

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended July 30, 2010

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-25225

Cracker Barrel Old Country Store, Inc.  
(Exact name of registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of  
incorporation or organization)

62-1749513  
(I.R.S. Employer  
Identification Number)

305 Hartmann Drive, P.O. Box 787  
Lebanon, Tennessee  
(Address of principal executive offices)

37088-0787  
(Zip code)

Registrant's telephone number, including area code: (615) 444-5533

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

Title of each class  
Common Stock (Par Value \$.01)

Name of each exchange on which registered  
NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

---

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

The aggregate market value of voting stock held by nonaffiliates of the registrant as of January 29, 2010 (the last business day of the registrant's most recently completed second fiscal quarter) was \$826,981,332.

As of September 21, 2010, there were 22,755,016 shares of common stock outstanding.

Documents Incorporated by Reference

Document from which Portions  
are Incorporated by Reference

Part of Form 10-K  
into which incorporated

- |    |  |                         |
|----|--|-------------------------|
| 1. | Annual Report to Shareholders for the fiscal year ended July 30, 2010, portions of which are filed as Exhibit 13 to this Annual Report on Form 10-K (the "2010 Annual Report") | Part 1, Item 3; Part II |
| 2. | Proxy Statement for Annual Meeting of Shareholders to be held December 1, 2010 (the "2010 Proxy Statement")  | Part III                |

**PART I**

PAGE

ITEM 1.	BUSINESS	6
ITEM 1A.	RISK FACTORS	11
ITEM 1B.	UNRESOLVED STAFF COMMENTS	21
ITEM 2.	PROPERTIES	21
ITEM 3.	LEGAL PROCEEDINGS	21
	EXECUTIVE OFFICERS OF THE REGISTRANT	22

**PART II**

ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	24
ITEM 6.	SELECTED FINANCIAL DATA	24
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	25
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	25

ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	25
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	25
ITEM 9A.	CONTROLS AND PROCEDURES	25
ITEM 9B.	OTHER INFORMATION	26

**PART III**

ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	27
ITEM 11.	EXECUTIVE COMPENSATION	27
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	27
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	27
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	27

**PART IV**

ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	28
----------	---	----

SIGNATURES		29
------------	--	----

EXHIBIT INDEX		30
---------------	--	----

## General

This report contains references to years 2010, 2009, 2008, 2007 and 2006, which represent our fiscal years ended July 30, 2010, July 31, 2009, August 1, 2008, August 3, 2007 and July 28, 2006, respectively. All of the discussion in this report should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto. All amounts other than share and certain statistical information (e.g., number of stores) are in thousands unless the context clearly indicates otherwise. References to a year or quarter are to our fiscal year or quarter unless otherwise noted.

## Forward Looking Statements/Risk Factors

Except for specific historical information, many of the matters discussed in this Annual Report on Form 10-K, as well as other documents incorporated herein by reference may express or imply projections of items such as revenues or expenditures, estimated capital expenditures, compliance with debt covenants, plans and objectives for future operations, store economics, inventory shrinkage, growth or initiatives, expected future economic performance or the expected outcome or impact of pending or threatened litigation. These and similar statements regarding events or results that Cracker Barrel Old Country Store, Inc. (the "Company") expects will or may occur in the future, are forward-looking statements that, by their nature, involve risks, uncertainties and other factors which may cause our actual results and performance to differ materially from those expressed or implied by those statements. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these risks, uncertainties and other factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "trends," "assumptions," "target," "guidance," "outlook," "opportunity," "future," "plans," "goals," "objectives," "expectations," "near-term," "long-term," "projection," "may," "will," "would," "could," "expect," "intend," "estimate," "anticipate," "believe," "potential," "regular," "should," "projects," "forecasts" or "continue" (or the negative or other derivatives of each of these terms) or similar terminology. We believe the assumptions underlying any forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in or implied by the forward-looking statements. In addition to the risks of ordinary business operations, and those discussed or described in this report or in information incorporated by reference into this report, factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to, those contained in Part I, Item 1A of this report below, as well as the factors described under "Critical Accounting Estimates" in that portion of the 2010 Annual Report that is incorporated by reference into Part II, Item 7 below or, from time to time, in our filings with the Securities and Exchange Commission ("SEC"), press releases and other communications.

*Readers are cautioned not to place undue reliance on forward-looking statements made in this report, since the statements speak only as of the report's date. Except as may be required by law, we have no obligation, and do not intend, to publicly update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any future public disclosures that we may make on related subjects in reports that we file with or furnish to the SEC or in our other public disclosures.*

## ITEM 1. BUSINESS

## OVERVIEW

Cracker Barrel Old Country Store, Inc. ("we," "us," "our" or the "Company," which reference, unless the context requires otherwise, also includes our direct and indirect wholly-owned subsidiaries), is principally engaged in the operation and development of the Cracker Barrel Old Country Store® restaurant and retail concept ("Cracker Barrel"). We are headquartered in Lebanon, Tennessee and were organized under the laws of the state of Tennessee in August 1998 (as a successor to one of our affiliated companies). We maintain an Internet website at crackerbarrel.com. We make available free of charge on or through our Internet website our periodic and other reports filed or furnished to the SEC pursuant to the Securities and Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after we file such material with, or furnish it to, the SEC.

## OPERATIONS

As of September 21, 2010, we operated 595 full-service restaurants and gift shops in 41 states. None of our stores is franchised. Our stores are intended to appeal to both the traveler and the local customer and consistently have been a consumer favorite. We often are recognized for the quality of our operations. For example, in 2010, we were named for the 9<sup>th</sup> consecutive year, "The Most RV Friendly Sit-Down Restaurant in America" by The Good Sam Club. In an independent consumer study, "Consumer Brand Metrics Program," conducted by Technomic, Inc. in 2010, we were rated at the top of the full service restaurants in the casual and family dining categories. In that same study, we were rated the best in three categories – Overall Attributes and Attitudes, Appearance and Ambiance and Convenience and Takeout. We were recognized in Zagat's 2010 consumer survey as having the best breakfast at a full-service restaurant. In another study by a nationally recognized research firm, we were ranked as number one in family dining in all five of the ten markets surveyed in which we have a meaningful presence. Additionally, prior to the Restaurants & Institutions magazine discontinuing its operations in 2010, we had been named the "Best Family Dining Restaurant" for 19 consecutive years.

**Store Format:** The format of our stores consists of a trademarked rustic, old country-store design with a separate retail area offering a wide variety of decorative and functional items featuring rocking chairs, holiday and seasonal gifts and toys, apparel, cookware and foods, including various old fashioned candies and jellies. All stores are freestanding buildings. Store interiors are subdivided into a dining room consisting of approximately 27% of the total interior store space, and a retail shop consisting of approximately 23% of such space, with the balance primarily consisting of kitchen, storage and training areas. All stores have stone fireplaces. All are decorated with antique-style furnishings and other authentic and nostalgic items, reminiscent of and similar to those found and sold in the past in traditional old country stores. The front porch of each store features rows of the signature Cracker Barrel rocking chairs that can be used by guests waiting for a table and are sold by the retail shop. The kitchens contain modern food preparation and storage equipment allowing for flexibility in menu variety and development.

**Products:** Our restaurant operations, which generated approximately 80% of our total revenue in 2010, offer home-style country cooking featuring many of our own recipes that emphasize authenticity and quality. Except for Christmas day, when they are closed, and Christmas Eve when they close at 2:00 p.m., our restaurants serve breakfast, lunch and dinner daily between the hours of 6:00 a.m. and 10:00 p.m. (closing at 11:00 p.m. on Fridays and Saturdays). Menu items are moderately priced. The restaurants do not serve alcoholic beverages. 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, such as gravy and biscuits and country ham and biscuits. Prices for a breakfast meal range from \$2.99 to \$8.99, and the breakfast day-part (until 11:00 a.m.) accounted for approximately 23% of restaurant sales in 2010. Lunch and dinner items include country ham, chicken and dumplings, chicken fried chicken, meatloaf, country fried steak, pork chops, fish, steak, roast beef, vegetable plates, salads, sandwiches, soups and specialty items such as pinto beans and turnip greens. Lunches and dinners range in price from \$3.99 to \$13.49. Lunch (11:00 a.m. to 4:00 p.m.) and dinner (4:00 p.m. to close) day-parts reflected approximately 38% and 39% of restaurant sales, respectively, in 2010. We may from time to time feature new items as off-menu specials or in test menus at certain locations to evaluate possible ways to enhance customer interest and identify potential future additions to the menu. Our menu has daily dinner features that showcase a popular dinner entree for each day of the week. There is some variation in menu pricing and content in different regions of the country for both breakfast and lunch/dinner. The average check per guest during 2010 was \$9.02, which represents a 2.0% increase over the prior year.

We also offer items for sale in the retail store that are featured on, or related to, the restaurant menu, such as pies, cornbread mix, coffee, syrups and pancake mixes. The retail operations, which generated approximately 20% of our total revenue in 2010, offer a wide variety of decorative and functional items such as rocking chairs, seasonal gifts, apparel, toys, music CD's, cookware, old-fashioned-looking ceramics, figurines, a book-on-audio sale-and-exchange program and various other gift items, as well as various candies, preserves and other food items. Five categories (apparel, food, home, seasonal and toys) accounted for the largest shares of our retail sales at approximately 20%, 18%, 16%, 15% and 13%, respectively, in 2010. Our typical retail shop features approximately 3,100 stock keeping units ("SKU's"). Many of the food items are sold under the "Cracker Barrel Old Country Store" brand name. We believe that we achieve high retail sales per square foot of retail selling space (approximately \$396 in 2010) as compared to mall stores both by offering appealing merchandise and by having a significant source of retail customers from the high volume of restaurant customers - an average of approximately 6,900 per week in a typical store in 2010. The substantial majority of sales in the retail area are estimated to be to customers who also are guests in the restaurant.

**Product Development and Merchandising:** We maintain a product development department, which develops new and improved menu items in response either to shifts in customer preferences or to create customer interest. We utilize a formal development process to ensure products brought to market have a greater likelihood of meeting our goals. Our restaurant seasonal events are designed to provide new offerings to our customer base and to increase guest traffic. Our merchandising department selects and develops products for our retail shop. We are focused on driving sales by increasing the number of retail customers who are also restaurant guests. We follow a core and seasonal theme approach to meet the expectations of our guests while also providing new offerings to maintain high purchase levels. Our music program serves to deliver sales, provide a promotional platform for us and deepen and extend our country association. Our newest additions to our exclusive music program include George Jones, Zac Brown, Alan Jackson and Wynonna Judd. In addition to country music, we released an album with bluegrass duo, Daily & Vincent, which topped the Billboard charts for nine weeks in the number one position.

**Store Management and Quality Controls:** Our store management, typically consisting, at each store, of one general manager, four associate managers and one retail manager, is responsible for an average of 103 employees on two shifts. The relative complexity of operating one of our stores requires an effective management team at the individual store level. To motivate store managers to improve sales and operational performance, we maintain a bonus plan designed to provide store managers with an opportunity to share in the profits of their store. The bonus plan also rewards managers who achieve specific operational targets. We also employ district managers to support individual store managers and regional vice presidents to support individual district managers. A district manager's individual span of control typically is seven to eight individual restaurants and regional vice presidents support seven to nine district managers. Each store is assigned to both a restaurant and a retail district manager and each district is assigned to both a restaurant and a retail regional vice president. The various levels of restaurant and retail management work closely together.

To ensure that individual stores are operated at a high level of quality, we focus on the selection and training of store managers. The store management recruiting and training program begins with an evaluation and screening process. In addition to multiple interviews and verification of background and experience, we conduct testing designed to identify those applicants most likely to be best suited to manage store operations. Those candidates who successfully pass this screening process are then required to complete a 10-week training program consisting of six weeks of in-store training and four weeks of training at our corporate facilities. This program allows new managers the opportunity to become familiar with our operations, culture, management objectives, controls and evaluation criteria before assuming management responsibility. We provide our managers and hourly employees with ongoing training through various development courses taught through a blended learning approach, including hands-on, classroom, written and Internet-based training. Each store is equipped with training computers for the Internet-based computer-assisted instruction programs. Additionally, each store typically has an employee training coordinator who oversees training of the store's hourly employees.

**Purchasing and Distribution:** We negotiate directly with food vendors as to specification, price and other material terms of most food purchases. We have a contract with an unaffiliated distributor with custom distribution centers in Lebanon, Tennessee; McKinney, Texas; Gainesville, Florida; Elkton, Maryland; Kendallville, Indiana; and Ft. Mill, South Carolina. We purchase the majority of our food products and restaurant supplies on a cost-plus basis through this unaffiliated distributor. The distributor is responsible for placing food orders, warehousing and delivering food products to our stores. Deliveries generally are made once per week to the individual stores.

Four food categories (dairy (including eggs), beef, poultry and pork) accounted for the largest shares of our food purchasing expense at approximately 13%, 12%, 11% and 10%, respectively, in 2010, but each category includes several individual items. The single food item within these categories that accounted for the largest share of our food purchasing expense was chicken tenderloin at approximately 6% of food purchases in 2010. We purchase our chicken tenderloin through two vendors. Dairy is purchased through numerous vendors including local vendors. Eggs are purchased through two vendors. We purchase our beef, poultry and pork each through eight vendors. Should any food items from a particular vendor become unavailable, we believe that these food items could be obtained, or alternative products substituted, in sufficient quantities from other sources at competitive prices.

We purchase the majority of retail items (approximately 81% in 2010) directly from domestic and international vendors and warehouse them at a retail distribution center in Lebanon, which we lease. The distribution center is an approximately 370,000 square foot warehouse facility with 36 foot ceilings and 170 bays and includes an additional approximate 14,000 square feet of office and maintenance space. The distribution center fulfills retail item orders generated by our automated replenishment system and generally ships the retail orders once a week to the individual stores by a third-party dedicated freight line. Certain retail items, not centrally purchased and warehoused at the distribution center, are drop-shipped directly by our vendors to our stores. Approximately 39% of our 2010 retail purchases were directly from vendors in the People's Republic of China. We have relationships with foreign buying agencies to source purchased product, monitor quality control and supplement product development.

**Operational and Inventory Controls:** Our information technology and telecommunications systems and various analytical tools are used to evaluate store operating information and provide management with reports to support detection of unusual variances in food costs, labor costs or operating expenses. Management also monitors individual store restaurant and retail sales on a daily basis and closely monitors sales mix, sales trends, operational costs and inventory levels. The information generated by the information technology and telecommunication systems, analysis tools and monitoring processes are used to manage the operations of each store, replenish retail inventory levels and to facilitate retail purchasing decisions. These systems and processes are also used in the development of forecasts, budget analyses and planning.

**Guest Satisfaction:** We are committed to providing our guests a home-style, country-cooked meal, and a variety of retail merchandise served and sold with genuine hospitality in a comfortable environment, in a way that evokes memories of the past. Our commitment to offering guests a quality experience begins with our employees. Our mission statement, "Pleasing People," embraces guests and employees alike, and our employees are trained on the importance of that mission in a culture of mutual respect. We also are committed to staffing each store with an experienced management team to ensure attentive guest service and consistent food quality. Through the regular use of guest surveys and store visits by district managers and regional vice presidents, management receives valuable feedback that is used in our ongoing efforts to improve the stores and to demonstrate our continuing commitment to pleasing our guests. We have a guest-relations call center that takes comments and suggestions from guests and forwards them to operations or other management for information and follow up. We use an interactive voice response ("IVR") system to monitor operational performance and guest satisfaction at all stores on an ongoing basis. We have public notices in our menus, on our website and posted in our restaurants informing customers and employees about how to contact us by Internet or toll-free telephone number with questions, complaints or concerns regarding services or products. We conduct training in how to gather information and investigate and resolve customer concerns. This is accompanied by comprehensive training for all store employees on our public accommodations policy and commitment to "pleasing people."

**Marketing:** Outdoor advertising (i.e., billboards and state department of transportation signs) is the primary advertising medium utilized to reach our guests. Outdoor advertising accounted for approximately 59% of advertising expenditures in 2010, with our having approximately 1,600 billboards at year-end. Recently, however, we have increasingly utilized other types of media, such as television, radio and print, in our core markets to maintain customer awareness, and outside of our core markets to increase brand awareness and to build guest loyalty. We define core markets based on average weekly sales, geographic location, and longevity and brand awareness in the market. In 2011, we plan to spend approximately 2.0% of our revenues on advertising. Outdoor advertising is expected to represent approximately 59% of advertising expenditures in 2011.



## STORE DEVELOPMENT

We opened six new stores in 2010. We plan to open eleven new stores during 2011, two of which were open as of September 21, 2010.

Our stores are located primarily along interstate highways; however, as of September 21, 2010, 90 of our stores are located near "tourist destinations" or are considered "off-interstate" stores. In 2011, we intend to open seven of our new stores along interstate highways as compared to two in 2010. We believe we should pursue development of both interstate locations and off-interstate locations to capitalize on the strength of our brand associated with travelers on the interstate highway system and to increase sales through television and/or radio advertising by having more stores in media markets in which satisfactory interstate locations either may not be available or not available on reasonable terms. We have identified approximately 500 trade areas for potential future development with characteristics that appear to be consistent with those believed to be necessary to support successful stores.

Of the 595 stores open as of September 21, 2010, we own the land and buildings for 400, while the other 195 properties are either ground leases or ground and building leases. Our store prototypes range in size from approximately 8,900 square feet to approximately 10,000 square feet including approximately 2,100 square feet of retail selling space and have seating for 177 to 207 guests.

Our capital investment in new stores may differ in the future due to building design specifications, site location and site characteristics. Land costs are expected to range from \$800 to \$1,000 per site if purchased. Building, furniture and equipment costs are expected to be in the range of \$2,300 to \$2,900 per store. Pre-opening costs are expected to be approximately \$350 to \$400 per store.

## EMPLOYEES

As of July 30, 2010, we employed approximately 67,000 people, of whom 542 were in advisory and supervisory capacities, 3,445 were in store management positions and 44 were officers. Many restaurant personnel are employed on a part-time basis. None of our employees are represented by any union and management considers its employee relations to be good.

## COMPETITION

The restaurant industry is intensely competitive with respect to the type and quality of food, price, service, location, personnel, concept, attractiveness of facilities and effectiveness of advertising and marketing. We compete with a number of national and regional restaurant chains, some of which have greater resources than us, as well as locally owned restaurants. The restaurant business is often affected by changes in consumer taste; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants; and consumers' discretionary purchasing power. In addition, factors such as inflation, increased food, labor and benefits costs and the lack of experienced management and hourly employees may adversely affect the restaurant industry in general and our restaurants in particular.

## RAW MATERIALS SOURCES AND AVAILABILITY

Essential restaurant supplies and raw materials are generally available from several sources. However, in the restaurants, certain branded items are single source products or product lines. Generally, we are not dependent upon single sources of supplies or raw materials. Our ability to maintain consistent quality throughout our restaurant system depends in part upon our ability to acquire food products and related items from reliable sources. When the supply of certain products is uncertain or prices are expected to rise significantly, we may enter into purchase contracts or purchase bulk quantities for future use.

Adequate alternative sources of supply, as well as the ability to adjust menus if needed, are believed to exist for substantially all restaurant products. Our retail supply chain generally involves longer lead-times and, often, more remote sources of product, including the People's Republic of China, and most of our retail product is distributed to our stores through a single distribution center. Although disruption of our retail supply chain could be difficult to overcome, we continuously evaluate the potential for disruptions and ways to mitigate them should they occur.

#### ENVIRONMENTAL MATTERS

Federal, state and local environmental laws and regulations have not historically had a significant impact on our operations; however, we cannot predict the effect of possible future environmental legislation of regulations on our operations.

