
Cash paid for the capital stock	(2,500)
Common stock issued for the capital stock	(10,500)
Liabilities assumed	$ 635

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal year - The Company's fiscal year ends on the Friday nearest July 31st and each quarter consists of thirteen weeks. The Company's fiscal year ended August 2, 1996 consisted of 53 weeks and the fourth quarter of fiscal 1996 consisted of 14 weeks.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated.

Cash and cash equivalents -The Company's policy is to consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of auction preferred stocks and commercial paper. The carrying value of these instruments approximates market value due to their very short maturities.

Short-term investments -Short-term investments, primarily consisting of federal government agency securities and commercial paper which the Company intends to hold to maturity, are stated at amortized cost in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." (See Note 3.)

Inventories -Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Property and equipment -Property and equipment are stated at cost. For financial reporting purposes depreciation and amortization on these assets are computed by use of the straight-line and double-declining balance methods over the estimated useful lives of the respective assets, as follows:

	Years
Buildings and improvements	20-45
Buildings under capital leases	20-25
Restaurant and other equipment	3-10
Leasehold improvements	3-35

Accelerated depreciation methods are generally used for income tax purposes.

Interest is capitalized in accordance with SFAS No. 34, "Capitalization of Interest Costs." Capitalized interest was $1,955, $2,093 and $2,010 for fiscal years 1998, 1997 and 1996, respectively.

Gain or loss is recognized upon disposal of property and equipment, and the asset and related accumulated depreciation and amortization amounts are removed from the accounts.

Maintenance and repairs, including the replacement of minor items, are charged to expense, and major additions to property and equipment are capitalized.

Advertising - The Company generally expenses the costs of producing and communicating advertising the first time the advertising takes place. Net advertising expense was $30,484,$25,178 and $20,404 for the fiscal years 1998, 1997 and 1996, respectively.

Insurance - The Company retains a significant portion of the risk for its workers' compensation, employee health insurance, general liability, and property coverages. Accordingly, provisions are made for the Company's estimates of discounted future claim costs for such risks. To the extent that subsequent claim costs vary from those estimates, current earnings are charged or credited.

Goodwill - Goodwill represents the excess of the cost over the net tangible and identifiable intangible assets of acquired businesses, is stated at cost and is amortized, on a straight-line basis, over the estimated future periods to be benefited (20 years). On an annual basis the Company reviews the recoverability of goodwill based primarily upon an analysis of undiscounted cash flows from the acquired businesses. Accumulated amortization was $208 at July 31, 1998.

Income taxes -The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Targeted jobs tax credits and employer tax credits for FICA taxes paid on tip income are accounted for by the flow-through method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. (See Note 8.)

Earnings per share - In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share," which requires presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities, options or other contracts to issue common stock were exercised or converted into common stock. As required, the Company adopted the provisions of SFAS No. 128 in the quarter ended January 30, 1998. All prior year weighted average and per share information has been restated in accordance with SFAS No. 128. Outstanding stock options issued by the Company represent the only dilutive effect reflected in diluted weighted average shares.

Stock-based compensation - SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to adopt the fair value method of accounting for stock-based employee compensation. The Company has chosen to continue to account for stock-based employee compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations.(See Note 6.)

Start-up costs -Start-up costs of a new store are expensed in the month in which the store opens.

Store closing costs - Upon the decision to close a store, estimated unrecoverable costs are charged to expenses. Such costs include buildings and improvements, leasehold improvements and restaurant and other equipment, net of salvage value, and a provision for the present value of future lease obligations, less estimated sub-rental income. The Company recognized $14,199 in pretax costs for the closings of the Appleton, WI, the Fond du Lac, WI and the Eagan, MN stores, the closings of the three Corner Market stores in the middle Tennessee area and replacing the Company's point-of-sale system in the fourth quarter of fiscal 1996. These costs represent a one-time charge of $8,806 net of taxes, or $.15 per share.