#### TRADEMARKS

We deem the various Cracker Barrel trademarks and service marks that we own to be of substantial value. Our policy is to obtain federal registration of trademarks and other intellectual property whenever possible and to pursue vigorously any infringement of our trademarks.

#### RESEARCH AND DEVELOPMENT

While research and development is important to us, these expenditures have not been material due to the nature of the restaurant and retail industries.

#### SEASONAL ASPECTS

Historically, our profits have been lower in the first and third quarters and higher in the second and fourth quarters. We attribute these variations primarily to the Christmas holiday shopping season and the summer vacation and travel season. Our retail sales, which are made substantially to our restaurant customers, historically have been highest in our second quarter, which includes the Christmas holiday shopping season. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby contributing to higher profits in the Company's fourth quarter. We also generally open additional new stores throughout the year. Therefore, the results of operations for any interim period cannot be considered indicative of the operating results for an entire year.

#### WORKING CAPITAL

In the restaurant industry, substantially all sales are either for cash or third-party credit card. Therefore, like many other restaurant companies, we are able to, and often do operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while restaurant inventories purchased locally generally are financed through normal trade credit. Because of our retail operations, which have a lower product turnover than the restaurant business, we carry larger inventories than many other companies in the restaurant industry. Retail inventories purchased domestically generally are financed from normal trade credit, while imported retail inventories generally are purchased through wire transfers. These various trade terms are aided by rapid product turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears of hours worked, and certain expenses such as certain taxes and some benefits are deferred for longer periods of time. Many other operating expenses have normal trade terms.

## ITEM 1A. RISK FACTORS

*Investing in our securities involves a degree of risk. Persons buying our securities should carefully consider the risks described below and the other information contained in this Annual Report on Form 10-K and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. If any of the following risks actually occurs, our business, financial condition, results of operation or cash flows could be materially adversely affected. In any such case, the trading price of our securities could decline and you could lose all or part of your investment.*

**General economic, business and societal conditions as well as those specific to the restaurant or retail industries that are largely out of our control may adversely affect our results of operations.**

Our business results depend on a number of industry-specific and general economic factors, many of which are beyond our control. These factors include consumer income, interest rates, inflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends and other matters that influence consumer confidence and spending. The full-service dining sector of the restaurant industry and the retail industry are affected by changes in national, regional and local economic conditions, seasonal fluctuation of sales volumes, consumer preferences, including changes in consumer tastes and dietary habits and the level of consumer acceptance of our restaurant concept and retail merchandise, and consumer spending patterns.

Discretionary consumer spending, which is critical to our success, is influenced by general economic conditions and the availability of discretionary income. A continued or further slowdown in the economy or other economic conditions affecting disposable consumer income, such as unemployment levels, inflation, business conditions, fuel and other energy costs, consumer debt levels, lack of available credit, consumer confidence, interest rates, tax rates and changes in tax laws, may adversely affect our business by reducing overall consumer spending or by causing customers to shift their spending to our competitors or to products sold by us that are less profitable than other product choices, all of which could result in lower revenues, decreases in inventory turnover, greater markdowns on inventory, and a reduction in profit ability due to lower margins.

In addition, many of the factors discussed above, along with the current economic environment and the related impact on available credit, may affect us and our suppliers and other business partners, landlords, and customers in an adverse manner including, but not limited to, reducing access to liquid funds or credit (including through the loss of one or more financial institutions that are a part of our revolving credit facility), increasing the cost of credit, limiting our ability to manage interest rate risk, increasing the risk of bankruptcy of our suppliers, landlords or counterparties to or other financial institutions involved in our credit facilities and our derivative and other contracts, increasing the cost of goods to us, and other adverse consequences which we are unable to fully anticipate.

We also cannot predict the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against any foreign state or group located in a foreign state or heightened security requirements on the economy or consumer confidence in the United States. Any of these events could also affect consumer sentiment and confidence that in turn affect consumer spending patterns or result in increased costs for us due to security measures.

Unfavorable changes in the factors described above or in other business and economic conditions affecting our customers could increase our costs, reduce traffic in some or all of our locations or impose practical limits on pricing, any of which could lower our profit margins and have a material adverse affect on our financial condition and results of operations.

There can be no assurance that the economic conditions that have adversely affected the restaurant and retail industries, and the capital, credit and real estate markets generally or us in particular, will improve, or even remain static, in 2011, or thereafter, in which case we could experience declines in revenues and profits, and could face capital and liquidity constraints or other business challenges.

***We face intense competition, and if we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.***

The casual dining sector of the restaurant industry is intensely competitive, and we face many well-established competitors. We compete within each market with national and regional restaurant chains and locally-owned restaurants. Competition from other regional or national restaurant chains typically represents the more important competitive influence, principally because of their significant marketing and financial resources. However, we also face growing competition as a result of the trend toward convergence in grocery, deli and restaurant services, particularly in the supermarket industry. Moreover, our competitors can harm our business even if they are not successful in their own operations by taking away customers or employees through aggressive and costly advertising, promotions or hiring practices. We compete primarily on the quality, variety and value perception of menu and retail items. The number and location of restaurants, type of concept, quality and efficiency of service, attractiveness of facilities and effectiveness of advertising and marketing programs also are important factors. We anticipate that intense competition will continue with respect to all of these factors. We also compete with other restaurant chains and other retail businesses for quality site locations, management and hourly employees, and competitive pressures could affect both the availability and cost of these important resources. If we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

***The price and availability of food, ingredients, merchandise and utilities used by our restaurants or merchandise sold in our retail shop could adversely affect our revenues and results of operations.***

Although we are subject to the general risks of inflation, our operating profit margins and results of operations depend significantly on our ability to anticipate and react to changes in the price and availability of food and other commodities, ingredients, retail merchandise, utilities and other related costs over which we have little control. Fluctuations in economic conditions, weather, demand and other factors affect the availability, quality and cost of the ingredients and products that we buy. Some climatologists predict that the long-term effects of climate change may result in more severe, volatile weather and greater volatility in product supply and price. Furthermore, many of the products that we use and their costs are interrelated. The emergence of China as a major consumer of food products has placed tremendous demands (with attendant supply and price pressures) for corn, wheat and dairy products, which in turn has increased feed costs for poultry and livestock. The effect of, introduction of, or changes to tariffs or exchange rates on imported retail products or food products could increase our costs and possibly affect the supply of those products. Our operating margins are also affected, whether as a result of general inflation or otherwise, by fluctuations in the price of utilities such as natural gas and electricity, on which our locations depend for much of their energy supply. Our inability to anticipate and respond effectively to one or more adverse changes in any of these factors could have a significant adverse effect on our results of operations. In addition, because we provide a moderately-priced product, we may not seek to or be able to pass along price increases to our customers sufficient to completely offset cost increases.

***We are dependent on attracting and retaining qualified employees while also controlling labor costs.***

Our performance is dependent on attracting and retaining a large and growing number of qualified restaurant employees. Availability of staff varies widely from location to location. Many staff members are in entry-level or part-time positions, typically with high rates of turnover. Even though recent trends in employee turnover have been favorable, if restaurant management and staff turnover were to increase, we could suffer higher direct costs associated with recruiting, training and retaining replacement personnel. Management turnover as well as general shortages in the labor pool can cause our restaurants to be operated with reduced staff, which negatively affects our ability to provide appropriate service levels to our customers. Competition for qualified employees exerts upward pressure on wages paid to attract such personnel, resulting in higher labor costs, together with greater recruiting and training expenses.

Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, minimum wage legislation, health care legislation and changing demographics. Many of our employees are hourly workers whose wages are affected by increases in the federal or state minimum wage or changes to tip credits. Tip credits are the amounts an employer is permitted to assume an employee receives in tips when the employer calculates the employee's hourly wage for minimum wage compliance purposes. Increases in minimum wage levels and changes to the tip credit have been made and continue to be proposed at both federal and state levels. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. If competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline.

***Our risks are heightened because of our single retail distribution facility; in addition, our reliance on certain significant vendors, particularly for foreign-sourced retail products, subjects us to numerous risks, including possible interruptions in supply, which could adversely affect our business.***

The majority of our retail inventory is shipped into, stored at and shipped out of a single warehouse located in Lebanon, TN. All of the decorative fixtures used in our stores are shipped into, stored at and shipped out of a single warehouse located in Lebanon, TN. A natural disaster affecting either of these warehouses could materially adversely affect our business.

Our ability to maintain consistent quality throughout our operations depends in part upon our ability to acquire specified food and retail products and supplies in sufficient quantities. Partly because of our size, finding qualified vendors and accessing food, retail products, supplies and certain out-sourced services in a timely and efficient manner is a significant challenge that typically is more difficult with respect to goods or services sourced outside the United States. In some cases, we may have only one supplier for a product or service. Our dependence on single source suppliers subjects us to the possible risks of shortages, interruptions and price fluctuations, and possible litigation when we change vendors because of performance issues. The economic slowdown is putting significant pressure on suppliers, with some facing financial distress but most facing the need to rebuild profitability, all of which tends to make the supply environment more expensive. If any of these vendors are unable to fulfill their obligations, or if we are unable to find replacement suppliers in the event of a supply disruption, we could encounter supply shortages and/or incur higher costs to secure adequate supplies, either of which could materially harm our business.

Additionally, we use a number of products that are or may be manufactured in a number of foreign countries. In addition to the risk presented by the possible long lead times to source these products, our results of operations may be materially affected by risks such as:

- fluctuating currency exchange rates;
- foreign government regulations;
- foreign currency exchange control regulations;
- import/export restrictions and product testing regulations;
- foreign political and economic instability;
- disruptions due to labor stoppages, strikes or slowdowns, or other disruptions, involving our vendors or the transportation and handling industries; and
- tariffs, trade barriers and other trade restrictions by the U.S. government on products or components shipped from foreign sources.

Possible shortages or interruptions in the supply of food items and other supplies to our restaurants caused by inclement weather, natural disasters such as floods and earthquakes, the inability of our vendors to obtain credit in a tightened credit market or other conditions beyond our control could adversely affect the availability, quality and cost of the items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products that are critical to our restaurant operations. If we temporarily close a restaurant or remove popular items from a restaurant's menu, that restaurant may experience a significant reduction in revenue during the time affected by the shortage or thereafter as a result of our customers changing their dining habits.

***Our plans depend significantly on initiatives designed to improve the efficiencies, costs and effectiveness of our operations, and failure to achieve or sustain these plans could affect our performance adversely.***

We have had, and expect to continue to have, initiatives in various stages of testing, evaluation and implementation, upon which we expect to rely to improve our results of operations and financial condition. Many of these initiatives are inherently risky and uncertain, even when tested successfully, in their application to our business in general. It is possible that successful testing can result partially from resources and attention that cannot be duplicated in broader implementation. Testing and general implementation also can be affected by other risk factors described herein that reduce the results expected. Successful system-wide implementation relies on consistency of training, stability of workforce, ease of execution and the absence of offsetting factors that can influence results adversely across hundreds of stores and involving tens of thousands of employees. Failure to achieve successful implementation of our initiatives could adversely affect our results of operations.

***We have substantial indebtedness, which may decrease our flexibility and increase our borrowing costs.***

Our consolidated indebtedness and our leverage ratio may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs.

Our level of indebtedness can have important consequences. For example, it may:

- require a substantial portion of our cash flow from operations for the payment of principal of, and interest on, our indebtedness and reduce our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements or to pay dividends; and
- limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors.

There are various financial covenants and other restrictions in our credit agreement. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity. A default under our credit agreement may also significantly affect our ability to obtain additional or alternative financing. For example, the lenders' ongoing obligation to extend credit under the revolving credit portion of the credit agreement is dependent upon our compliance with these covenants and restrictions.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. Our inability to refinance our indebtedness when necessary or to do so upon attractive terms would materially and adversely affect our liquidity and our ongoing results of operations.

***Our advertising is heavily dependent on billboards, which are highly regulated; a shift away from billboard advertising poses a risk of increased advertising and marketing costs that could adversely affect our results of operations.***

Historically, we have relied upon billboards as our principal method of advertising. A number of states in which we operate restrict highway signage and billboards. Because many of our restaurants are located on the interstate highway system, our business is highly related to highway travel. Thus, signage or billboard restrictions or loss of existing signage or billboards could affect our visibility and ability to attract customers.

Additionally, as we begin to build stores away from our traditional interstate locations, we may be required to increasingly utilize what others might consider more traditional methods of advertising, such as radio, television, direct mail, newspaper, and online and digital media. While we use these types of advertising from time to time, their effects upon our revenues and, in turn, our profits, are uncertain. Additionally, if our competitors increased their spending on advertising and promotions, we could be forced to substantially increase our advertising, media or marketing expenses. If we did so or if our current advertising and promotion programs become less effective, we could experience a material adverse effect on our results of operations.

***Our business is somewhat seasonal and also can be affected by extreme weather conditions and natural disasters.***

Historically, our highest sales and profits have occurred during the second and fourth quarters, which include the Christmas holiday shopping season and the summer vacation and travel season. Retail sales historically have been seasonally higher between Thanksgiving and Christmas. Therefore, the results of operations for any quarter or period of less than one year cannot be considered indicative of the operating results for an entire year.

Additionally, extreme weather conditions in the areas where our stores are located can adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rain storms, floods or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and can disrupt deliveries of food and supplies to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our retail inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect our business. These risks may be exacerbated in the future because some climatologists predict that the long-term effects of climate change may result in more severe, volatile weather.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our stores or warehouses located in the affected areas, thereby disrupting our business operations.

***If we fail to execute our business strategy, which includes our ability to find new restaurant locations and open new restaurants that are profitable, our business could suffer.***

Historically, a significant means of achieving our growth objectives has been opening and operating new and profitable restaurants. This strategy involves numerous risks, and we may not be able to achieve our growth objectives – that is we may not be able to open all of our planned new restaurants and the new restaurants that we open may not be profitable or as profitable as our existing restaurants. New restaurants typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly-opened restaurants generally do not make a significant contribution to profitability in their initial months of operation. The opening of new restaurants can also have an adverse effect on sales levels at existing restaurants.

A significant risk in executing our business strategy is locating and securing an adequate supply of suitable new restaurant sites. Competition for suitable restaurant sites and operating personnel in our target markets is intense, and we cannot assure you that we will be able to find sufficient suitable locations, or negotiate suitable purchase or lease terms, for our planned expansion in any future period. A general slowdown in commercial development activity has limited the availability of attractive sites for new stores, and we believe this slowdown will continue for an extended period of time. Delays or failures in opening new restaurants, or achieving lower than expected sales in new restaurants, or drawing a greater than expected proportion of sales in new restaurants from existing restaurants, could materially adversely affect our business strategy. Our ability to open new restaurants successfully will also depend on numerous other factors, some of which are beyond our control, including, among other items discussed in other risk factors, the following:

- our ability to control construction and development costs of new restaurants;
- our ability to manage the local, state or other regulatory, zoning and licensing processes in a timely manner;
- our ability to appropriately train employees and staff the restaurants;
- consumer acceptance of our restaurants in new markets;
- our ability to manage construction delays related to the opening of any facility; and
- our ability to secure required governmental approvals and permits in a timely manner, or at all.

We cannot assure you that we will be able to respond on a timely basis to all of the changing demands that our store expansion imposes on management and on our existing infrastructure, nor that we will be able to hire or retain the necessary management and operating personnel. Our existing restaurant management systems, financial and management controls and information systems may not be adequate to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel.

***Individual restaurant locations are affected by local conditions that could change and adversely affect the carrying value of those locations.***

The success of our business depends on the success of individual locations which depends on stability of or improvements in operating conditions at and around those locations. Our revenues and expenses can be affected significantly by the number and timing of the opening of new restaurants and the closing, relocating and remodeling of existing restaurants. We incur substantial pre-opening expenses each time we open a new restaurant and other expenses when we close, relocate or remodel existing restaurants. The expenses of opening, closing, relocating or remodeling any of our restaurants may be higher than anticipated. An increase in such expenses could have an adverse effect on our results of operations. Also, as demographic and economic patterns (e.g., highway or roadway traffic patterns, concentrations of general retail or hotel activity, local population densities or increased competition) change, current locations may not continue to be attractive or profitable. Possible declines in neighborhoods where our restaurants are located or adverse economic conditions in areas surrounding those neighborhoods could result in reduced revenues in those locations. The occurrence of one or more of these events could have a significant adverse effect on our revenues and results of operations as well as the carrying value of our individual locations.

***Health concerns, government regulation relating to the consumption of food products and wide-spread infectious diseases could affect consumer preferences and could negatively affect our results of operations.***

The sale of food and prepared food products for human consumption involves the risk of injury to our customers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. Additionally, many of the food items on our menu contain beef and chicken. The preferences of our customers toward beef and chicken could be affected by health concerns about the consumption of beef or chicken or negative publicity concerning food quality, illness and injury generally. Additionally, in recent years there has been negative publicity concerning E. coli bacteria, hepatitis A, "mad cow" disease, "foot-and-mouth" disease, salmonella, the bird/avian flu, peanut and other food allergens, and other public health concerns affecting the food supply, including beef, chicken and pork. In addition, if a regional or global health pandemic occurs, depending upon its location, duration and severity, our business could be severely affected. A health pandemic is a disease that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. If that occurs, customers might avoid public places in the event of a health pandemic, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease. A regional or global health pandemic might also adversely affect our business by disrupting or delaying production and delivery of materials and products in our supply chain and by causing staffing shortages in our stores. In addition, government regulations or the likelihood of government regulation could increase the costs of obtaining or preparing food products. A decrease in guest traffic to our restaurants, a change in our mix of products sold or an increase in costs as a result of these health concerns either in general or specific to our operations, could result in a decrease in sales or higher costs to our restaurants that would materially harm our business.

***Litigation may adversely affect our business, financial condition and results of operations.***

Our business is subject to the risk of litigation by employees, consumers, suppliers, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend future litigation may be significant. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any negative allegation regarding our company, our business or our products could adversely affect our reputation with existing and potential customers. As a result, litigation may adversely affect our business, financial condition and results of operations.



***Unfavorable publicity could harm our business.***

Multi-unit restaurant businesses such as ours can be adversely affected by publicity resulting from complaints or litigation alleging poor food quality, poor service, food-borne illness, personal injury, adverse health effects (including obesity) or other concerns stemming from one or a limited number of restaurants. Even when the allegations or complaints are not valid, unfavorable publicity relating to a limited number of our restaurants, or only to a single restaurant, could adversely affect public perception of the entire brand. Adverse publicity and its effect on overall consumer perceptions of food safety or customer service could have a material adverse effect on our business, financial condition and results of operations.

***The loss of key executives or difficulties in recruiting and retaining qualified personnel could jeopardize our success.***

We have assembled a senior management team which has substantial background and experience in the restaurant and retail industries. Our future growth and success depends substantially on the contributions and abilities of this senior management team and other employees and on our ability to recruit and retain high quality executives and manage our business and our restaurants. We must continue to recruit, retain and motivate management and other employees sufficient to maintain our current business and support our projected growth. A loss of key employees or a significant shortage of high quality restaurant employees could jeopardize our ability to meet our business goals.

***We are subject to a number of risks relating to federal, state and local regulation of our business including the areas of health care reform and environmental matters, and an insufficient or ineffective response to government regulation may increase our costs and decrease our profit margins.***

The restaurant industry is subject to extensive federal, state and local laws and regulations, including those relating to food safety, minimum wage and other labor issues including unionization, health care, menu labeling and building and zoning requirements and those relating to the preparation and sale of food as well as certain retail products. The development and operation of our restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards, federal and state laws governing our relationships with employees (including the Fair Labor Standards Act of 1938, the Immigration Reform and Control Act of 1986, the Patient Protection and Affordable Care Act, the Health Care and Education Reconciliation Act of 2010 and applicable requirements concerning minimum wage, overtime, healthcare coverage, family leave, medical privacy, tip credits, working conditions, safety standards and immigration status), federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the Americans With Disabilities Act of 1990. In addition, we are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. We also face risks from new and changing laws and regulations relating to gift cards, nutritional content, nutritional labeling, product safety and menu labeling. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

We are reviewing the health care reform law enacted by Congress in March of 2010. As part of that review, we will evaluate the potential impacts of this new law on our business, and accommodate various parts of the law as they take effect. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance. We do not expect to incur any material costs from compliance with the provision of the health care law requiring disclosure of calories on menus, but cannot anticipate any changes in guest behavior resulting from the implementation of this portion of the law, which could have an adverse effect on our sales or results of operations.

There also has been increasing focus by U.S. and overseas governmental authorities on environmental matters, such as climate change, the reduction of greenhouse gases and water consumption. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters, such as the emission of greenhouse gases, where "cap and trade" initiatives could effectively impose a tax on carbon emissions. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in the cost of raw materials, taxes, transportation and utilities, which could decrease our operating profits and necessitate future investments in facilities and equipment.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings. Also, the failure to obtain and maintain required licenses, permits and approvals could adversely affect our operating results. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations.

***Our current insurance programs may expose us to unexpected costs.***

Historically, our insurance coverage has reflected deductibles, self-insured retentions, limits of liability and similar provisions that we believe prudent based on the dispersion of our operations. However, there are types of losses we may incur against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of terrorism and some natural disasters, including floods. If we incur such losses, our business could suffer. In addition, we self-insure a significant portion of expected losses under our workers' compensation, general liability and group health insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses, including expected increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs, which could have a material adverse effect on our financial condition and results of operations.

***A material disruption in our information technology and telecommunication systems could adversely affect our business or results of operations.***

We rely extensively on our information technology and telecommunication systems to process transactions, summarize results and manage our business and our supply chain. Our information technology and telecommunication systems are subject to damage or interruption from power outages, computer, network and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our information technology and telecommunication systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we could suffer loss of critical data and interruptions or delays in our operations in the interim. Any material interruption in our information technology and telecommunication systems could adversely affect our business or results of operations.

***A privacy breach could adversely affect our business.***

The protection of customer, employee and company data is critical to us. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. Compliance with these requirements may result in cost increases due to necessary systems changes and the development of new administrative processes. In addition, customers and employees have a high expectation that we will adequately protect their personal information. For example, in connection with credit card sales, we transmit confidential credit card information. Third parties may have the technology or know-how to breach the security of this customer information, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. If we fail to comply with the laws and regulations regarding privacy and security or experience a security breach, we could be exposed to risks of data loss, fines, litigation and serious disruption of our operations. Additionally, any resulting negative publicity could significantly harm our reputation.

***Our reported results can be affected adversely and unexpectedly by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements.***

Our financial reporting complies with accounting principles generally accepted in the United States of America ("GAAP"), and GAAP is subject to change over time. If new rules or interpretations of existing rules require us to change our financial reporting (including the proposed lease accounting changes and the adoption of international reporting standards in the United States), our reported results of operations and financial condition could be affected substantially, including requirements to restate historical financial reporting.

***Failure of our internal control over financial reporting could harm our business and financial results.***

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

***Our annual and quarterly operating results may fluctuate significantly and could fall below the expectations of investors, securities analysts and rating agencies due to a number of factors, some of which are beyond our control, resulting either in volatility or a decline in the price of our securities.***

Our business is not static – it changes periodically as a result of many factors, including those discussed above and:

- increases and decreases in average weekly sales, restaurant and retail sales and restaurant profitability;
- the rate at which we open new stores, the timing of new unit openings and the related high initial operating costs;
- changes in advertising and promotional activities and expansion to new markets; and
- impairment of long-lived assets and any loss on restaurant closures.

Our quarterly operating results and restaurant and retail sales may fluctuate as a result of any of these or other factors. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and restaurant and retail sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts, rating agencies and investors. In that event, the price of our securities could fluctuate dramatically over time or could decrease generally.

***We are a holding company and depend on our subsidiaries to generate sufficient cash flow to pay dividends and meet our debt service obligations.***

We are a holding company and a large portion of our assets is the capital stock of our subsidiaries. All of our subsidiaries are guarantors of our obligations under our credit facility and their stock is pledged as collateral to the lenders under that facility. As a holding company, we conduct substantially all of our business through our subsidiaries. Consequently, our cash flow and ability to pay dividends and service our debt obligations are dependent upon the earnings of our subsidiaries and the distribution of those earnings to us, or upon loans, advances or other payments made by these entities to us. The ability of these entities to pay dividends or make other loans, advances or payments to us will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing our debt.

The ability of our subsidiaries to generate sufficient cash flow from operations to allow us to pay dividends and make scheduled payments on our debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control and are described elsewhere. We cannot assure you that the cash flow and earnings of our operating subsidiaries and the amount that they are able to distribute to us as dividends or otherwise will be adequate for us to pay dividends or service our debt obligations. If our subsidiaries do not generate sufficient cash flow from operations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any such alternative refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of our credit agreement. Our inability to generate sufficient cash flow to pay dividends, to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations, as well as on our ability to pay dividends or satisfy our other financial obligations.

*Provisions in our charter and Tennessee law may discourage potential acquirors of our company, which could adversely affect the value of our securities.*

Our charter documents contain provisions that may have the effect of making it more difficult for a third party to acquire or attempt to acquire control of the Company. In addition, we are subject to certain provisions of Tennessee law that limit, in some cases, our ability to engage in certain business combinations with significant shareholders. Also, although we do not currently have in place a shareholder rights plan, our Board of Directors, without shareholder approval, could adopt such a plan that also might inhibit accumulations of substantial amounts of our common stock without the approval of our board of directors.

These provisions, either alone, or in combination with each other, give our current directors and executive officers a substantial ability to influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our shareholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our securities could decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters and warehouse facilities are located on approximately 90 acres of land owned by the Company in Lebanon, Tennessee. We utilize approximately 250,000 square feet of office space for our corporate headquarters and decorative fixtures warehouse. We also lease our retail distribution center which consists of approximately 370,000 square feet of warehouse facilities and an additional approximate 14,000 square feet of office and maintenance space.

In addition to the various corporate facilities, we have four properties (owned or leased) for future development, a motel used for housing management trainees and for the general public, and seven parcels of excess real property and improvements that we intend to dispose of.

In addition to the properties mentioned above, we own or lease the following store properties as of September 21, 2010:

<u>State</u>	<u>Owned</u>	<u>Leased</u>	<u>State</u>	<u>Owned</u>	<u>Leased</u>
Tennessee	36	14	Oklahoma	5	2
Florida	41	18	New Jersey	2	4
Texas	30	13	Maryland	3	2
Georgia	28	13	Wisconsin	5	-
North Carolina	23	12	Colorado	3	1
Ohio	22	9	Kansas	3	1
Virginia	19	12	Massachusetts	-	4
Kentucky	20	10	New Mexico	3	1
Alabama	19	9	Utah	4	-
Indiana	21	6	Iowa	3	-
South Carolina	13	10	Connecticut	1	1
Illinois	20	2	Montana	2	-
Pennsylvania	9	12	Nebraska	1	1
Missouri	14	3	Delaware	-	1
Michigan	13	3	Idaho	1	-
Arizona	2	11	Minnesota	1	-
Arkansas	5	6	New Hampshire	1	-
Mississippi	8	3	North Dakota	1	-
West Virginia	3	7	Rhode Island	-	1
Louisiana	7	2	South Dakota	1	-
New York	7	1	Total	<u>400</u>	<u>195</u>

We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. See "Operations" and "Store Development" in Item I of this Annual Report on Form 10-K for additional information on our properties.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to various legal and regulatory proceedings and claims incidental to and arising out of the ordinary course of the business. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position.

Executive Officers of the Registrant

The following table sets forth certain information concerning our executive officers, as of September 28, 2010:

<u>Name</u>	<u>Age</u>	<u>Position with Registrant</u>
Michael A. Woodhouse	65	Chairman, President & Chief Executive Officer
Doug Barber	53	Executive Vice President & Chief Operating Officer
Sandra B. Cochran	52	Executive Vice President & Chief Financial Officer
Christopher A. Ciavarra	39	Senior Vice President, Marketing
Edward A. Greene	55	Senior Vice President, Strategic Initiatives
Robert Harig	60	Senior Vice President, Human Resources
Terry Maxwell	51	Senior Vice President, Retail Operations
N. B. Forrest Shoaf	60	Senior Vice President, Secretary & Chief Legal Officer
Patrick A. Scruggs	46	Vice President, Accounting and Tax, & Chief Accounting Officer

The following information summarizes the business experience of each of our executive officers for at least the past five years:

Mr. Woodhouse has been employed with us in various capacities since 1995. Mr. Woodhouse served as our Senior Vice President of Finance and Chief Financial Officer from January 1999 to July 1999, as Executive Vice President and Chief Operating Officer (“COO”) from August 1999 until July 2000, as President and COO from August 2000 until July 2001, and then as President and Chief Executive Officer (“CEO”) from August 2001 until November 2004 when he assumed his current positions. Mr. Woodhouse has 26 years of experience in the restaurant industry and 17 years of experience in the retail industry.

Mr. Barber has been employed with us since 2003. He assumed his current position in 2008. Prior to that he was with Metromedia Family Steakhouse in various capacities since 1979 and assumed his last position held with Metromedia Family Steakhouse as President in 1995. Mr. Barber has 31 years of experience in the restaurant industry.

Ms. Cochran began her employment with us as Executive Vice President and Chief Financial Officer in March 2009. Prior to March 2009, she was the CEO of Books-A-Million, having assumed that role in 2004 after serving in various capacities there since 1993. Ms. Cochran has 17 years of experience in the retail industry and 1 year of experience in the restaurant industry.

Mr. Ciavarra has been employed with us since 2008. He assumed his current position in 2010. Prior to 2008, he was the Director of Marketing for Aramark Corporation from 2005 until 2008. In addition, he was a consultant for us from 2001 to 2005. Mr. Ciavarra has over 10 years of experience in the restaurant industry and over five years experience in the retail industry.

Mr. Greene has been employed with us in his current capacity since October 2005. From August 1996 to October 2005, he worked for Restaurant Services, Inc., the independent purchasing cooperative which provides supply chain management services for Burger King Corporation and its franchisees, serving most recently as its Vice President, Food and Packaging Purchasing. Mr. Greene began his career with The Pillsbury Company and has over 32 years of combined experience in the restaurant and food processing industries.

Mr. Harig has been employed with us since 2000. He assumed his current position in 2004. Mr. Harig has over 33 years of experience in the restaurant industry and 10 years in the retail industry.

Mr. Maxwell has been employed with us since 1980. He assumed his current position in 2006. Mr. Maxwell has 30 years of experience in the restaurant and retail industries.

Mr. Shoaf began his employment with us as Senior Vice President, Secretary and Chief Legal Officer in April 2005. In addition, he served as our Interim Chief Financial Officer from February 2008 to March 2009.

Mr. Scruggs has been employed with us in various capacities since 1989. He assumed his current position in 2003. Mr. Scruggs has 21 years of experience in the restaurant and retail industries.

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NASDAQ Global Market ("Nasdaq") under the symbol CBRL. There were 10,350 shareholders of record as of September 21, 2010.

The table "Market Price and Dividend Information" contained in the 2010 Annual Report (see page 2 of Exhibit 13 to this Annual Report on Form 10-K) is incorporated herein by this reference. See Note 5 to Consolidated Financial Statements contained in the 2010 Annual Report (page 32 of Exhibit 13 to this Annual Report on Form 10-K) with respect to dividend restrictions.

See the table labeled "Securities Authorized for Issuance Under Equity Compensation Plans" to be contained in the 2010 Proxy Statement, incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

Part III, Item 12 of this Annual Report on Form 10-K is incorporated herein by this reference.

**Unregistered Sales of Equity Securities**

There were no equity securities sold by the Company during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended.

**Issuer Purchases of Equity Securities**

The following table sets forth information with respect to purchases of shares of the Company's common stock made during the quarter ended July 30, 2010 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act. All purchases were made in accordance with Rule 10b-18 of the Exchange Act.

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
5/1/10 – 5/28/10	278,340	\$ 48.74	278,340	Indeterminate (2)
5/29/10 – 6/25/10	419,728	\$ 48.24	419,728	Indeterminate (2)
6/26/10 – 7/30/10	448,932	\$ 46.50	448,932	Indeterminate (2)
Total for the quarter	1,147,000	\$ 47.68	1,147,000	Indeterminate (2)

(1) Average price paid per share is calculated on a settlement basis and includes commissions and fees.

(2) Pursuant to previously announced plans, we were authorized to repurchase shares solely to offset share dilution that might result from share issuances under our equity compensation plans, subject to a maximum amount of \$65,000. These plans were superseded and terminated on July 29, 2010 when our Board of Directors adopted a repurchase plan for 2011. On August 3, 2010, we announced that our Board of Directors had authorized the repurchase, during 2011, of up to \$65,000 of our common stock solely to offset share dilution that might result from the issuance of shares under our equity compensation plans.

## ITEM 6. SELECTED FINANCIAL DATA

The table "Selected Financial Data" contained in the 2010 Annual Report (see page 1 of Exhibit 13 to this Annual Report on Form 10-K) is incorporated herein by this reference.



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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in the 2010 Annual Report, is incorporated herein by this reference.

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

"Quantitative and Qualitative Disclosures about Market Risk" set forth within "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in the 2010 Annual Report, is incorporated herein by this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements (and related footnotes) and Report of Independent Registered Public Accounting Firm, contained in the 2010 Annual Report, are incorporated herein by this reference.

See Quarterly Financial Data (Unaudited) in Note 18 to the Consolidated Financial Statements (see page 41 of Exhibit 13 to this Annual Report on Form 10-K), which is incorporated herein by this reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive and financial officers, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that as of July 30, 2010, our disclosure controls and procedures were effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e).

There have been no changes (including corrective actions with regard to significant deficiencies and material weaknesses) during the quarter ended July 30, 2010 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). We maintain a system of internal controls that is designed to provide reasonable assurance in a cost-effective manner as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Corporate Governance Guidelines, our Financial Code of Ethics, and our Code of Business Conduct and Ethics, all of which may be viewed on our website. They set the tone for our organization and include factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures, which are reviewed, modified and improved as changes occur in business condition and operations. Neither our disclosure controls and procedures nor our internal controls, however, can or will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the benefits of controls relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. We have concluded that our internal control over financial reporting was effective as of July 30, 2010, based on these criteria.

In addition, Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting, which is included herein.

/s/Michael A. Woodhouse

Michael A. Woodhouse  
Chairman, President and Chief Executive Officer

/s/Sandra B. Cochran

Sandra B. Cochran  
Executive Vice President and Chief Financial Officer

ITEM 9B. OTHER INFORMATION

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors of the Company is incorporated herein by this reference to the following sections of the 2010 Proxy Statement: "Board of Directors and Committees," "Proposal 1: Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance" and the question "Has the Board adopted a code of ethics for senior financial officers?" set forth in "Certain Relationships and Related Transactions." The information required by this Item with respect to executive officers of the Company is set forth in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by this reference to the following sections of the 2010 Proxy Statement: "Executive Compensation" and the question "How were directors compensated in 2010?" set forth in "Board of Directors and Committees." The "Compensation Committee Report" set forth in "Executive Compensation" is deemed to be "furnished" and is not, and shall not be deemed to be, "filed" for purposes of Section 18 of the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by this reference to the sections entitled "Stock Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance Under Equity Compensation Plans" in the 2010 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by this reference to the sections entitled "Certain Relationships and Related Transactions" and "Who are our independent directors?" in the 2010 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by this reference to the sections entitled "Fees Paid to Auditors" and "Audit Committee Report - What is the Audit Committee's pre-approval policy and procedure with respect to audit and non-audit services provided by our auditors?" in the 2010 Proxy Statement. No other portion of the section of the 2010 Proxy Statement entitled "Audit Committee Report" is, nor shall it be deemed to be, incorporated by reference into this Annual Report on Form 10-K.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as part of this report:

1. The following Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm of Deloitte & Touche LLP of the 2010 Annual Report are included within Exhibit 13 to this Annual Report on Form 10-K and are incorporated herein by this reference:  
Report of Independent Registered Public Accounting Firm dated September 28, 2010  
Consolidated Balance Sheet as of July 30, 2010 and July 31, 2009  
Consolidated Statement of Income for each of the three fiscal years ended July 30, 2010, July 31, 2009 and August 1, 2008  
Consolidated Statement of Changes in Shareholders' Equity for each of the three fiscal years ended July 30, 2010, July 31, 2009 and August 1, 2008  
Consolidated Statement of Cash Flows for each of the three fiscal years ended July 30, 2010, July 31, 2009 and August 1, 2008  
Notes to Consolidated Financial Statements
2. All schedules have been omitted since they are either not required or not applicable, or the required information is included in the consolidated financial statements or notes thereto.
3. The exhibits listed in the accompanying Index to Exhibits immediately following the signature page to this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 28<sup>th</sup> day of September, 2010.

CRACKER BARREL OLD COUNTRY STORE, INC.

By: /s/Michael A. Woodhouse  
Michael A. Woodhouse  
President and Chief Executive Officer

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 registrant in the capacities on this 28<sup>th</sup> day of September, 2010.

<b>Name</b>	<b>Title</b>
<u>/s/Michael A. Woodhouse</u> Michael A. Woodhouse	Chairman, President and Chief Executive Officer
<u>/s/Sandra B. Cochran</u> Sandra B. Cochran	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/N.B. Forrest Shoaf</u> N.B. Forrest Shoaf	Senior Vice President, Chief Legal Officer and Secretary
<u>/s/Patrick A. Scruggs</u> Patrick A. Scruggs	Vice President, Accounting and Tax, and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/Robert V. Dale</u> Robert V. Dale	Director
<u>/s/Richard J. Dobkin</u> Richard J. Dobkin	Director
<u>/s/Robert C. Hilton</u> Robert C. Hilton	Director
<u>/s/Charles E. Jones, Jr.</u> Charles E. Jones, Jr.	Director
<u>/s/B.F. Lowery</u> B.F. Lowery	Director
<u>/s/Martha M. Mitchell</u> Martha M. Mitchell	Director
<u>/s/Andrea M. Weiss</u> Andrea M. Weiss	Director
<u>/s/Jimmie D. White</u> Jimmie D. White	Director

INDEX TO EXHIBITS

Exhibit

3(I), 4(a)	Charter (as amended to date) (1)
3(II), 4(b)	Bylaws (as amended to date) (2)
4(e),10(a)	Credit Agreement dated as of April 27, 2006 among CBRL Group, Inc., the Subsidiary Guarantors named therein, the Lenders party thereto and Wachovia Bank, National Association, as Administrative Agent and Collateral Agent (the "Wachovia Credit Agreement") (3)
4(f), 10(b)	Amendment No. 1 to Credit Facility (11)
4(g), 10(c)	Amendment No. 2 to Credit Facility (16)
10(d)	The Company's 2000 Non-Executive Stock Option Plan (4)
10(e)	The Company's 1989 Non-Employee Director's Stock Option Plan, as amended (5)
10(f)	The Company's Non-Qualified Savings Plan (6)
10(g)	Form of Restricted Stock Award (6)
10(h)	Form of Stock Option Award under the Omnibus Plan (6)
10(i)	Change-in-control Agreement for N.B. Forrest Shoaf dated 5/12/2005 (6)
10(j)	Change-in-control Agreement for Patrick A. Scruggs dated October 13, 1999 (7)
10(k)	Change-in-control Agreement for Terry Maxwell dated 8/14/06 (8)
10(l)	Change-in-control Agreement for Ed Greene dated 6/22/06 (9)
10(m)	Change-in-control Agreement for Rob Harig dated 8/23/06 (11)
10(n)	Change-in-control Agreement for Doug Barber dated 8/23/08 (12)
10(o)	Master Lease dated July 31, 2000 between Country Stores Property I, LLC ("Lessor") and Cracker Barrel Old Country Store, Inc. ("Lessee") for lease of 21 Cracker Barrel Old Country Store® sites (10)
10(p)	Master Lease dated July 31, 2000 between Country Stores Property I, LLC ("Lessor") and Cracker Barrel Old Country Store, Inc. ("Lessee") for lease of 9 Cracker Barrel Old Country Store® sites*
10(q)	Master Lease dated July 31, 2000 between Country Stores Property II, LLC ("Lessor") and Cracker Barrel Old Country Store, Inc. ("Lessee") for lease of 23 Cracker Barrel Old Country Store® sites*
10(r)	Master Lease dated July 31, 2000 between Country Stores Property III, LLC ("Lessor") and Cracker Barrel Old Country Store, Inc. ("Lessee") for lease of 12 Cracker Barrel Old Country Store® sites*
10(s)	The Company's Deferred Compensation Plan (12)
10(t)	Executive Employment Agreement dated as of October 30, 2008 between Michael A. Woodhouse and the Company (1)
10(u)	The Company's Amended and Restated Stock Option Plan (as amended to date) (13)

10(v)	The Company's Severance Benefits Policy (as amended to date) (14)
10(w)	Executive Employment Agreement dated as of March 11, 2009 between Sandra B. Cochran and the Company (14)
10(x)	Change-in-control Agreement for Sandra B. Cochran dated March 11, 2009 (14)
10(y)	2010 Annual Bonus Plan (15)
10(z)	2010 Long-Term Incentive Plan (17)
10(aa)	The Company's 2002 Omnibus Incentive Compensation Plan (as amended to date) (18)
10(bb)	Change-in-control Agreement for Christopher A. Ciavarra dated February 1, 2010**
10(cc)	2011 Annual Bonus Plan (19)
13	Pertinent portions of the Company's 2010 Annual Report to Shareholders that are incorporated by reference into this Annual Report on Form 10-K
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP
31	Rule 13a-14(a)/15d-14(a) Certifications
32	Section 1350 Certifications

\*Document not filed because essentially identical in terms and conditions to Exhibit 10(o).