Use of estimates - Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Recent accounting pronouncements not yet adopted - In June 1997, SFAS No. 130, "Reporting Comprehensive Income," was issued. SFAS No. 130 specifies how to report and display comprehensive income and its components. This statement is effective for fiscal years beginning after December 15, 1997, with restatement of all prior periods shown. The Company will adopt SFAS No. 130 in the first quarter of fiscal 1999. The Company is currently evaluating the effect that SFAS No. 130 will have on the Company's consolidated financial statements upon adoption. In June 1997, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued. SFAS No. 131 requires the disclosure of certain information about operating segments in the financial statements. This statement is effective for fiscal years beginning after December 15, 1997, with restatement of all prior periods shown if not impracticable to do so. The Company will adopt SFAS No. 131 in fiscal 1999. The Company is currently evaluating the effect that SFAS No. 131 will have on the Company's consolidated financial statements upon adoption. In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. SFAS No. 133 specifies how to report and display derivative instruments and hedging activities. This statement is effective for fiscal years beginning after June 15, 1999. The Company will adopt SFAS No. 133 in the first quarter of fiscal 2000. The Company is currently evaluating the effect that SFAS No. 133 will have on the Company's consolidated financial statements upon adoption. The Company does not expect the adoption of SFAS Nos. 130, 131 or 133 to have a material effect on the Company's consolidated financial statements. In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1 , "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 provides guidance on when costs incurred for internal-use computer software are capitalized or expensed and guidance on whether computer software is for internal use. SOP 98-1 is effective for fiscal years beginning after December 15, 1998 and applies to internal-use software costs incurred for all projects, including those in progress upon initial application of the SOP. The Company is currently evaluating the effect that SOP 98-1 will have on the Company's consolidated financial statements upon adoption. In April 1998, SOP 98-5, "Reporting of the Costs of Start-up Activities," was issued. SOP 98-5 requires that the Company expense start-up costs of new stores as incurred rather than when the store opens as is the Company's current practice. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The Company is currently evaluating the effect that SOP 98-5 will have on the Company's consolidated financial statements upon adoption. The Company does not expect the adoption of either SOP 98-1 or SOP 98-5 to have a material effect on the Company's consolidated financial statements.

2. Inventories

Inventories were composed of the following at:

	July 31, 1998	August 1, 1997
Retail	$72,682	$58,199
Restaurant	13,997	11,214
Supplies	4,930	3,856
Total	$91,609	$73,269

3. Short-term Investments

The Company had no held-to-maturity securities at July 31, 1998.

The amortized costs and fair values of held-to-maturity securities at August 1, 1997 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and U.S. Government Agencies	$ 501	--	--	$ 501
Corporate debt securities	603	$ 5	--	608
Other securities	562	128	--	690
Short-term investments	$1,666	$133	--	$1,799

4. Debt

Long-term debt consisted of the following at:

	July 31, 1998	August 1, 1997
6.36% Term Loan payable on or before December 1, 2001	$50,000	$50,000
9.53% Senior Notes Payable in annual installments of varying amounts from January 15, 1994 to January 15, 2002, with a final installment of $2,000 due January 15, 2003	12,000	$15,500
Less current maturities	2,500	3,500
Long-term debt	$59,500	$62,000

====== =======

The financial covenants related to the 6.36% Term Loan require that the Company maintain an interest coverage ratio of 3.0 to 1.0 and a lease adjusted funded debt to total capitalization ratio not to exceed 0.4 to 1.0.

The note agreements relating to the 9.53% Senior Notes placed in January 1991 in the original amount of $30,000 include, among other provisions, requirements that the Company maintain minimum tangible net worth of $70,000. The agreements also contain certain other restrictions related to the payment of cash dividends and the purchase of treasury stock. Retained earnings not restricted under the provisions of the agreements were approximately $462,400 at July 31, 1998.

Based on discounted cash flows of future payment streams, assuming rates equivalent to the Company's incremental borrowing rate on similar liabilities, the fair value of the 6.36% Term Loan and the 9.53% Senior Notes approximates carrying value as of July 31, 1998.