\*\*Document not filed because essentially identical in terms and conditions to Exhibit 10(j).

- (1) Incorporated by reference to the corresponding exhibits (e.g., 3(i), 4.1 and 10.2) to the Company's Quarterly Report on Form 10-Q under the Securities Exchange Act of 1934 ("Exchange Act") for the quarterly period ended October 31, 2008.
- (2) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed under the Securities Exchange Act of 1934 on September 16, 2009.
- (3) Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended April 28, 2006.
- (4) Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 2, 2002.
- (5) Incorporated by reference to the Cracker Barrel Old Country Store, Inc. Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 2, 1991 (File No. 0-7536).
- (6) Incorporated by reference to Exhibits 10(f), 10(j), 10(k), 10(l) and 10(o) to the Company's Annual Report on Form 10-K under the Exchange Act for fiscal year ended July 29, 2005.
- (7) Incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 1, 2003.
- (8) Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K under the Exchange Act, filed August 15, 2006.
- (9) Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K under the Exchange Act for fiscal year ended July 28, 2006.

- (10) Incorporated by reference to Exhibit 10.R to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended July 28, 2000.
- (11) Incorporated by reference to the corresponding exhibits (e.g., 4(e), 10(b) and 10(v)) to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 3, 2007.
- (12) Incorporated by reference to the corresponding exhibits (e.g., 10(g) and 10(o)) to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 1, 2008.
- (13) Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended January 30, 2009.
- (14) Incorporated by reference to the corresponding exhibits (e.g., 10.1, 10.2 and 10.3) to the Company's Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended May 1, 2009.
- (15) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K under the Exchange Act, filed on September 16, 2009.
- (16) Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K under the Exchange Act, filed on November 10, 2009.
- (17) Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended October 30, 2009.
- (18) Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended January 29, 2010.
- (19) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K under the Exchange Act, filed on August 3, 2010.



**Cracker Barrel Old Country Store, Inc.**  
**Selected Financial Data**
*(Dollars in thousands except percentages and share data)*  
*For each of the fiscal years ended*

	July 30, 2010 <sup>(a)</sup>	July 31, 2009 <sup>(b)(c)</sup>	August 1, 2008 <sup>(c)(d)</sup>	August 3, 2007 <sup>(c)(e)(f)</sup>
<b>Selected Income Statement Data:</b>				
Total revenue	\$ 2,404,515	\$ 2,367,285	\$ 2,384,521	\$ 2,351,576
Income from continuing operations	85,258	65,957	65,303	75,983
(Loss) income from discontinued operations, net of tax	--	(31 )	250	86,082
Net income	85,258	65,926	65,553	162,065
Basic net income per share:				
Income from continuing operations	3.71	2.94	2.87	2.75
(Loss) income from discontinued operations, net of tax	--	--	0.01	3.11
Net income per share	3.71	2.94	2.88	5.86
Diluted net income per share:				
Income from continuing operations	3.62	2.89	2.79	2.52
(Loss) income from discontinued operations, net of tax	--	--	0.01	2.71
Net income per share	3.62	2.89	2.80	5.23
Dividends declared per share <sup>(h)</sup>	\$ 0.80	\$ 0.80	\$ 0.72	\$ 0.56
Dividends paid per share	\$ 0.80	\$ 0.78	\$ 0.68	\$ 0.55
<b>As Percent of Total Revenue:</b>				
Cost of goods sold	31.0 %	32.3 %	32.4 %	31.7 %
Labor and related expenses	37.8	38.7	38.2	38.0
Impairment and store closing charges	0.1	0.1	--	--
Other store operating expenses	18.2	17.8	17.7	17.4
Store operating income	12.9	11.1	11.7	12.9
General and administrative expenses	6.1	5.1	5.4	5.7
Operating income	6.8	6.0	6.3	7.2
Income before income taxes	4.8	3.8	3.9	5.0
<b>Selected Balance Sheet Data:</b>				
Working capital (deficit) <sup>(i)</sup>	\$ (73,289 )	\$ (66,637 )	\$ (44,080 )	\$ (74,388 )
Current assets from discontinued operations	--	--	--	--
Total assets	1,292,067	1,245,181	1,313,703	1,265,030
Long-term debt	573,744	638,040	779,061	756,306
Interest rate swap liability	66,281	61,232	39,618	13,680
Other long-term obligations <sup>(j)</sup>	93,781	89,610	83,147	53,819
Shareholders' equity	191,617	135,622	92,751	104,123
<b>Selected Cash Flow Data:</b>				
Purchase of property and equipment, net of insurance recoveries, from continuing operations	\$ 69,891	\$ 67,842	\$ 87,849	\$ 96,447
Share repurchases	62,487	--	52,380	405,531
<b>Selected Other Data:</b>				
Common shares outstanding at end of year	22,732,781	22,722,685	22,325,341	23,674,175
Cracker Barrel stores open at end of year	593	588	577	562

**Average Unit Volumes <sup>(b)</sup>:**

Cracker Barrel restaurant	\$	3,226	\$	3,209	\$	3,282	\$	3,339	\$	3,248
Cracker Barrel retail		832		841		898		917		876

**Comparable Store Sales <sup>(b)</sup>:**

Cracker Barrel restaurant	0.8	%	(1.7	)%	0.5	%	0.7	%	(1.1	)%
Cracker Barrel retail	(0.9	)	(5.9	)	(0.3	)	3.2		(8.1	)
Memo: Number of Cracker Barrel stores in comparable base	569		550		531		507		482	

- (a) Includes charges of \$2,800 before taxes for impairment and store closing charges from continuing operations.
- (b) Includes impairment charges of \$2,088 before taxes. We completed sale-leaseback transactions involving 15 of our stores and our retail distribution center in the fourth quarter of fiscal 2009 (see Note 10 to the Consolidated Financial Statements). Net proceeds from the sale-leaseback transactions together with excess cash flow from operations were used to pay down \$142,759 of long-term debt.
- (c) Logan's Roadhouse, Inc. was divested in fiscal 2007 and is presented as a discontinued operation.
- (d) Includes charges of \$877 before taxes for impairment and store closing charges from continuing operations.
- (e) Fiscal 2007 consisted of 53 weeks while all other periods presented consisted of 52 weeks. The estimated impact of the additional week was to increase consolidated fiscal 2007 results as follows: total revenue, \$46,283; store operating income, 0.1% of total revenue; operating income, 0.2% of total revenue; income from continuing operations, 0.1% of total revenue; and diluted income from continuing operations per share, \$0.14.
- (f) We repurchased 8,774,430 common shares and redeemed our zero-coupon convertible notes.
- (g) Includes charges of \$5,369 before taxes for impairment and store closing charges from continuing operations. We repurchased 16,750,000 common shares.
- (h) On September 23, 2010, our Board of Directors declared a dividend of \$0.22 per share payable on November 5, 2010 to shareholders of record on October 15, 2010.
- (i) Working capital (deficit) excludes discontinued operations.
- (j) The increase in other long-term obligations in fiscal 2008 as compared to prior years is primarily due to the adoption of accounting guidance for uncertain tax positions. The liability for uncertain tax positions is included in other long-term obligations beginning in fiscal 2008; in prior years, the liability was included in income taxes payable as a current liability.
- (k) Average unit volumes include sales of all stores. Fiscal 2007 includes a 53<sup>rd</sup> week while all other periods presented consist of 52 weeks.
- (l) Comparable store sales consist of sales of stores open at least six full quarters at the beginning of the year; and are measured on comparable calendar weeks.

**MARKET PRICE AND DIVIDEND INFORMATION**

The following table indicates the high and low sales prices of our common stock, as reported by The Nasdaq Global Market, and dividends paid for the quarters indicated.

	Fiscal Year 2010			Fiscal Year 2009		
	Prices		Dividends Paid	Prices		Dividends Paid
	High	Low		High	Low	
First	\$36.90	\$25.67	\$0.20	\$30.35	\$15.26	\$0.18
Second	41.57	32.07	0.20	22.29	10.67	0.20
Third	53.43	36.18	0.20	35.18	17.11	0.20
Fourth	52.60	45.26	0.20	34.27	25.39	0.20

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. MD&A should be read in conjunction with the Consolidated Financial Statements and notes thereto. Readers also should carefully review the information presented under the section entitled "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and other cautionary statements in this report. All dollar amounts reported or discussed in this MD&A are shown in thousands. References in MD&A to a year or quarter are to our fiscal year or quarter unless otherwise noted.

This overview summarizes the MD&A, which includes the following sections:

- Executive Overview – a general description of our business, the restaurant industry and our key performance indicators.
- Results of Operations – an analysis of our consolidated statements of income for the three years presented in our Consolidated Financial Statements.
- Liquidity and Capital Resources – an analysis of our primary sources of liquidity, capital expenditures and material commitments.
- Critical Accounting Estimates – a discussion of accounting policies that require critical judgments and estimates.

### EXECUTIVE OVERVIEW

Cracker Barrel Old Country Store, Inc. (the "Company," "our" or "we") is a publicly traded (Nasdaq: CBRL) company that, through certain subsidiaries, is engaged in the operation and development of the Cracker Barrel Old Country Store® ("Cracker Barrel") restaurant and retail concept. As of September 21, 2010, the Company operated 595 Cracker Barrel restaurants and gift shops located in 41 states. The restaurants serve breakfast, lunch and dinner. The retail area offers a variety of decorative and functional items specializing in rocking chairs, holiday gifts, toys, apparel and foods.

#### Restaurant Industry

Our stores operate in the full-service segment of the restaurant industry in the United States. The restaurant business is highly competitive with respect to quality, variety and price of the food products offered. The restaurant business is often affected by changes in consumer taste; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants; and consumers' discretionary purchasing power. There are many segments within the restaurant industry which often overlap and provide competition for widely diverse restaurant concepts. Competition also exists in securing prime real estate locations for new restaurants, in hiring qualified employees, in advertising, in the attractiveness of facilities and with competitors having similar menu offerings or convenience.

Additionally, economic, seasonal and weather conditions affect the restaurant business. Adverse economic conditions affect consumer discretionary income and dining habits. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby contributing to higher profits in our fourth quarter. Retail sales, which are made substantially to our restaurant guests, are strongest in the second quarter, which includes the Christmas holiday shopping season. Severe weather also affects restaurant and retail sales adversely from time to time.

#### Key Performance Indicators

Management uses a number of key performance measures to evaluate our operational and financial performance, including the following:

Comparable store sales and restaurant guest traffic consist of sales and calculated number of guests, respectively, of stores open at least six full quarters at the beginning of the year and are measured on comparable calendar weeks. This measure highlights performance of existing stores because it excludes the impact of new store openings.

Percentage of retail sales to total sales indicates the relative proportion of spending by guests on retail product at our stores and helps identify overall effectiveness of our retail operations. Management uses this measure to analyze a store's ability to convert restaurant traffic into retail sales since we believe that the substantial majority of our retail guests are also guests in our restaurants.

Average check per person is an indicator which management uses to analyze the dollars spent in our stores per guest on restaurant purchases. This measure aids management in identifying trends in guest preferences as well as the effectiveness of menu price increases and other menu changes.

Store operating margins are defined as total revenue less cost of goods sold, labor and other related expenses and other store operating expenses, all as a percent of total revenue. Management uses this indicator as a primary measure of operating profitability.

## RESULTS OF OPERATIONS

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

	Relationship to Total Revenue						Period to Period Increase (Decrease)			
	2010		2009		2008		2010 vs 2009		2009 vs 2008	
Total revenue	100.0	%	100.0	%	100.0	%	2	%	(1	)%
Cost of goods sold	31.0		32.3		32.4		(2	)	(1	)
Gross profit	69.0		67.7		67.6		4		--	
Labor and other related expenses	37.8		38.7		38.2		(1	)	1	
Impairment and store closing charges	0.1		0.1		--		34		138	
Other store operating expenses	18.2		17.8		17.7		4		--	
Store operating income	12.9		11.1		11.7		18		(6	)
General and administrative	6.1		5.1		5.4		21		(6	)
Operating income	6.8		6.0		6.3		16		(6	)
Interest expense	2.0		2.2		2.4		(6	)	(9	)
Interest income	--		--		--		--		(100	)
Income before income taxes	4.8		3.8		3.9		28		(4	)
Provision for income taxes	1.3		1.0		1.2		26		(15	)
Income from continuing operations	3.5		2.8		2.7		29		1	
(Loss) income from discontinued operations, net of tax	--		--		--		100		(112	)
Net income	3.5		2.8		2.7		29		1	

## Total Revenue

The following table highlights the components of total revenue by percentage relationships to total revenue for the past three years:

	2010		2009		2008	
Total Revenue:						
Restaurant	79.5	%	79.2	%	78.5	%
Retail	20.5		20.8		21.5	
Total revenue	100.0	%	100.0	%	100.0	%

The following table highlights average weekly sales\* over the past three years:

	2010		2009		2008	
Restaurant	\$	62.0	\$	61.7	\$	63.1
Retail		16.0		16.2		17.3

\*Average weekly sales are calculated by dividing net sales by operating weeks and include all stores.

Total revenue, which increased 1.6% in 2010, decreased 0.7% in 2009 and increased 1.4% in 2008, benefited from the opening of 6, 11 and 17 stores in 2010, 2009 and 2008, respectively, partially offset by the closing of two stores in 2008. The closing of one store in the last week of 2010 had no significant impact on our 2010 total revenue.

The following table highlights comparable store sales\* results over the past two years:

	2010 vs 2009 (569 Stores)	Period to Period Increase (Decrease)		2009 vs 2008 (550 Stores)
Restaurant	0.8	%		(1.7)
Retail	(0.9)	)		(5.9)
Restaurant & Retail	0.4			(2.6)

\*Comparable store sales consist of sales of stores open at least six full quarters at the beginning of the year and are measured on comparable calendar weeks.

The following table highlights comparable sales averages per store\* over the past three years:

	2010 (569 Stores)	2009 (550 Stores)	2008 (531 Stores)
Restaurant	\$ 3,238	\$ 3,228	\$ 3,293
Retail	829	838	893
Total	\$ 4,067	\$ 4,066	\$ 4,186

Despite the continuing uncertain consumer sentiment, we currently are experiencing a positive restaurant sales trend that began in early calendar 2010. Our comparable store restaurant sales increased from 2009 to 2010 due to an increase in average check of 2.0%, including a 2.4% average menu price increase, partially offset by a decrease in guest traffic of 1.2%. This increase in comparable store restaurant sales followed a decrease in comparable store restaurant sales from 2008 to 2009, which resulted from a decrease in guest traffic of 4.6% partially offset by an increase in average check of 2.9%, including a 3.3% average menu price increase.

The comparable store retail sales decreases from 2009 to 2010 and from 2008 to 2009 resulted from decreases in restaurant guest traffic, which we believe resulted from uncertain consumer sentiment and reduced discretionary spending.

#### Gross Profit

Gross profit as a percentage of total revenue was 69.0%, 67.7% and 67.6% in 2010, 2009 and 2008, respectively. The increase from 2009 to 2010 was due to commodity deflation of 2.5%, our menu price increase referenced above and a decrease in markdowns of retail merchandise that reduced retail cost of goods sold 1.0% as a percentage of retail sales as compared with the prior year. A more favorable commodity climate in 2009 allowed us to keep our gross profit relatively unchanged from 2008 to 2009. We do not expect the favorable commodity environment that we experienced in 2010 to continue in 2011; however, we presently expect that we will be able to pass through much of any increased commodity costs by adjusting our menu pricing.

#### Labor and Related Expenses

Labor and other related expenses include all direct and indirect labor and related costs incurred in store operations. Labor and other related expenses as a percentage of total revenue were 37.8%, 38.7% and 38.2% in 2010, 2009 and 2008, respectively. The year-to-year decrease from 2009 to 2010 was due to decreases of 0.7% and 0.2% as a percentage of total revenue, respectively, in healthcare costs and store hourly labor costs. The decrease in healthcare costs resulted from lower medical claims and the benefit of the calendar 2010 group health plan design changes. The decrease in store hourly labor costs as a percentage of total revenue was due to menu pricing being higher than wage inflation. The year-to-year increase from 2008 to 2009 resulted primarily from higher healthcare costs, which was due to higher enrollment in and higher utilization of the calendar 2009 group health plan and termination costs associated with the calendar 2008 group health plan.

#### Impairment and Store Closing Charges

During 2010, 2009 and 2008, we recorded impairment charges of \$2,672, \$2,088 and \$532, respectively. During 2010, one leased store was determined to be impaired, resulting in an impairment charge of \$2,263. This store was impaired due to declining operating performance and resulting negative cash flow projections. Additionally, during 2010, one owned store was closed, resulting in an impairment charge of \$409 and store closing charges of \$128. The decision to close this store was due to its age, expected future capital expenditure requirements and declining operating performance.

During 2009, one owned store was determined to be impaired, resulting in charges of \$933. Additionally, during 2009, we recorded a total impairment of \$1,155 on office space, property adjacent to the office space and our management trainee housing facility. During 2008, we closed two stores, which resulted in impairment charges of \$532 and store closing charges of \$345. See Notes 3 and 9 to the accompanying Consolidated Financial Statements for more details regarding the impairment and store closing charges.

#### Other Store Operating Expenses

Other store operating expenses include all store-level operating costs, the major components of which are utilities, operating supplies, repairs and maintenance, depreciation and amortization, advertising, rent and credit card fees. Other store operating expenses as a percentage of total revenue increased from 17.8% in 2009 to 18.2% in 2010. The year-to-year increase from 2009 to 2010 was due in equal parts to higher maintenance and rent expenses. Higher maintenance expense resulted from the timing of sign maintenance and other programs. The increase in rent expense was due to the sale-leaseback transactions we completed in the fourth quarter of 2009 (see Note 10 to the accompanying Consolidated Financial Statements). Other store operating expenses were relatively constant in 2009 as compared to 2008.