The Company has a revolving credit facility with a maximum principal amount of $75,000. No amounts were outstanding under the revolving credit facility at July 31, 1998.

At July 31, 1998 and August 1, 1997, the Company was in compliance with all covenants.

The aggregate maturities of long-term debt subsequent to July 31, 1998 are as follows:

Fiscal year	
1999	$ 2,500
2000	2,500
2001	3,000
2002	52,000
2003	2,000
Total	$62,000

5. Common Stock

The Board of Directors granted certain executive officers hired in fiscal 1996 a total of 37,000 restricted shares which vest over five years. The Company's compensation expense for these restricted shares was $150, $150 and $144 in fiscal 1998, 1997 and 1996, respectively. The weighted average fair value of the restricted shares granted during fiscal 1996 was $20.27 per share.

6. Stock Option Plans

The Company's employee stock option plans are administered by the Stock Option Committee (the " Committee"). Members of the Committee are appointed by the Board of Directors and consist of members of the Board of Directors. The Committee is authorized to determine, at time periods within its discretion and subject to the direction of the Board, which key employees shall be granted options, the number of shares covered by the options granted to each, and within applicable limits, the terms and provisions relating to the exercise of such options.

The Committee is currently authorized to grant options to purchase an aggregate of 17,525,702 shares of the Company's common stock under all employee stock option plans. The option price per share under the employee stock option plans must be at least 100% of the fair market value of a share of the Company's common stock based on the closing price on the day preceding the day the option is granted. Options are generally exercisable each year on a cumulative basis at a rate of 33% of the total number of shares covered by the option beginning one year from the date of grant, expire ten years from the date of grant and are non-transferable. At July 31, 1998, there were 5,567,173 shares of unissued common stock reserved for issuance under the employee stock option plans.

In fiscal 1989, the Board of Directors adopted the 1989 Non-employee Plan ("Directors Plan") for non-employee directors. The stock options were granted with an exercise price equal to the fair market value of the Company's common stock as of the date of grant and expire one year from the retirement of the director from the board. An aggregate of 1,518,750 shares of the Company's common stock is authorized to be issued under this plan. Due to the overall plan limit, no shares have been granted under this plan since fiscal 1994.

Stock Options: A summary of the status of the Company's stock option plans for fiscal 1998, 1997 and 1996, and changes during those years is presented below:

(Shares in thousands)	1998		1997		1996	
Fixed Options	Shares	Weighted-Average Price	Shares	Weighted-Average Price	Shares	Weighted-Average Price
Outstanding at beginning of year	5,647	$21.90	5,342	$21.34	4,831	$20.63
Granted	1,601	31.00	1,297	22.80	1,449	19.35
Exercised	(1,146)	22.40	(464)	16.14	(602)	8.49
Forfeited or canceled	(286)	24.40	(528)	23.51	(336)	25.61
Outstanding at end of year	5,816	24.18	5,647	21.90	5,342	21.34
Options exercisable at year-end	3,453	21.76	3,751	22.13	3,749	21.81
Weighted-average fair value per share of options granted during the year		$12.89		$13.52		$11.18

The following table summarizes information about fixed stock options outstanding at July 31, 1998:

(Shares in thousands)

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 7/31/98	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 7/31/98	Weighted-Average Exercise Price
$ 5.38 - 10.00	321	1.59	$ 6.33	321	$ 6.33
10.01 - 20.00	1,060	5.86	18.14	839	17.89
20.01 - 30.00	2,915	6.24	24.79	2,293	25.33
30.01 - 32.00	1,520	9.16	31.01	--	--
$ 5.38 - 32.00	5,816	6.67	24.18	3,453	21.76

/TABLE

Had the fair value of options granted under these plans beginning in fiscal 1996 been recognized as compensation expense on a straight-line basis over the vesting period of the grant, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Net income:			
As reported	$104,136	$86,598	$63,515
Pro forma	95,442	76,767	61,001
Net earnings per share:			
As reported - diluted	1.65	1.41	1.04
Pro forma - diluted	1.51	1.25	1.00

The pro forma effect on net income for 1998, 1997 and 1996 is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1996.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 1998, 1997 and 1996: dividend yield of .1% for all years, expected volatility of 36, 35 and 36 percent, respectively; risk-free interest rate ranges of 5.8% to 6.0%, 6.3% to 6.7% and 5.3% to 6.3% and expected lives of five, six and six years, respectively.

The Company recognizes a tax deduction upon exercise of non-qualified stock options in an amount equal to the difference between the option price and the fair market value of the common stock. These tax benefits are credited to Additional Paid-In Capital.

7. Acquisition of wholly-owned subsidiary

On April 1, 1998, the Company acquired all of the capital stock of Carmine's Prime Meats, Inc. for cash of $2,500 and common stock of $10,500. The acquisition has been accounted for using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was $12,450 and has been recorded as goodwill, which is being amortized on a straight-line basis over its estimated useful life, 20 years. The amount of goodwill amortization in fiscal 1998 was $208.

The net purchase price was allocated as follows:

Current assets, other than cash acquired	$ 439
Property and equipment	117
Other assets	15
Goodwill	12,450
Liabilities assumed	635
Purchase price, net of cash received	$12,386

The operating results of this acquired business have been included in the consolidated statement of income from the date of the acquisition and proforma consolidation of the results of operations would not have been materially different from the reported amounts for fiscal 1996, 1997 and 1998. Such proforma amounts are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisition had been effective at the beginning of fiscal 1996.

8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's net deferred tax liability consisted of the following at:

	July 31, 1998	August 1, 1997
Deferred tax assets:		

Financial accruals without economic performance	$ 7,606	$ 6,328
Other	2,487	2,727
Deferred tax assets	10,093	9,055
Deferred tax liabilities:		
Excess tax depreciation over book	24,575	17,068
Other	10,107	10,563
Deferred tax liabilities	34,682	27,631
Net deferred tax liability	$24,589	$18,576

The Company provided no valuation allowance against deferred tax assets recorded as of July 31, 1998 and August 1, 1997, as the "more-likely-than-not" valuation method determined all deferred assets to be fully realizable in future taxable periods.

The components of the provision for income taxes for each of the three fiscal years were as follows:

	1998	1997	1996
Current:			
Federal	$48,224	$30,398	$34,965
State	6,357	4,956	5,878
Deferred	6,013	15,505	(1,978)
Total income tax provision	$60,594	$50,859	$38,865

A reconciliation of the provision for income taxes as reported and the amount computed by multiplying the income before the provision for income taxes by the U.S. federal statutory rate of 35% was as follows:

	1998	1997	1996
Provision computed at federal statutory income tax rate	$57,655	$48,110	$35,833
State and local income taxes, net of federal benefit	3,212	3,753	4,126
Jobs credit	(172)	(195)	(33)
Employer tax credits for FICA taxes paid on tip income	(1,711)	(1,403)	(1,328)
Other-net	1,610	594	267
Total income tax provision	$60,594	$50,859	$38,865

9. Segment Information

The Company operates stores which provide a combination of restaurant and retail services to the public. The Company considers this combination of services to be one industry segment.

10. Commitments and Contingencies

The Company has been involved in various legal matters during fiscal 1998 which arose in the ordinary course of business and are being defended and handled in the ordinary course of business. While the ultimate results of such matters cannot be determined or predicted, management does not believe that they will have a material adverse effect on the Company's consolidated financial statements.

The Company maintains insurance coverage for various aspects of its business and operations. The Company has elected, however, to retain a portion of losses that occur through the use of various deductibles, limits and retentions under its insurance programs. This situation may subject the Company to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts.