#### General and Administrative Expenses

General and administrative expenses as a percentage of total revenue were 6.1%, 5.1% and 5.4% in 2010, 2009 and 2008, respectively. The year-to-year increase from 2009 to 2010 was due to higher incentive compensation accruals, including share-based compensation, which reflected better performance against financial objectives in 2010 as compared to the prior year. The year-to-year decrease from 2008 to 2009 was due in equal parts to lower manager trainee salaries resulting from lower manager turnover in 2009, lower travel resulting from cost control efforts and the non-recurrence of expenses associated with a manager meeting which was held in 2008.

#### Interest Expense

Interest expense as a percentage of total revenue was 2.0%, 2.2% and 2.4% in 2010, 2009, and 2008, respectively. The year-to-year decrease from 2009 to 2010 was primarily due to lower average debt outstanding. The year-to-year decrease from 2008 to 2009 was primarily due to lower average interest rates.

#### Provision for Income Taxes

Provision for income taxes as a percent of income before income taxes was 26.3%, 26.8% and 30.2% in 2010, 2009 and 2008, respectively. The decrease in the effective tax rate from 2009 to 2010 reflected a net reduction in our liability for uncertain tax positions of \$2,134 this year compared to \$389 last year and higher employer tax credits on an absolute dollar basis mostly offset by the effect on our tax rate from the increase in pretax income. The decrease in the effective tax rate from 2008 to 2009 reflected a net reduction in our liability for uncertain tax positions of \$389 in 2009 compared to a net increase in 2008 of \$1,782 and higher employer tax credits on an absolute dollar basis and as a percent of pretax income partially offset by higher effective state income tax rates.

## LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of our cash flows for the last three years:

	2010	2009	2008
Net cash provided by operating activities of continuing operations	\$ 212,106	\$ 164,171	\$ 124,510
Net cash used in investing activities of continuing operations	(69,626 )	(9,087 )	(82,706 )
Net cash used in financing activities of continuing operations	(106,389 )	(155,406 )	(44,459 )
Net cash (used in) provided by operating activities of discontinued operations	--	(47 )	385
Net increase (decrease) in cash and cash equivalents	\$ 36,091	\$ (369 )	\$ (2,270 )

Our primary sources of liquidity are cash generated from our operations and our borrowing capacity under our \$250,000 revolving credit facility (the "Revolving Credit Facility"). Our internally generated cash, along with cash on hand at July 31, 2009, our borrowings under our Revolving Credit Facility and proceeds from exercises of share-based compensation awards, were sufficient to finance all of our growth, share repurchases, dividend payments, working capital needs and other cash payment obligations in 2010.

We believe that cash at July 30, 2010, along with cash generated from our operating activities, the borrowing capacity under our Revolving Credit Facility and proceeds from exercises of share-based compensation awards will be sufficient to finance our continuing operations, our continuing expansion plans, our principal payments on our debt, our share repurchase plans and our expected dividend payments for at least the next twelve months and thereafter for the foreseeable future.

### Cash Generated from Operations

Our cash generated from operating activities was \$212,106, \$164,171 and \$124,510 in 2010, 2009 and 2008, respectively. The increase in net cash flow provided by operating activities from 2009 to 2010 reflected higher net income, the timing of payments for accounts payable and estimated income taxes, higher incentive compensation accruals and an increase in the sales of our gift cards partially offset by the change in retail inventories. The increase in incentive compensation accruals reflects better performance against financial objectives in 2010 as compared to the prior year. The change in retail inventories is primarily due to the timing of seasonal inventory purchases. The increase in net cash flow provided by operating activities from 2008 to 2009 primarily reflected improvements in the management of our retail inventories and the timing of payments for estimated income taxes partially offset by the timing of payments for interest.

### Borrowing Capacity and Debt Covenants

On November 6, 2009, we amended our credit facility (the "Credit Facility"), which consists of term loans (aggregate outstanding at July 30, 2010 was \$580,144) and the Revolving Credit Facility. The amendment extended the maturity date of \$250,000 of our then outstanding term loans to April 27, 2016 from April 27, 2013. The amendment also extended the availability of \$165,000 of the Revolving Credit Facility to January 27, 2013 from April 27, 2011. During 2010 and 2009, we made \$57,856 and \$130,988, respectively, in optional principal prepayments under the term loans. At July 30, 2010, although we had no outstanding borrowings under the Revolving Credit Facility, we had \$30,346 of standby letters of credit related to securing reserved claims under workers' compensation insurance which reduce our availability under the Revolving Credit Facility. At July 30, 2010, we had \$219,654 available under our Revolving Credit Facility. See "Material Commitments" below and Note 5 to our Consolidated Financial Statements for further information on our long-term debt.

The Credit Facility contains customary financial covenants, which include a requirement that we maintain a maximum consolidated total leverage ratio (ratio of total indebtedness to EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization) of 3.75 at July 30, 2010 and throughout the remaining term of the Credit Facility. The Credit Facility's financial covenants also require that we maintain a minimum consolidated interest coverage ratio (ratio of EBITDA to cash interest payable, as defined) of 4.00 at July 30, 2010 and throughout the remaining term of the Credit Facility. At July 30, 2010, our consolidated total leverage ratio and consolidated interest coverage ratio were 2.37 and 16.45, respectively. We presently expect to remain in compliance with the Credit Facility's financial covenants for the remaining term of the facility.

#### Sale-leaseback Transactions

In the fourth quarter of 2009, we completed sale-leaseback transactions involving 15 of our stores and our retail distribution center. Under these transactions, the land, buildings and improvements at the locations were sold for pre-tax net proceeds of \$56,260. The stores and the retail distribution center have been leased back for initial terms of 20 and 15 years, respectively. Net proceeds from the sale-leaseback transactions, along with excess cash from operations, were used to reduce outstanding borrowings under the Credit Facility (see "Borrowing Capacity and Debt Covenants" above). See Note 10 to our Consolidated Financial Statements for further information on our sale-leaseback transactions.

#### Share Repurchases, Dividends and Proceeds from the Exercise of Share-Based Compensation Awards

We were authorized by our Board of Directors to repurchase shares of our common stock in 2010 to offset share dilution that might result from share issuances under our equity compensation plans. Additionally, subject to a maximum amount of \$65,000, we have been authorized by our Board of Directors to repurchase shares in 2011 to offset share dilution that might result from share issuances under our equity compensation plans. The principal criteria for share repurchases are that they be accretive to expected net income per share, are within the limits imposed by our Credit Facility and that they be made only from free cash flow (operating cash flow less capital expenditures and dividends) rather than borrowings. During 2010, we repurchased 1,352,000 shares in the open market at an aggregate cost of \$62,487. We did not repurchase any shares in 2009. During 2008, we repurchased 1,625,000 shares in the open market at an aggregate cost of \$52,380.

Our Credit Facility imposes restrictions on the amount of dividends we are able to pay. If there is no default then existing and there is at least \$100,000 then available under our Revolving Credit Facility, we may both: (1) pay cash dividends on our common stock if the aggregate amount of such dividends paid during any fiscal year is less than 15% of Consolidated EBITDA from continuing operations (as defined in the Credit Facility) during the immediately preceding fiscal year; and (2) in any event, increase our regular quarterly cash dividend in any quarter by an amount not to exceed the greater of \$.01 or 10% of the amount of the dividend paid in the prior fiscal quarter.

Consistent with the prior year, we declared and paid a quarterly dividend of \$0.20 per common share (an annual equivalent of \$0.80 per share) in 2010. Additionally, on September 23, 2010, the Board declared a dividend of \$0.22 per share payable on November 5, 2010 to shareholders of record on October 15, 2010. In 2009 and 2008, we paid dividends of \$0.78 and \$0.68, respectively.

During 2010, we received proceeds of \$37,460 from the exercise of share-based compensation awards and the corresponding issuance of 1,362,096 shares. The excess tax benefit realized upon exercise of share-based compensation awards was \$5,063. During 2009 and 2008, we received proceeds of \$4,362 and \$306, respectively, from the exercise of share-based compensation awards.

#### Working Capital

We had negative working capital of \$73,289, \$66,637 and \$44,080, respectively, at July 30, 2010, July 31, 2009 and August 1, 2008. The change in working capital at July 30, 2010 compared with July 31, 2009 primarily reflected the timing of payments for accounts payable and estimated income taxes, higher incentive compensation accruals and an increase in cash generated from operations. The change in working capital at July 31, 2009 compared with August 1, 2008 primarily reflected a reduction in our retail inventories. In the restaurant industry, substantially all sales are either for cash or third-party credit card. Like many other restaurant companies, we are able to, and often do operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while restaurant inventories purchased locally generally are financed from normal trade credit. Because of our retail operations, which have a lower product turnover than the restaurant business, we carry larger inventories than many other companies in the restaurant industry. Retail inventories purchased domestically generally are financed from normal trade credit, while imported retail inventories generally are purchased through wire transfers. These various trade terms are aided by rapid turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears for hours worked, and certain expenses such as certain taxes and some benefits are deferred for longer periods of time. Many other operating expenses have normal trade terms.



## Capital Expenditures

Capital expenditures (purchase of property and equipment) were \$69,891, \$67,842 and \$87,849 in 2010, 2009 and 2008, respectively. Capital expenditures in 2010, 2009 and 2008 are net of proceeds from insurance recoveries of \$241, \$262 and \$178, respectively. Capital expenditures for maintenance programs accounted for the majority of these expenditures in 2010. Costs of new locations accounted for the majority of these expenditures in 2009 and 2008. The increase in capital expenditures from 2009 to 2010 is primarily due to higher capital expenditures for maintenance programs and operational innovation initiatives partially offset by lower costs related to fewer new locations. The decrease in capital expenditures from 2008 to 2009 is primarily due to a reduction in the number of new locations acquired and under construction as compared to the prior year. We estimate that our capital expenditures during 2011 will be between \$110,000 and \$120,000. This estimate includes certain costs related to the acquisition of sites and construction of eleven new stores to be opened in 2011, as well as for acquisition and construction costs for locations to be opened in future years, capital expenditures for maintenance programs and operational innovation initiatives. We intend to fund our capital expenditures with cash flows from operations and borrowings under our Revolving Credit Facility, as necessary.

## Off-Balance Sheet Arrangements

Other than various operating leases, which are disclosed more fully in "Material Commitments" below and Notes 2 and 17 to our Consolidated Financial Statements, we have no other material off-balance sheet arrangements.

## Material Commitments

For reporting purposes, the schedule of future minimum rental payments required under operating leases, excluding billboard leases, uses the same lease term as used in the straight-line rent calculation. This term includes certain future renewal options although we are not currently legally obligated for all optional renewal periods. This method is consistent with the lease term used in the straight-line rent calculation, as described in Note 2 to the Consolidated Financial Statements.

Our contractual cash obligations and commitments as of July 30, 2010, are summarized in the tables below:

Contractual Obligations (a)	Payments due by Year				
	Total	2011	2012-2013	2014-2015	After 2015
Term loans payable on or before April 27, 2013 (b)	\$ 347,559	\$ 4,029	\$ 343,530	--	
Term loans payable on or before April 27, 2016 (b)	232,585	2,617	5,233	\$ 5,233	\$ 219,502
Note payable (c)	364	109	218	37	
Operating leases excluding billboards (d)	748,935	36,078	72,805	73,992	566,060
Operating leases for billboards	30,576	19,577	10,956	43	
Capital leases	66	22	44	--	
Purchase obligations (e)	184,293	72,717	94,127	15,375	2,075
Other long-term obligations (f)	38,929	--	8,649	277	30,003
<b>Total contractual cash obligations</b>	<b>\$ 1,583,307</b>	<b>\$ 135,149</b>	<b>\$ 535,562</b>	<b>\$ 94,957</b>	<b>\$ 817,547</b>

	Amount of Commitment Expirations by Year				
	Total	2011	2012-2013	2014-2015	After 2015
Revolving Credit facility expiring on April 27, 2011 (g)	\$ 85,000	\$ 85,000	--	--	--
Revolving Credit facility expiring on January 27, 2013 (g)	165,000	--	\$ 165,000	--	--
Standby letters of credit	30,346	4,250	26,096	--	--
Guarantees (h)	2,364	562	975	\$ 279	\$ 548
<b>Total commitments</b>	<b>\$ 282,710</b>	<b>\$ 89,812</b>	<b>\$ 192,071</b>	<b>\$ 279</b>	<b>\$ 548</b>

- (a) At July 30, 2010, the entire liability for uncertain tax positions (including penalties and interest) is classified as a long-term liability. At this time, we are unable to make a reasonably reliable estimate of the amounts and timing of payments in individual years due to uncertainties in the timing of the effective settlement of tax positions. As such, the liability for uncertain tax positions of \$17,467 is not included in the contractual cash obligations and commitments table above.
- (b) The aggregate outstanding on the term loans at July 30, 2010 is \$580,144. Using our expected principal payments on the term loans and projected interest rates, we will have interest payments of \$43,063, \$74,436, \$22,000 and \$6,061 in 2011, 2012-2013, 2014-2015 and thereafter, respectively. The projected interest rates for our swapped portion of our term loans are our fixed rates under our interest rate swaps plus our current credit spreads. Currently, our fixed rate is 5.57% through May 2013 and then our fixed rate decreases to 2.73% from May 2013 through May 2015. The projected interest rates for our unswapped portion of our term loans are the three-year swap rate at July 30, 2010 of 1.19% plus our current credit spreads. Our current credits spreads are 1.50% and 2.50%, respectively, on the term loans payable on or before April 27, 2013 and April 27, 2016.
- (c) The note payable consists of a five-year note with a vendor in the original principal amount of \$507 and represents the financing of prepaid maintenance for telecommunications equipment. The note payable is payable in monthly installments of principal and interest of \$9 through October 16, 2013 and bears interest at 2.88%. Principal and interest payments for the note payable are included in the contractual cash obligations and commitments table above.
- (d) Includes base lease terms and certain optional renewal periods, for which at the inception of the lease, it is reasonably assured that we will exercise.
- (e) Purchase obligations consist of purchase orders for food and retail merchandise; purchase orders for capital expenditures, supplies and other operating needs and other services; and commitments under contracts for maintenance needs and other services. We have excluded contracts that do not contain minimum purchase obligations. In 2010, we increased our use of contracts that do not contain minimum purchase obligations but do address product specifications and pricing. We excluded long-term agreements for services and operating needs that can be cancelled within 60 days without penalty. We included long-term agreements and certain retail purchase orders for services and operating needs that can be cancelled with more than 60 days notice without penalty only through the term of the notice. We included long-term agreements for services and operating needs that only can be cancelled in the event of an uncured material breach or with a penalty through the entire term of the contract. Due to the uncertainties of seasonal demands and promotional calendar changes, our best estimate of usage for food, supplies and other operating needs and services is ratably over either the notice period or the remaining life of the contract, as applicable, unless we had better information available at the time related to each contract.
- (f) Other long-term obligations include our Non-Qualified Savings Plan (\$25,935, with a corresponding long-term asset to fund the liability; see Note 13 to the Consolidated Financial Statements), Deferred Compensation Plan (\$4,068), FY2008, FY2009 and FY2010 Long-Term Retention Incentive Plans (\$2,000), FY2010 District Manager Long-Term Performance Plan (\$1,145) and FY2010 Long-Term Performance Plan (\$5,781).
- (g) We did not have any outstanding borrowings under our Revolving Credit Facility as of July 30, 2010. We paid \$619 in non-use fees (also known as commitment fees) on the Revolving Credit Facility during 2010. Based on having no outstanding borrowings at July 30, 2010 and our current unused commitment fee as defined in the Credit Facility, our unused commitment fees in 2011 would be \$701; however, the actual amount will differ based on actual usage of the Revolving Credit Facility in 2011.
- (h) Consists solely of guarantees associated with properties that have been assigned. We are not aware of any non-performance under these arrangements that would result in us having to perform in accordance with the terms of those guarantees.

#### Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk, such as changes in interest rates and commodity prices. We do not hold or use derivative financial instruments for trading purposes.

**Interest Rate Risk.** We have interest rate risk relative to our outstanding borrowings under our Credit Facility. At July 30, 2010, our outstanding borrowings under our Credit Facility totaled \$580,144 (see Note 5 to our Consolidated Financial Statements). Loans under the Credit Facility bear interest, at our election, either at the prime rate or LIBOR plus a percentage point spread based on certain specified financial ratios.

Our policy has been to manage interest cost using a mix of fixed and variable rate debt (see Notes 5, 6, 10 and 17 to our Consolidated Financial Statements). To manage this risk in a cost efficient manner, we entered into an interest rate swap on May 4, 2006 in which we agreed to exchange with a counterparty, at specified intervals effective August 3, 2006, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The swapped portion of our outstanding debt is fixed at a rate of 5.57% plus our current credit spread over the 7-year life of the interest rate swap. Our current weighted average credit spread is 1.90%. Additionally, we entered into an interest rate swap on August 10, 2010 in which we agreed to exchange with a counterparty, effective May 3, 2013, the difference between fixed and variable interest amounts calculated by reference to the notional principal amount of \$200,000. The swapped portion of our outstanding debt will be fixed at a rate of 2.73% plus our credit spread over the 2-year life of the interest rate swap. See Notes 2 and 6 to our Consolidated Financial Statements for further discussion of our interest rate swaps.

The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of our unswapped outstanding debt as of July 30, 2010, would be approximately \$152.

**Commodity Price Risk.** Many of the food products that we purchase are affected by commodity pricing and are, therefore, subject to price volatility caused by market conditions, weather, production problems, delivery difficulties and other factors which are outside our control and which are generally unpredictable. Four food categories (dairy (including eggs), beef, poultry and pork) account for the largest shares of our food purchases at approximately 13%, 12%, 11% and 10%, respectively. Other categories affected by the commodities markets, such as grains and seafood, may each account for as much as 7% of our food purchases. While we have some of our food items prepared to our specifications, our food items are based on generally available products, and if any existing suppliers fail, or are unable to deliver in quantities required by us, we believe that there are sufficient other quality suppliers in the marketplace that our sources of supply can be replaced as necessary. We also recognize, however, that commodity pricing is extremely volatile and can change unpredictably and over short periods of time. Changes in commodity prices would affect us and our competitors generally, and depending on the terms and duration of supply contracts, sometimes simultaneously. We enter into supply contracts for certain of our products in an effort to minimize volatility of supply and pricing. In many cases, or over the longer term, we believe we will be able to pass through some or much of the increased commodity costs by adjusting our menu pricing. From time to time, competitive circumstances, or judgments about consumer acceptance of price increases, may limit menu price flexibility, and in those circumstances, increases in commodity prices can result in lower margins, as happened to us in 2008.

#### Recent Accounting Pronouncements

##### Accounting Standards Codification

On September 15, 2009, we adopted the Accounting Standards Codification ("ASC") as issued by the Financial Accounting Standards Board ("FASB"). The ASC is the single source of authoritative nongovernmental accounting principles generally accepted in the United States of America ("GAAP"), except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. The adoption did not have an impact on our consolidated financial statements.

##### Fair Value

On August 1, 2009, the first day of 2010, we adopted, on a prospective basis, new accounting guidance as issued by the FASB for certain nonfinancial assets and liabilities that are recorded or disclosed at fair value on a nonrecurring basis, such as nonfinancial long-lived asset groups measured at fair value for an impairment assessment. The adoption did not have an impact on our consolidated financial statements. See Note 3 to the accompanying Consolidated Financial Statements for further information related to our assets and liabilities measured at fair value on a nonrecurring basis.

## CRITICAL ACCOUNTING ESTIMATES

We prepare our Consolidated Financial Statements in conformity with GAAP. The preparation of these financial statements requires us to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates and judgments on historical experience, current trends, outside advice from parties believed to be experts in such matters and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results could differ from those assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 to the Consolidated Financial Statements. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Critical accounting estimates are those that:

- management believes are both most important to the portrayal of our financial condition and operating results and
- require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We consider the following accounting estimates to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements.

- Impairment of Long-Lived Assets and Provision for Asset Dispositions
- Insurance Reserves
- Inventory Valuation
- Tax Provision
- Share-Based Compensation
- Unredeemed Gift Cards
- Legal Proceedings

Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

### Impairment of Long-Lived Assets and Provision for Asset Dispositions

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability of assets is measured by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total expected future cash flows are less than the carrying amount of the asset, the carrying amount is written down to the estimated fair value of an asset to be held and used or the fair value, net of estimated costs of disposal, of an asset to be disposed of, and a loss resulting from impairment is recognized by a charge to income. Judgments and estimates that we make related to the expected useful lives of long-lived assets are affected by factors such as changes in economic conditions and changes in operating performance. The accuracy of such provisions can vary materially from original estimates and management regularly monitors the adequacy of the provisions until final disposition occurs.

We have not made any material changes in our methodology for assessing impairments during the past three years and we do not believe that there is a reasonable likelihood that there will be a material change in the estimates or assumptions used by us to assess impairment on long-lived assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values of long-lived assets, we may be exposed to losses that could be material.

In 2010, 2009 and 2008, we incurred impairment charges related to our stores. In 2009, we also incurred impairment charges related to three corporate properties. For a more detailed discussion of these costs see the sub-section entitled "Impairment and Store Closing Charges" under the section entitled "Results of Operations" presented earlier in the MD&A.

## Insurance Reserves

We self-insure a significant portion of our expected workers' compensation, general liability and health insurance programs. We purchase insurance for individual workers' compensation claims that exceed \$250, \$500 or \$1,000 depending on the state in which the claim originates. We purchase insurance for individual general liability claims that exceed \$500. Prior to January 1, 2009, we did not purchase such insurance for our group health program, but did limit our offered benefits for any individual (employee or dependents) in the program to not more than \$1,000 lifetime, and, in certain cases, to not more than \$100 in any given plan year. Beginning January 1, 2009, we split our group health program into two programs. The first program is fully insured and as such has no liability for unpaid claims. The second program is self-insured. For our calendar 2009 plan, benefits for any individual (employee or dependents) in the self-insured program were limited to not more than \$1,000 lifetime, \$100 in any given plan year and, in certain cases, to not more than \$15 in any given plan year. For our calendar 2010 plan, benefits for any individual (employee or dependents) in the self-insured program are limited to not more than \$20 in any given plan year, and, in certain cases, to not more than \$8 in any given year. We record a liability for the self-insured portion of our group health program for all unpaid claims based upon a loss development analysis derived from actual group health claims payment experience.

We record a liability for workers' compensation and general liability for all unresolved claims and for an actuarially determined estimate of incurred but not reported claims at the anticipated cost to us based upon an actuarially determined reserve as of the end of our third quarter and adjust it by the actuarially determined losses and actual claims payments for the fourth quarter. The reserves and losses are determined actuarially from a range of possible outcomes within which no given estimate is more likely than any other estimate. As such, we record the actuarially determined losses at the low end of that range and discount them to present value using a risk-free interest rate based on actuarially projected timing of payments. We also monitor actual claims development, including incurrence or settlement of individual large claims during the interim period between actuarial studies as another means of estimating the adequacy of our reserves.

Our accounting policies regarding insurance reserves include certain actuarial assumptions and management judgments regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. We have not made any material changes in the accounting methodology used to establish our insurance reserves during the past three years and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate the insurance reserves. However, changes in these actuarial assumptions or management judgments in the future may produce materially different amounts of expense that would be reported under these insurance programs.

## Inventory Valuation

Cost of goods sold includes the cost of retail merchandise sold at our stores utilizing the retail inventory method ("RIM"). RIM is an averaging method that is widely used in the retail industry due to its practicality. Under RIM, the valuation of our retail inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value of our inventories. Inherent in the RIM calculation are certain significant management judgments and estimates, including initial markons, markups, markdowns and shrinkage, which may significantly impact the gross margin calculation as well as the ending inventory valuation.

Inventory valuation provisions are included for retail inventory obsolescence and retail inventory shrinkage. Retail inventory is reviewed on a quarterly basis for obsolescence and adjusted as appropriate based on assumptions made by management and judgment regarding inventory aging and future promotional activities. Cost of goods sold includes an estimate of shrinkage that is adjusted upon physical inventory counts. Annual physical inventory counts are conducted throughout the third and fourth quarters based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a three-year average of the physical inventories' results on a store-by-store basis.

We have not made any material changes in the methodologies, estimates or assumptions related to our merchandise inventories during the past three years and do not believe there is a reasonable likelihood that there will be a material change in these estimates or assumptions in the future. However, actual obsolescence or shrinkage recorded may produce materially different amounts than we have estimated.

## Tax Provision

We must make estimates of certain items that comprise our income tax provision. These estimates include effective state and local income tax rates, employer tax credits for items such as FICA taxes paid on employee tip income, Work Opportunity and Welfare to Work credits, as well as estimates related to certain depreciation and capitalization policies.

We recognize (or derecognize) a tax position taken or expected to be taken in a tax return in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained (or not sustained) upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Our estimates are made based on current tax laws, the best available information at the time of the provision and historical experience. We file our income tax returns many months after our year end. These returns are subject to audit by various federal and state governments years after the returns are filed and could be subject to differing interpretations of the tax laws. We then must assess the likelihood of successful legal proceedings or reach a settlement with the relevant taxing authority. Although we believe that the judgments and estimates used in establishing our tax provision are reasonable, an unsuccessful legal proceeding or a settlement could result in material adjustments to our Consolidated Financial Statements and our consolidated financial position.

## Share-Based Compensation

Share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. Our policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Additionally, our policy is to issue new shares of common stock to satisfy exercises of share-based compensation awards.

The fair value of each option award granted was estimated on the date of grant using a binomial lattice-based option valuation model. This model incorporates the following ranges of assumptions:

- The expected volatility is a blend of implied volatility based on market-traded options on our stock and historical volatility of our stock over the contractual life of the options.
- We use historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time the options are expected to be outstanding.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option.
- The expected dividend yield is based on our current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option.

The expected volatility, option exercise and termination assumptions involve management's best estimates at that time, all of which affect the fair value of the option calculated by the binomial lattice-based option valuation model and, ultimately, the expense that will be recognized over the life of the option. We update the historical and implied components of the expected volatility assumption when new grants are made. We update option exercise and termination assumptions annually. The expected life is a by-product of the lattice model and is updated when new grants are made.

Compensation expense is recognized for only the portion of options that are expected to vest. Therefore, an estimated forfeiture rate derived from historical employee termination behavior, grouped by job classification, is applied against share-based compensation expense. The forfeiture rate is applied on a straight-line basis over the service (vesting) period for each separately vesting portion of the award as if the award were, in-substance, multiple awards. We update the estimated forfeiture rate to actual on each of the vesting dates and adjust compensation expense accordingly so that the amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the award that is vested at that date.

Generally, the fair value of each nonvested stock grant is equal to the market price of our stock at the date of grant reduced by the present value of expected dividends to be paid prior to the vesting period, discounted using an appropriate risk-free interest rate.

All of our nonvested stock grants are time vested except the nonvested stock grants of one executive that are based upon the achievement of strategic goals. Compensation cost for performance-based awards is recognized when it is probable that the performance criteria will be met. At each reporting period, we reassess the probability of achieving the performance targets and the performance period required to meet those targets. Determining whether the performance targets will be achieved involves judgment and the estimate of expense may be revised periodically based on the probability of achieving the performance targets. Revisions are reflected in the period in which the estimate is changed. If any performance goals are not met, no compensation cost is ultimately recognized and, to the extent previously recognized, compensation cost is reversed. During 2008, based on our determination that the performance goals for one executive's nonvested stock grants would not be achieved, we reversed approximately \$3,508 of share-based compensation expense.

Other than the reversal of share-based compensation in 2008 for nonvested stock grants whose performance goals would not be met, we have not made any material changes in our estimates or assumptions used to determine share-based compensation during the past three years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to determine share-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in share-based compensation expense that could be material.

#### Unredeemed Gift Cards

Unredeemed gift cards represent liabilities related to unearned income and are recorded at their expected redemption value. No revenue is recognized in connection with the point-of-sale transaction when gift cards are sold. For those states that exempt gift cards from their escheat laws, we make estimates of the ultimate unredeemed ("breakage") gift cards in the period of the original sale and amortize this breakage over the redemption period that other gift cards historically have been redeemed by reducing the liability and recording revenue accordingly. For those states that do not exempt gift cards from their escheat laws, we record breakage in the period that gift cards are remitted to the state and reduce our liability accordingly. Any amounts remitted to states under escheat or similar laws reduce our deferred revenue liability and have no effect on revenue or expense while any amounts that we are permitted to retain are recorded as revenue. Changes in redemption behavior or management's judgments regarding redemption trends in the future may produce materially different amounts of deferred revenue to be reported.

We have not made any material changes in the methodology used to record the deferred revenue liability for unredeemed gift cards during the past three years and do not believe there is a reasonable likelihood that there will be material changes in the future estimates or assumptions used to record this liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.

#### Legal Proceedings

We are parties to various legal and regulatory proceedings and claims incidental to our business. In the opinion of management, however, based upon information currently available, the ultimate liability with respect to these actions will not materially affect our consolidated results of operations or financial position. We review outstanding claims and proceedings internally and with external counsel as necessary to assess probability of loss and for the ability to estimate loss. These assessments are re-evaluated each quarter or as new information becomes available to determine whether a reserve should be established or if any existing reserve should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded reserve. In addition, because it is not permissible under GAAP to establish a litigation reserve until the loss is both probable and estimable, in some cases there may be insufficient time to establish a reserve prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement).

## Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). We maintain a system of internal controls that is designed to provide reasonable assurance in a cost-effective manner as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Corporate Governance Guidelines, our Financial Code of Ethics, and our Code of Business Conduct and Ethics, all of which may be viewed on our website. They set the tone for our organization and include factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures, which are reviewed, modified and improved as changes occur in business condition and operations. Neither our disclosure controls and procedures nor our internal controls, however, can or will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the benefits of controls relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. We have concluded that our internal control over financial reporting was effective as of July 30, 2010, based on these criteria.

In addition, Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting, which is included herein.

/s/Michael A. Woodhouse

Michael A. Woodhouse  
Chairman, President and Chief Executive Officer

/s/Sandra B. Cochran

Sandra B. Cochran  
Executive Vice President and Chief Financial Officer



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Shareholders of Cracker Barrel Old Country Store, Inc.  
Lebanon, Tennessee**

We have audited the accompanying consolidated balance sheets of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 30, 2010 and July 31, 2009, 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 30, 2010. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 financial position of Cracker Barrel Old Country Store, Inc. and subsidiaries as of July 30, 2010 and July 31, 2009, and the results of their operations and their cash flows for each of the three fiscal years in the period ended July 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of July 30, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 28, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Nashville, Tennessee  
September 28, 2010

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Shareholders of Cracker Barrel Old Country Store, Inc.  
Lebanon, Tennessee**

We have audited the internal control over financial reporting of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 30, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 30, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended July 30, 2010, and our report dated September 28, 2010, expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte & Touche LLP

Nashville, Tennessee  
September 28, 2010

CRACKER BARREL OLD COUNTRY STORE, INC.  
**CONSOLIDATED BALANCE SHEET**

	July 30, 2010	(In thousands except share data) July 31, 2009
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 47,700	\$ 11,609
Accounts receivable	13,530	12,730
Income taxes receivable	--	4,078
Inventories	144,079	137,424
Prepaid expenses and other current assets	8,609	9,193
Deferred income taxes	22,341	23,291
<b>Total current assets</b>	<b>236,259</b>	<b>198,325</b>
Property and Equipment:		
Land	287,591	286,161
Buildings and improvements	698,396	686,736
Buildings under capital leases	3,289	3,289
Restaurant and other equipment	410,411	379,459
Leasehold improvements	210,326	200,704
Construction in progress	11,532	16,089
<b>Total</b>	<b>1,621,545</b>	<b>1,572,438</b>
Less: Accumulated depreciation and amortization of capital leases	617,442	570,662
<b>Property and equipment – net</b>	<b>1,004,103</b>	<b>1,001,776</b>
Other assets	51,705	45,080
<b>Total</b>	<b>\$ 1,292,067</b>	<b>\$ 1,245,181</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 116,218	\$ 92,168
Current maturities of long-term debt and capital lease obligations	6,765	7,422
Taxes withheld and accrued	32,987	32,081
Income taxes payable	7,624	--
Accrued employee compensation	59,874	49,994
Accrued employee benefits	30,937	32,633
Deferred revenues	27,544	22,528
Accrued interest expense	10,535	10,379
Other accrued expenses	17,064	17,757
<b>Total current liabilities</b>	<b>309,548</b>	<b>264,962</b>
Long-term debt	573,744	638,040
Capital lease obligations	41	60
Interest rate swap liability	66,281	61,232
Other long-term obligations	93,781	89,610
Deferred income taxes	57,055	55,655
Commitments and Contingencies (Notes 2 and 17)		
Shareholders' Equity:		
Preferred stock – 100,000,000 shares of \$.01 par value authorized; no shares issued	--	--
Common stock – 400,000,000 shares of \$.01 par value authorized; 2010 – 22,732,781 shares issued and outstanding; 2009 – 22,722,685 shares issued and outstanding	228	227
Additional paid-in capital	6,200	12,972
Accumulated other comprehensive loss	(48,849 )	(44,822 )
Retained earnings	234,038	167,245
<b>Total shareholders' equity</b>	<b>191,617</b>	<b>135,622</b>
<b>Total</b>	<b>\$ 1,292,067</b>	<b>\$ 1,245,181</b>

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.  
**CONSOLIDATED STATEMENT OF INCOME**

(In thousands except share data)

	July 30, 2010	Fiscal years ended July 31, 2009	August 1, 2008
Total revenue	\$ 2,404,515	\$ 2,367,285	\$ 2,384,521
Cost of goods sold	745,818	764,909	773,757
Gross profit	1,658,697	1,602,376	1,610,764
Labor and other related expenses	908,211	916,256	909,546
Impairment and store closing charges	2,800	2,088	877
Other store operating expenses	437,136	421,594	422,293
Store operating income	310,550	262,438	278,048
General and administrative expenses	145,882	120,199	127,273
Operating income	164,668	142,239	150,775
Interest expense	48,959	52,177	57,445
Interest income	--	--	185
Income before income taxes	115,709	90,062	93,515
Provision for income taxes	30,451	24,105	28,212
Income from continuing operations	85,258	65,957	65,303
(Loss) income from discontinued operations, net of tax	--	(31)	250
Net income	\$ 85,258	\$ 65,926	\$ 65,553
Basic net income per share:			
Income from continuing operations	\$ 3.71	\$ 2.94	\$ 2.87
(Loss) income from discontinued operations, net of tax	--	--	0.01
Net income per share	\$ 3.71	\$ 2.94	\$ 2.88
Diluted net income per share:			
Income from continuing operations	\$ 3.62	\$ 2.89	\$ 2.79
(Loss) income from discontinued operations, net of tax	--	--	0.01
Net income per share	\$ 3.62	\$ 2.89	\$ 2.80
Basic weighted average shares outstanding	23,007,856	22,458,971	22,782,608
Diluted weighted average shares outstanding	23,579,752	22,787,633	23,406,044

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(In thousands except share data)

	Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances at August 3, 2007	23,674,175	\$ 237	\$ --	\$ (8,988 )	\$ 112,8
Comprehensive Income:					
Net income	--	--	--	--	65,5
Change in fair value of interest rate swap, net of tax benefit of \$7,273 (See Note 6)	--	--	--	(18,665 )	
Total comprehensive income	--	--	--	(18,665 )	65,5
Cumulative effect of a change in accounting principle for uncertain tax positions (Note 2)	--	--	--	--	2,8
Cash dividends declared - \$.72 per share	--	--	--	--	(16,5
Share-based compensation	--	--	8,491	--	
Exercise of share-based compensation awards	276,166	2	304	--	
Tax deficiency realized upon exercise of share-based compensation awards	--	--	(1,071 )	--	
Purchases and retirement of common stock	(1,625,000 )	(16 )	(6,993 )	--	(45,3
Balances at August 1, 2008	22,325,341	223	731	(27,653 )	119,4
Comprehensive Income:					
Net income	--	--	--	--	65,9
Change in fair value of interest rate swap, net of tax benefit of \$4,445 (See Note 6)	--	--	--	(17,169 )	
Total comprehensive income	--	--	--	(17,169 )	65,9
Cash dividends declared - \$.80 per share	--	--	--	--	(18,1
Share-based compensation	--	--	6,946	--	
Exercise of share-based compensation awards	397,344	4	4,358	--	
Tax benefit realized upon exercise of share-based compensation awards	--	--	937	--	
Balances at July 31, 2009	22,722,685	227	12,972	(44,822 )	167,2
Comprehensive Income:					
Net income	--	--	--	--	85,2
Change in fair value of interest rate swap, net of tax benefit of \$1,022 (See Note 6)	--	--	--	(4,027 )	
Total comprehensive income	--	--	--	(4,027 )	85,2
Cash dividends declared - \$.80 per share	--	--	--	--	(18,4
Share-based compensation	--	--	13,193	--	
Exercise of share-based compensation awards	1,362,096	14	37,446	--	
Tax benefit realized upon exercise of share-based compensation awards	--	--	5,063	--	
Purchases and retirement of common stock	(1,352,000 )	(13 )	(62,474 )	--	
Balances at July 30, 2010	22,732,781	\$ 228	\$ 6,200	\$ (48,849 )	\$ 234,0



CRACKER BARREL OLD COUNTRY STORE, INC.  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	(In thousands)		
	July 30, 2010	Fiscal years ended July 31, 2009	August 1, 2008
<b>Cash flows from operating activities:</b>			
Net income	\$ 85,258	\$ 65,926	\$ 65,553
Loss (income) from discontinued operations, net of tax	--	31	(250)
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	61,024	59,286	57,689
Loss on disposition of property and equipment	4,697	4,421	1,195
Impairment	2,672	2,088	532
Share-based compensation	13,193	6,946	8,491
Excess tax benefit from share-based compensation	(5,063)	(937)	--
Changes in assets and liabilities:			
Accounts receivable	(800)	754	(1,725)
Income taxes receivable	4,078	3,794	(6,919)
Inventories	(6,655)	18,530	(11,538)
Prepaid expenses and other current assets	584	1,788	1,648
Other assets	(5,642)	2,009	(3,597)
Accounts payable	24,050	(1,021)	52
Taxes withheld and accrued	906	2,622	(2,742)
Income taxes payable	12,687	--	990
Accrued employee compensation	9,880	3,809	(2,385)
Accrued employee benefits	(1,696)	(1,608)	(685)
Deferred revenues	5,016	(90)	1,456
Accrued interest expense	156	(2,106)	12,321
Other accrued expenses	(613)	(672)	(1,188)
Other long-term obligations	5,002	(1,953)	5,462
Deferred income taxes	3,372	554	150
<b>Net cash provided by operating activities of continuing operations</b>	<b>212,106</b>	<b>164,171</b>	<b>124,510</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(70,132)	(68,104)	(88,027)
Proceeds from insurance recoveries of property and equipment	241	262	178
Proceeds from sale of property and equipment	265	58,755	5,143
<b>Net cash used in investing activities of continuing operations</b>	<b>(69,626)</b>	<b>(9,087)</b>	<b>(82,706)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	349,600	620,200	797,650
Proceeds from exercise of share-based compensation awards	37,460	4,362	306
Principal payments under long-term debt and other long-term obligations	(414,572)	(762,530)	(774,292)
Purchases and retirement of common stock	(62,487)	--	(52,380)
Deferred financing costs	(2,908)	(768)	--
Dividends on common stock	(18,545)	(17,607)	(15,743)
Excess tax benefit from share-based compensation	5,063	937	--
<b>Net cash used in financing activities of continuing operations</b>	<b>(106,389)</b>	<b>(155,406)</b>	<b>(44,459)</b>
<b>Cash flows from discontinued operations:</b>			
Net cash (used in) provided by operating activities of discontinued operations	--	(47)	385
Net cash (used in) provided by discontinued operations	--	(47)	385
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>36,091</b>	<b>(369)</b>	<b>(2,270)</b>
Cash and cash equivalents, beginning of year		11,609	14,248
<b>Cash and cash equivalents, end of year</b>		<b>\$ 47,700</b>	<b>\$ 11,609</b>

See Notes to Consolidated Financial Statements.