The Company operates seventeen stores from leased facilities and also leases certain land and advertising billboards. These leases have been classified as either capital or operating leases in accordance with the criteria contained in SFAS No. 13, "Accounting for Leases." The interest rates for capital leases vary from 10% to 17%. Amortization of capital leases is included with depreciation expense. A majority of the Company's lease agreements provide for renewal options and some of these options contain escalation clauses. Certain store leases provide for contingent lease payments based upon sales volume in excess of specified minimum levels.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the minimum lease payments as of July 31, 1998:

Fiscal year	
1999	$ 371
2000	371
2001	303
2002	197
2003	147
Later years	547
Total minimum lease payments	1,936
Less amount representing interest	634
Present value of minimum lease payments	1,302
Less current portion	200
Long-term portion of capital lease obligations	$1,102

The following is a schedule by years of the future minimum rental payments required under noncancelable operating leases as of July 31, 1998:

Fiscal year	
1999	$15,766
2000	4,715
2001	2,424
2002	1,880
2003	1,268
Later years	8,754
Total	$34,807

Rent expense under operating leases for each of the three fiscal years was:

	Minimum	Contingent	Total
1998	$16,299	$779	$17,078
1997	14,163	787	14,950
1996	12,134	764	12,898

11. Employee Savings Plan

The Company has an employee savings plan, which provides for retirement benefits for eligible employees. The plan is funded by elective employee contributions up to 16% of their compensation and the Company matches 25% of employee contributions for each participant up to 6% of the employee's compensation. The Company contributed $1,250, $1,188 and $864 for fiscal 1998, 1997 and 1996, respectively.

12. Quarterly Financial Data (Unaudited)

Quarterly financial data for fiscal 1998 and 1997 are summarized as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1998				
Net sales	$312,755	$321,790	$317,364	$365,195
Gross profit on sales	206,264	205,154	209,942	245,624
Income before income taxes	37,553	32,080	39,154	55,943
Net income	23,733	20,274	24,745	35,384
Net earnings per share - diluted	.38	.32	.39	.56
1997				
Net sales	$258,902	$267,854	$275,062	$322,033
Gross profit on sales	169,587	170,282	182,615	213,664
Income before income taxes	30,403	25,459	32,672	48,923
Net income	18,850	15,988	20,518	31,242
Net earnings per share - diluted	.31	.26	.33	.51

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cracker Barrel Old Country Store, Inc.:

We have audited the accompanying consolidated balance sheet of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 31, 1998 and August 1, 1997, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three fiscal years in the period ended July 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted accounting standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at July 31, 1998 and August 1, 1997, and the results of its operations and its cash flows for each of the three fiscal years in the period ended July 31, 1998 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP
Nashville, Tennessee
September 9, 1998

EXHIBIT 21

Subsidiaries of the Registrant

The following is a list of the significant subsidiaries of the Registrant as of July 31, 1998, all of which are wholly-owned:

Parent	State of Incorporation
Cracker Barrel Old Country Store, Inc.	Tennessee

Subsidiaries

CBOCS Distribution, Inc.	Tennessee
CBOCS Limited Partnership	Michigan
CBOCS Michigan, Inc.	Michigan
CBOCS West, Inc.	Nevada
Rocking Chair, Inc.	Nevada

Exhibit 23.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-86602, 33-15775, 33-37567, 33-45482 and 333-01465 of Cracker Barrel Old Country Store, Inc. on Form S-8 and Registration Statement No. 33-59582 on Form S-3 of our report dated September 9, 1998, incorporated by reference in the Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc. for the year ended July 31, 1998.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Nashville, Tennessee
October 21, 1998

5

This schedule contains summary financial information extracted from the consolidated financial statement of Cracker Barrel Old Country Store, Inc. and subsidiaries for the year ended July 31, 1998 and is qualified in its entirety by reference to such consolidated financial statements.

1000

YEAR
JUL-31-1998
AUG-2-1997
JUL-31-1998
62,593
0
5,192
0
91,609
164,826
994,360
182,039
992,108
104,022
59,500
0
0
31,240
772,134
992,108
1,317,104
1,317,104
450,120
638,219
63,856
0
3,026
164,730
60,594
104,136
0
0
0
104,136
1.68
1.65