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest, excluding interest rate swap payments, net of amounts capitalized	\$	14,598	\$	32,344	\$	37,180
Interest rate swap		30,722		19,469		5,578
Income taxes		20,673		23,782		32,030

Supplemental schedule of non-cash financing activity:

Change in fair value of interest rate swap	\$	(5,049 )	\$	(21,614 )	\$	(25,938 )
Change in deferred tax asset for interest rate swap		1,022		4,445		7,273

See Notes to Consolidated Financial Statements.



## 1. Description of the Business

Cracker Barrel Old Country Store, Inc. and its affiliates (collectively, in the Notes, the "Company") are principally engaged in the operation and development in the United States of the Cracker Barrel Old Country Store® ("Cracker Barrel") restaurant and retail concept.

## 2. Summary Of Significant Accounting Policies

**GAAP** – The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

**Fiscal year** – The Company's fiscal year ends on the Friday nearest July 31st and each quarter consists of thirteen weeks unless noted otherwise. References in these Notes to a year or quarter are to the Company's fiscal year or quarter unless noted otherwise.

**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.

**Fair value measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a three level hierarchy for inputs is used. These levels are:

- Level 1 – quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – unobservable and significant to the fair value measurement of the asset or liability.

The fair values of cash equivalents and deferred compensation plan assets (included in other assets) are based on quoted market prices. The fair values of accounts receivable and accounts payable at July 30, 2010 and July 31, 2009, approximate their carrying amounts due to their short duration. The fair value of the Company's variable-rate term loans and revolving credit facility, based on quoted market prices, totaled approximately \$566,510 and \$619,200 on July 30, 2010 and July 31, 2009, respectively. The estimated fair value of the Company's interest rate swap is the present value of the expected cash flows, which is calculated by using the replacement fixed rate in the then-current market, and incorporates the Company's own non-performance risk. See Note 3 for additional information on the Company's fair value measurements.

**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.

**Accounts receivable** – Accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are recorded based on historical collection experience and the age of the receivables. Accounts receivable are written off when they are deemed uncollectible.

**Inventories** – Inventories are stated at the lower of cost or market. Cost of restaurant inventory is determined by the first-in, first-out ("FIFO") method. In 2010, approximately 70% of retail inventories are valued using the retail inventory method ("RIM") and the remaining 30% are valued using an average cost method. In 2009, due to lower inventory levels at the Company's retail distribution center as compared to prior years, approximately 80% of retail inventories were valued using RIM and the remaining 20% were valued using an average cost method. Valuation provisions are included for retail inventory obsolescence, retail inventory shrinkage, returns and amortization of certain items.

Cost of goods sold includes an estimate of retail inventory shrinkage that is adjusted upon physical inventory counts. Annual physical inventory counts are conducted throughout the third and fourth quarters based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a three-year average of the physical inventories' results on a store-by-store basis.

**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	30-45
Buildings under capital leases	15-25
Restaurant and other equipment	2-10
Leasehold improvements	1-35

Depreciation expense was \$59,930, \$57,706 and \$56,149 for 2010, 2009 and 2008, respectively. Accelerated depreciation methods are generally used for income tax purposes. Depreciation expense related to store operations was \$56,402, \$53,745 and \$51,858 for 2010, 2009 and 2008, respectively, and is included in other store operating expenses in the Consolidated Statement of Income.

Capitalized interest was \$216, \$445 and \$682 for 2010, 2009 and 2008, 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.

**Impairment of long-lived assets** – The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability of assets is measured by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total expected future cash flows are less than the carrying amount of the asset, the carrying amount is written down to the estimated fair value of an asset to be held and used or the fair value, net of estimated costs of disposal, of an asset to be disposed of, and a loss resulting from impairment is recognized by a charge to income. Judgments and estimates made by the Company related to the expected useful lives of long-lived assets are affected by factors such as changes in economic conditions and changes in operating performance. The accuracy of such provisions can vary materially from original estimates and management regularly monitors the adequacy of the provisions until final disposition occurs. See Notes 3 and 9 for additional information on the Company's impairment of long-lived assets.

**Derivative instruments and hedging activities** – The Company is exposed to market risk, such as changes in interest rates and commodity prices. The Company has interest rate risk relative to its outstanding borrowings under its Credit Facility (see Note 5). Loans under the Credit Facility bear interest, at the Company's election, either at the prime rate or LIBOR plus a percentage point spread based on certain specified financial ratios. The Company uses derivative instruments to mitigate its interest rate risk. The Company's policy has been to manage interest cost using a mix of fixed and variable rate debt (see Note 5). To manage this risk in a cost efficient manner, the Company entered into an interest rate swap on May 4, 2006 in which it agreed to exchange with a counterparty, at specified intervals effective August 3, 2006, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

The swapped portion of the outstanding debt or notional amount of the interest rate swap is as follows:

From August 3, 2006 to May 2, 2007	\$	525,000
From May 3, 2007 to May 5, 2008		650,000
From May 6, 2008 to May 4, 2009		625,000
From May 5, 2009 to May 3, 2010		600,000
From May 4, 2010 to May 2, 2011		575,000
From May 3, 2011 to May 2, 2012		550,000
From May 3, 2012 to May 3, 2013		525,000

The interest rate swap was accounted for as a cash flow hedge. The swapped portion of the Company's outstanding debt is fixed at a rate of 5.57% plus the Company's credit spread over the 7-year life of the interest rate swap. The Company's weighted average credit spreads at July 30, 2010 and July 31, 2009 were 1.90% and 1.50%, respectively.

Additionally, the Company entered into an interest rate swap on August 10, 2010 in which it agreed to exchange with a counterparty, effective May 3, 2013, the difference between fixed and variable interest amounts calculated by reference to the notional principal amount of \$200,000. The interest rate swap was accounted for as a cash flow hedge. The swapped portion of the Company's outstanding debt will be fixed at a rate of 2.73% plus the Company's credit spread over the 2-year life of the interest rate swap.

The Company does not hold or use derivative instruments for trading purposes. The Company also does not have any derivatives not designated as hedging instruments and has not designated any non-derivatives as hedging instruments. See Note 6 for additional information on the Company's derivative and hedging activities.

Many of the food products purchased by the Company are affected by commodity pricing and are, therefore, subject to price volatility caused by market conditions, weather, production problems, delivery difficulties and other factors that are outside the control of the Company and generally are unpredictable. Changes in commodity prices affect the Company and its competitors generally and, depending on terms and duration of supply contracts, sometimes simultaneously. In many cases, the Company believes it will be able to pass through some or much of increased commodity costs by adjusting its menu pricing. From time to time, competitive circumstances or judgments about consumer acceptance of price increases may limit menu price flexibility, and in those circumstances, increases in commodity prices can result in lower margins for the Company.

**Comprehensive income** – Comprehensive income includes net income and the effective unrealized portion of the changes in the fair value of the Company's interest rate swap.

**Segment reporting** – Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Utilizing these criteria, the Company manages its business on the basis of one reportable operating segment (see Note 8).

**Revenue recognition** – The Company records revenue from the sale of products as they are sold. The Company provides for estimated returns based on return history and sales levels. The Company's policy is to present sales in the Consolidated Statement of Income on a net presentation basis after deducting sales tax.

**Unredeemed gift cards and certificates** – Unredeemed gift cards and certificates represent a liability of the Company related to unearned income and are recorded at their expected redemption value. No revenue is recognized in connection with the point-of-sale transaction when gift cards or gift certificates are sold. For those states that exempt gift cards and certificates from their escheat laws, the Company makes estimates of the ultimate unredeemed ("breakage") gift cards and certificates in the period of the original sale and amortizes this breakage over the redemption period that other gift cards and certificates historically have been redeemed by reducing its liability and recording revenue accordingly. For those states that do not exempt gift cards and certificates from their escheat laws, the Company records breakage in the period that gift cards and certificates are remitted to the state and reduces its liability accordingly. Any amounts remitted to states under escheat or similar laws reduce the Company's deferred revenue liability and have no effect on revenue or expense while any amounts that the Company is permitted to retain are recorded as revenue. Changes in redemption behavior or management's judgments regarding redemption trends in the future may produce materially different amounts of deferred revenue to be reported.

**Insurance** – The Company self-insures a significant portion of its workers' compensation, general liability and health insurance programs. The Company has purchased insurance for individual workers' compensation claims that exceed \$250, \$500 or \$1,000 depending on the state in which the claim originates. The Company has purchased insurance for individual general liability claims that exceed \$500. Prior to January 1, 2009, the Company did not purchase such insurance for its group health program, but did limit its offered benefits for any individual (employee or dependents) in the program to not more than \$1,000 lifetime, and, in certain cases, to not more than \$100 in any given plan year. Beginning January 1, 2009, the Company split its group health program into two programs. The first program is fully insured and as such has no liability for unpaid claims. The second program is self-insured. For the Company's calendar 2009 plan, benefits for any individual (employee or dependents) in the self-insured program were limited to not more than \$1,000 lifetime, \$100 in any given plan year and, in certain cases, to not more than \$15 in any given plan year. For the Company's calendar 2010 plan, benefits for any individual (employee or dependents) in the self-insured program are limited to not more than \$20 in any given year, and, in certain cases, to not more than \$8 in given year. The Company records a liability for the self-insured portion of its group health program for all unpaid claims based upon a loss development analysis derived from actual group health claims payment experience.

The Company records a liability for workers' compensation and general liability for all unresolved claims and for an actuarially determined estimate of incurred but not reported claims at the anticipated cost to the Company based upon an actuarially determined reserve as of the end of the Company's third quarter and adjusts it by the actuarially determined losses and actual claims payments for the fourth quarter. The reserves and losses are determined actuarially from a range of possible outcomes within which no given estimate is more likely than any other estimate. As such, the Company records the losses at the low end of that range and discounts them to present value using a risk-free interest rate based on actuarially projected timing of payments. The Company's accounting policies regarding insurance reserves include certain actuarial assumptions or management judgments regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense.

**Store pre-opening costs** – Start-up costs of a new store are expensed when incurred, with the exception of rent expense under operating leases, in which the straight-line rent includes the pre-opening period during construction, as explained further under the "Leases" section in this Note.

**Leases** – The Company's leases are classified as either capital or operating leases. The Company has ground leases and office space leases that are recorded as operating leases. Most of the leases have rent escalation clauses and some have rent holiday and contingent rent provisions. A majority of the Company's lease agreements provide renewal options and some of these options contain rent escalation clauses. The Company also leases its advertising billboards which are recorded as operating leases (see "Advertising" in this Note).

The liabilities under these leases are recognized on the straight-line basis over the shorter of the useful life, with a maximum of 35 years, or the related lease life. The Company uses a lease life that generally begins on the date that the Company becomes legally obligated under the lease, including the pre-opening period during construction, when in many cases the Company is not making rent payments, and generally extends through certain renewal periods that can be exercised at the Company's option, for which at the inception of the lease, it is reasonably assured that the Company will exercise those renewal options. The same lease life is used for reporting future minimum lease commitments as is used for the straight-line rent calculation.

Certain leases provide for rent holidays, which are included in the lease life used for the straight-line rent calculation. Rent expense and an accrued rent liability are recorded during the rent holiday periods, during which the Company has possession of and access to the property, but is not required or obligated to, and normally does not, make rent payments.

Certain leases provide for contingent rent, which is determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability and corresponding rent expense when it is probable sales have been achieved in amounts in excess of the specified levels.

Rent expense under operating leases, excluding leases for advertising billboards, is recognized on a straight-line, or average, basis and includes any pre-opening periods during construction for which the Company is legally obligated under the terms of the lease, and any optional renewal periods, for which at the inception of the lease, it is reasonably assured that the Company will exercise those renewal options. This lease period is consistent with the period over which leasehold improvements are amortized.

The interest rates for capital leases vary from 5% to 10%. Amortization of capital leases is included with depreciation expense.

**Advertising** – The Company expenses the costs of producing advertising the first time the advertising takes place. Net advertising expense was \$45,239, \$42,371 and \$42,160 for 2010, 2009 and 2008, respectively. Rent expense under operating leases for billboards was \$25,558, \$25,950 and \$25,177 for 2010, 2009 and 2008, respectively.

The following is a schedule by year of the future minimum rental payments required under operating leases for advertising billboards as of July 30, 2010:

Year	
2011	\$ 19,577
2012	7,532
2013	3,424
2014	43
<b>Total</b>	<b>\$ 30,576</b>

**Share-based compensation** – The Company has compensation plans for employees and non-employee directors that authorize the granting of stock options, nonvested stock and other types of awards consistent with the purpose of the plans (see Note 12). The number of shares authorized for future issuance under the Company's plans as of July 30, 2010 totals 701,726. Stock options granted under these plans are granted with an exercise price equal to the market price of the Company's stock on the grant date; those option awards generally vest at a cumulative rate of 33% per year beginning on the first anniversary of the grant date and expire ten years from the date of grant.

The fair value of each option award is estimated on the date of grant using a binomial lattice-based option valuation model, which incorporates ranges of assumptions for inputs as shown in the following table. The assumptions are as follows:

- The expected volatility is a blend of implied volatility based on market-traded options on the Company's common stock and historical volatility of the Company's stock over the contractual life of the options.
- The Company uses historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time the options are expected to be outstanding.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option.
- The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option.

	Year Ended		
	July 30, 2010	July 31, 2009	August 1, 2008
Dividend yield range	2.5%	2.59% - 5.35%	1.8% - 2.2%
Expected volatility	47%	43% - 61%	31% - 34%
Risk-free interest rate range	0.4% - 5.1%	0.5% - 5.4%	2.9% - 5.0%
Expected term (in years)	6.8	6.7 - 6.9	6.3

Nonvested stock grants consist of the Company's common stock and generally vest over 2-5 years. All nonvested stock grants are time vested except the nonvested stock grants of one executive that are based upon the achievement of strategic goals. If any performance goals are not met, no compensation cost is ultimately recognized and, to the extent previously recognized, compensation cost is reversed. During 2008, based on the Company's determination that performance goals would not be achieved for one executive's nonvested stock grants, the Company reversed approximately \$3,508 of share-based compensation expense. During 2010 and 2009, the Company did not have any similar reversals.

Generally, the fair value of each nonvested stock grant is equal to the market price of the Company's stock at the date of grant reduced by the present value of expected dividends to be paid prior to the vesting period, discounted using an appropriate risk-free interest rate. Certain nonvested stock grants accrue dividends and their fair value is equal to the market price of the Company's stock at the date of the grant.

Share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Additionally, the Company's policy is to issue new shares of common stock to satisfy exercises of share-based compensation awards.

**Income taxes** – Employer tax credits for FICA taxes paid on employee tip income and other employer tax credits 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. In 2008, the Company adopted new accounting guidance for uncertain tax positions. This accounting guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes (or derecognizes) a tax position taken or expected to be taken in a tax return in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained (or not sustained) upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company recognizes, net of tax, interest and estimated penalties related to uncertain tax positions in its provision for income taxes. The cumulative effect of adopting this accounting guidance resulted in a net increase of \$2,898 to the Company's beginning 2008 retained earnings. See Note 14 for additional information regarding income taxes.

**Net income per share** – Basic consolidated net income per share is computed by dividing consolidated net income to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted consolidated net income 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 and is based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares related to stock options and nonvested stock and stock awards issued by the Company are calculated using the treasury stock method. Outstanding employee and director stock options and nonvested stock and stock awards issued by the Company represent the only dilutive effects on diluted consolidated net income per share. See Note 16.

**Use of estimates** - Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods to prepare these Consolidated Financial Statements in conformity with GAAP. Management believes that such estimates have been based on reasonable and supportable assumptions and that the resulting estimates are reasonable for use in the preparation of the Consolidated Financial Statements. Actual results, however, could differ from those estimates.

#### Recent Accounting Pronouncements

#### Accounting Standards Codification

On September 15, 2009, the Company adopted the Accounting Standards Codification ("ASC") as issued by the Financial Accounting Standards Board ("FASB"). The ASC is the single source of authoritative nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. The adoption did not have an impact on the Company's consolidated financial statements.

## Fair Value

On August 1, 2009, the first day of 2010, the Company adopted, on a prospective basis, new accounting guidance as issued by the FASB for certain nonfinancial assets and liabilities that are recorded or disclosed at fair value on a nonrecurring basis, such as nonfinancial long-lived asset groups measured at fair value for an impairment assessment. The adoption did not have an impact on the Company's consolidated financial statements. See Note 3 for further information related to the Company's assets and liabilities measured at fair value on a nonrecurring basis.

### 3. Fair Value Measurements

The Company's assets and liabilities measured at fair value on a recurring basis at July 30, 2010 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as of July 30, 2010
Cash equivalents*	\$ 35,250	\$ --	\$ --	\$ 35,250
Deferred compensation plan assets**	25,935	--	--	25,935
<b>Total assets at fair value</b>	<b>\$ 61,185</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 61,185</b>
Interest rate swap liability (see Note 6)	\$ --	\$ 66,281	\$ --	\$ 66,281
<b>Total liabilities at fair value</b>	<b>\$ --</b>	<b>\$ 66,281</b>	<b>\$ --</b>	<b>\$ 66,281</b>

The Company's assets and liabilities measured at fair value on a recurring basis at July 31, 2009 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as of July 31, 2009
Cash equivalents*	\$ 48	\$ --	\$ --	\$ 48
Deferred compensation plan assets**	22,583	--	--	22,583
<b>Total assets at fair value</b>	<b>\$ 22,631</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 22,631</b>
Interest rate swap liability (see Note 6)	\$ --	\$ 61,232	\$ --	\$ 61,232
<b>Total liabilities at fair value</b>	<b>\$ --</b>	<b>\$ 61,232</b>	<b>\$ --</b>	<b>\$ 61,232</b>

\*Consists of money market fund investments.

\*\*Represents plan assets invested in mutual funds established under a Rabbi Trust for the Company's non-qualified savings plan and is included in the Consolidated Balance Sheet as other assets (see Note 13).

The Company's money market fund investments and deferred compensation plan assets are measured at fair value using quoted market prices. The fair value of the Company's interest rate swap liability is determined based on the present value of expected future cash flows. Since the interest rate swap is based on the LIBOR forward curve, which is observable at commonly quoted intervals for the full term of the swap, it is considered a Level 2 input. Nonperformance risk is reflected in determining the interest rate swap's fair value by using the Company's credit spread less the risk-free interest rate, both of which are observable at commonly quoted intervals for the swap's term. Thus, the adjustment for nonperformance risk is also considered a Level 2 input.

During 2010, one leased store was determined to be impaired. Fair value of the leased store was determined by using a cash flow model. Assumptions used in the cash flow model included projected annual revenue growth rates and projected cash flows and are impacted by economic conditions and management's expectations. The Company has determined that the majority of these inputs are unobservable inputs, and thus, are considered Level 3 inputs. Based on its analysis, the Company determined that the leased store was fully impaired. This resulted in an impairment charge of \$2,263. Additionally, during 2010, the Company closed one owned store and recorded an impairment charge of \$409 for the amount that the store's carrying value exceeded its fair value. Fair value was determined based upon market comparables, which are considered Level 2 inputs. See Note 9 for further information on the impairment of these long-lived assets.

#### 4. Inventories

Inventories were comprised of the following at:

	July 30, 2010	July 31, 2009
Retail	\$ 113,674	\$ 108,412
Restaurant	17,586	16,782
Supplies	12,819	12,230
<b>Total</b>	<b>\$ 144,079</b>	<b>\$ 137,424</b>

#### 5. Debt

Long-term debt consisted of the following at:

	July 30, 2010	July 31, 2009
Term loans payable on or before April 27, 2013	\$ 347,559	\$ 645,000
Term loans payable on or before April 27, 2016	232,585	--
Note payable	346	444
	580,490	645,444
Current maturities	(6,746 )	(7,404 )
<b>Long-term debt</b>	<b>\$ 573,744</b>	<b>\$ 638,040</b>

The aggregate maturities of long-term debt subsequent to July 30, 2010 are as follows:

Year	
2011	\$ 6,746
2012	6,748
2013	342,224
2014	2,653
2015	2,617
Thereafter	219,502
<b>Total</b>	<b>\$ 580,490</b>

#### Credit Facility

The Company's credit facility (the "Credit Facility") consists of term loans (aggregate outstanding at July 30, 2010 and July 31, 2009 were \$580,144 and \$645,000, respectively) and a \$250,000 revolving credit facility (the "Revolving Credit Facility"). On November 6, 2009, the Company entered into an amendment to the Credit Facility which extended the availability of \$165,000 of the \$250,000 Revolving Credit Facility to January 27, 2013 from April 27, 2011. The amendment also extended the maturity date of \$250,000 of the Company's then outstanding term loans to April 27, 2016 from April 27, 2013.

In 2006, the Company entered into an interest rate swap which resulted in the swapped portion of the Company's outstanding term loans being fixed at 5.57% plus the Company's credit spread over the 7-year life of the interest rate swap (see Notes 2 and 6).



The interest rates for the term loans and Revolving Credit Facility are based on either LIBOR or prime. A spread is added to the interest rates in accordance with the Credit Facility. As of July 30, 2010 and July 31, 2009, the Company's term loans were swapped at weighted average interest rates of 7.47% and 7.07%, respectively. As of July 30, 2010 and July 31, 2009, the weighted average interest rates on the remaining \$5,144 and \$45,000 of the term loans, respectively, were 2.23% and 3.53%, respectively.

At July 30, 2010 and July 31, 2009, the Company did not have any outstanding borrowings under the Revolving Credit Facility. At July 30, 2010, the Company had \$30,346 of standby letters of credit, which reduce the Company's availability under the Revolving Credit Facility (see Note 17). At July 30, 2010, the Company had \$219,654 available under the Revolving Credit Facility.

The Credit Facility contains customary financial covenants, which are specified in the agreement and include maintenance of a maximum consolidated total leverage ratio and a minimum consolidated interest coverage ratio. At July 30, 2010 and July 31, 2009, the Company was in compliance with all debt covenants.

The Credit Facility also imposes restrictions on the amount of dividends the Company is able to pay. If there is no default then existing and there is at least \$100,000 then available under the Revolving Credit Facility, the Company may both: (1) pay cash dividends on its common stock if the aggregate amount of dividends paid in any fiscal year is less than 15% of Consolidated EBITDA from continuing operations (as defined in the Credit Facility) during the immediately preceding fiscal year; and (2) in any event, increase its regular quarterly cash dividend in any quarter by an amount not to exceed the greater of \$.01 or 10% of the amount of the dividend paid in the prior fiscal quarter.

#### Note Payable

The note payable consists of a five-year note with a vendor with an original principal amount of \$507 and represents the financing of prepaid maintenance for telecommunications equipment. The note payable is payable in monthly installments of principal and interest of \$9 through October 16, 2013 and bears interest at 2.88%.

#### 6. Derivative Instruments and Hedging Activities

The estimated fair values of the Company's derivative instrument were as follows:

	Balance Sheet Location	July 30, 2010	July 31, 2009
		Fair Value	Fair Value
Interest rate swap (See Note 3)	Interest rate swap liability	\$ 66,281	\$ 61,232

The estimated fair value of the Company's interest rate swap liability incorporates the Company's own non-performance risk. The adjustment related to the Company's non-performance risk at July 30, 2010 and July 31, 2009 resulted in reductions of \$3,915 and \$5,372, respectively, in the fair value of the interest rate swap liability. The offset to the interest rate swap liability is recorded in accumulated other comprehensive loss ("AOCL"), net of the deferred tax asset, and will be reclassified into earnings over the term of the underlying debt. As of July 30, 2010, the estimated pre-tax portion of AOCL that is expected to be reclassified into earnings over the next twelve months is \$29,270. Cash flows related to the interest rate swap are included in interest expense and in operating activities.

The following table summarizes the pre-tax effects of the Company's derivative instrument on income and AOCL for the years ended July 30, 2010 and July 31, 2009:

	Amount of Loss Recognized in AOCL on Derivative (Effective Portion)		Location of Loss Reclassified from AOCL into Income (Effective Portion)	Amount of Loss Reclassified from AOCL into Income (Effective Portion)	
	July 30, 2010	July 31, 2009		July 30, 2010	July 31, 2009
Cash flow hedge:					
Interest rate swap	\$ (5,049)	\$ (21,614)	Interest expense	\$ 30,722	\$ 19,469

Any portion of the fair value of the swap determined to be ineffective will be recognized currently in earnings. No ineffectiveness has been recorded in 2010, 2009 and 2008.

## 7. Share Repurchases

In 2010, the Company was authorized to repurchase shares to offset share dilution that might result from share issuances pursuant to its equity compensation plans. The Company repurchased 1,352,000 shares of its common stock in the open market at an aggregate cost of \$62,487. Related transaction costs and fees that were recorded as a reduction to shareholders' equity resulted in the shares being repurchased at an average cost of \$46.22 per share. In 2011, subject to a maximum amount of \$65,000, the Company has been authorized to repurchase shares to offset share dilution that might result from share issuances pursuant to its equity compensation plans.

## 8. Segment Information

Cracker Barrel stores represent a single, integrated operation with two related and substantially integrated product lines. The operating expenses of the restaurant and retail product lines of a Cracker Barrel store are shared and are indistinguishable in many respects. Accordingly, the Company manages its business on the basis of one reportable operating segment. All of the Company's operations are located within the United States.

Total revenue was comprised of the following at:

	2010	2009	2008
Revenue:			
Restaurant	\$ 1,911,664	\$ 1,875,688	\$ 1,872,152
Retail	492,851	491,597	512,369
Total revenue	\$ 2,404,515	\$ 2,367,285	\$ 2,384,521

## 9. Impairment of Long-Lived Assets and Store Closing Charges

The Company incurred impairment charges in 2010, 2009 and 2008. During 2010, one leased store was determined to be impaired resulting in an impairment charge of \$2,263. This store was impaired due to declining operating performance and resulting negative cash flow projections. Additionally, on July 26, 2010, the Company closed one owned store, which resulted in an impairment charge of \$409 and store closing charges of \$128. The Company expects to incur an additional \$91 in store closing costs in 2011. The decision to close the store was due to its age, expected future capital expenditure requirements and declining operating performance. See Note 3 for information related to the determination of the fair value for these stores.

During 2009, the Company incurred impairment charges of \$2,088. During 2009, one owned store was determined to be impaired, resulting in charges of \$933. This store was impaired due to lower cash flow projections. Additionally, during 2009, the Company recorded a total impairment of \$1,155 on office space, property adjacent to the office space and the Company's management trainee housing facility. The decision to impair these properties was due to changes in the Company's planned use of these properties.

During 2008, the Company incurred impairment and store closing charges resulting from the closing of two stores. In 2008, the Company closed one leased store and one owned store, which resulted in impairment charges of \$532 and store closing charges of \$345. The decision to close the leased store was due to its age, the expiration of the lease and the proximity of another Cracker Barrel store. The decision to close the owned store was due to its age, expected future capital expenditure requirements and changes in traffic patterns around the store over the years.

The store closing costs, which included employee termination benefits and other costs, are included in the impairment and store closing charges line on the Consolidated Statement of Income. At July 30, 2010, a liability of \$64 has been recorded for store closing charges.

The financial information related to the stores closed in 2010 and 2008 is not material to the Company's consolidated financial position, results of operations or cash flows, and, therefore, have not been presented as discontinued operations.

#### 10. Sale-Leaseback Transactions

In the fourth quarter of 2009, the Company completed sale-leaseback transactions involving 15 of its owned stores and its retail distribution center. Under the transactions, the land, buildings and improvements at the locations were sold for pre-tax net proceeds of \$56,260. The stores and the retail distribution center have been leased back for initial terms of 20 and 15 years, respectively. Equipment was not included. The leases include specified renewal options for up to 20 additional years. Net rent expense during the initial term of the store leases is approximately \$4,867 annually, and the assets sold and leased back previously had depreciation expense of approximately \$753 annually. Net rent expense during the initial term of the retail distribution center lease is approximately \$1,142 annually, and the assets sold and leased back previously had depreciation expense of approximately \$331 annually. In 2009, the Company recorded a loss on three of the stores, which is recorded in other store operating expenses in the Consolidated Statement of Income. The gains on the sales of the 12 stores and retail distribution center are being amortized over the initial lease terms of 20 and 15 years, respectively. Net proceeds from the sale-leaseback transactions, along with excess cash from operations, were used to reduce outstanding borrowings under the Credit Facility.

On July 31, 2000, the Company completed a sale-leaseback transaction involving 65 of its owned stores. Under the transaction, the land, buildings and building improvements at the locations were sold and leased back for an initial term of 21 years. The leases for these 65 stores include specified renewal options for up to 20 additional years and have certain financial covenants related to fixed charge coverage for the leased stores. At July 30, 2010 and July 31, 2009, the Company was in compliance with all those covenants.

#### 11. Gains on Property Disposition

During 2008, the Company sold the one remaining Logan's Roadhouse® ("Logan's") property that the Company had retained and leased back following the divestiture of Logan's (see Note 15). The Company received net proceeds of approximately \$3,770, which resulted in a pre-tax gain of approximately \$1,810. The gain is recorded in general and administrative expenses in the Consolidated Statement of Income.

#### 12. Share-Based Compensation

##### Stock Compensation Plans

The Company's employee compensation plans are administered by the Compensation Committee of the Company's Board of Directors (the "Committee"). The Committee is authorized to determine, at time periods within its discretion and subject to the direction of the Board, which employees will be granted options and other awards, the number of shares covered by any awards granted, and within applicable limits, the terms and provisions relating to the exercise of any awards.

##### Directors Plan

In 1989, the Company's shareholders approved the Cracker Barrel Old Country Store, Inc. 1989 Stock Option Plan for Non-employee Directors ("Directors Plan"). Stock options granted under the Directors Plan had an exercise price equal to the fair market value of the Company's common stock on 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 was originally authorized for issuance under the Directors Plan, which now has expired. At July 30, 2010, there were outstanding awards for 49,734 shares under the Directors Plan.

##### Employee Plan

The Company's 2000 Non-Executive Stock Option Plan ("Employee Plan") covered employees who are not officers or directors of the Company. Stock options granted under the Employee Plan had an exercise price of at least 100% of the fair market value of the Company's common stock based on the date of grant and become exercisable each year at a cumulative rate of 33% per year and expire ten years from the date of grant. An aggregate of 4,750,000 shares of the Company's common stock originally was authorized under the Employee Plan, which expired on July 29, 2005. At July 30, 2010, there were outstanding awards for 182,558 shares under the Employee Plan.

#### Amended and Restated Stock Option Plan

The Company's Amended and Restated Stock Option Plan (the "Plan") allows the Committee to grant options to purchase an aggregate of 17,525,702 shares of the Company's common stock. The option price per share under the Plan must be at least 100% of the fair market value of the Company's common stock on the date of grant. Options granted to date under the Plan generally have been exercisable each year at a cumulative rate of 33% per year and expire ten years from the date of grant. At July 30, 2010, there were outstanding awards for 727,919 shares under this plan and 383,869 shares of the Company's common stock reserved for future issuance under this plan.

#### Omnibus Plan

The Company's 2002 Omnibus Incentive Compensation Plan (the "Omnibus Plan") allows the Committee to grant awards for an aggregate of 2,500,000 shares of the Company's common stock. The Omnibus Plan authorizes the following types of awards to all eligible participants: stock options, stock appreciation rights, stock awards, nonvested stock, performance shares, cash bonuses, qualified performance-based awards or any other type of award consistent with the Omnibus Plan's purpose. The option price per share of all options granted under the Omnibus Plan is required to be at least 100% of the fair market value of the Company's common stock based on the date of grant. Options granted to date under the Omnibus Plan become exercisable each year at a cumulative rate of 33% per year and expire ten years from the date of grant. At July 30, 2010, there were outstanding awards for 1,285,606 shares under this plan and 317,857 shares of the Company's common stock reserved for future issuance under this plan.

#### Long-Term Performance Plan

The Committee established the FY2010 Long-Term Performance Plan ("2010 LTTP") pursuant to the Omnibus Plan, for the purpose of rewarding certain officers with shares of the Company's common stock if the Company achieved certain performance targets. The 2010 LTTP stock award was calculated during 2010 based on achievement of qualified financial performance measures and vests on August 3, 2012. At July 31, 2010, the nonvested stock earned under the 2010 LTTP was 196,216 shares. Additionally, cash dividends on the 2010 LTTP nonvested stock earned will accrue from July 31, 2010 and will be payable on August 6, 2012; however, the dividends will be forfeited for any 2010 LTTP stock awards that do not vest.

#### Other Share-Based Awards

In 2009, the Company issued to its Executive Vice President and Chief Financial Officer, options to purchase 25,000 shares of the Company's common stock and 25,000 nonvested stock grants. The stock options and 16,666 of the nonvested stock grants vest over three years and 8,334 of the nonvested stock grants vest over a two-year period. At July 30, 2010, the entire 50,000 share award was outstanding. The stock options and stock awards were made as "inducement grants" outside of the Company's plans under NASDAQ rules that allow such awards without shareholder approval.

#### Stock Options

A summary of the Company's stock option activity as of July 30, 2010, and changes during 2010 is presented in the following table:

(Shares in thousands)

Fixed Options	Shares	Weighted-Average Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at July 31, 2009	2,895	\$ 32.01		
Granted	248	31.58		
Exercised	(1,292 )	29.59		
Forfeited	(3 )	42.33		
Canceled	(43 )	31.03		
Outstanding at July 30, 2010	1,805	\$ 33.68	5.77	\$ 27,608
Exercisable	1,275	\$ 34.88	4.66	\$ 17,987

The weighted-average grant-date fair values of options granted during 2010, 2009 and 2008 were \$12.03, \$9.33 and \$11.99, respectively. The intrinsic value for stock options is defined as the difference between the current market value and the grant price. The total intrinsic values of options exercised during 2010, 2009 and 2008 were \$21,602, \$3,725 and \$785, respectively.

As of July 30, 2010, there was \$3,276 of total unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.72 years.

#### Nonvested Stock

A summary of the Company's nonvested stock activity as of July 30, 2010, and changes during 2010 is presented in the following table:

(Shares in thousands)

Nonvested Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested at July 31, 2009	356	\$ 26.28
Granted	220	47.27
Vested	(85 )	31.20
Forfeited	--	--
<b>Unvested at July 30, 2010</b>	<b>491</b>	<b>\$ 34.89</b>

The total fair value of nonvested stock that vested during 2010, 2009 and 2008 was \$2,667, \$3,829 and \$7,111, respectively. As of July 30, 2010, there was \$4,741 of total unrecognized compensation cost related to nonvested stock that is expected to be recognized over a weighted-average period of 1.73 years.

#### Compensation Cost

Compensation cost for share-based payment arrangements was \$3,194, \$3,680 and \$4,673, respectively, for stock options in 2010, 2009 and 2008. Compensation cost for nonvested and restricted stock was \$9,999, \$3,266 and \$3,818, respectively, in 2010, 2009 and 2008. Share-based compensation is recorded in general and administrative expenses in the Consolidated Statement of Income. The total income tax benefit recognized in the Consolidated Statement of Income for 2010, 2009 and 2008 for share-based compensation arrangements was \$3,470, \$937 and \$2,564, respectively.

During 2010, cash received from the exercise of share-based compensation awards and the corresponding issuance of 1,362,096 shares was \$37,460. The excess tax benefit realized upon exercise of share-based compensation awards was \$5,063.

#### 13. Employee Savings Plans

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried and hourly employees who have completed ninety days of service and have attained the age of twenty-one. Plan I allows eligible employees to defer receipt of up to 16% of their compensation, as defined in the plan. The Company also sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan. Contributions under both Plan I and Plan II may be invested in various investment funds at the employee's discretion. Such contributions, including the Company matching contribution described below, may not be invested in the Company's common stock. In 2010, 2009 and 2008, the Company matched 25% of employee contributions for each participant in either Plan I or Plan II up to a total of 6% of the employee's compensation. Employee contributions vest immediately while Company contributions vest 20% annually beginning on the participant's first anniversary of employment and are vested 100% on the participant's fifth anniversary of employment. In 2010, 2009 and 2008, the Company contributed approximately \$2,023, \$2,052 and \$1,801, respectively, under Plan I and approximately \$316, \$285 and \$356, respectively, under Plan II. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets for Plan II of \$25,935 is included in other assets and the liability to Plan II participants of \$25,935 is included in other long-term obligations in the Consolidated Balance Sheet. Company contributions under Plan I and Plan II are recorded as either labor and other related expenses or general and administrative expenses in the Consolidated Statement of Income.

14. Income Taxes

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

	July 30, 2010	July 31, 2009
Deferred tax assets:		
Financial accruals without economic performance	\$ 60,687	\$ 63,480
Other	9,821	7,629
<b>Deferred tax assets</b>	<b>\$ 70,508</b>	<b>\$ 71,109</b>
Deferred tax liabilities		
Excess tax depreciation over book	\$ 79,503	\$ 78,607
Other	25,719	24,866
<b>Deferred tax liabilities</b>	<b>105,222</b>	<b>103,473</b>
<b>Net deferred tax liability</b>	<b>\$ 34,714</b>	<b>\$ 32,364</b>

The Company provided no valuation allowance against deferred tax assets recorded as of July 30, 2010 and July 31, 2009, 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 from continuing operations for each of the three years were as follows:

	2010	2009	2008
Current:			
Federal	\$ 29,114	\$ 20,307	\$ 23,536
State	(88 )	3,320	1,789
Deferred:			
Federal	336	(1,157 )	1,565
State	1,089	1,635	1,322
<b>Total income tax provision</b>	<b>\$ 30,451</b>	<b>\$ 24,105</b>	<b>\$ 28,212</b>

A reconciliation of the provision for income taxes from continuing operations 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:

	2010	2009	2008
Provision computed at federal statutory income tax rate	\$ 40,498	\$ 31,521	\$ 32,730
State and local income taxes, net of federal benefit	495	1,697	2,992
Employer tax credits for FICA taxes paid on employee tip income	(8,062 )	(6,383 )	(5,846 )
Other employer tax credits	(3,769 )	(3,740 )	(2,994 )
Section 162(m) non-deductible compensation	--	44	--
Other-net	1,289	966	1,330
<b>Total income tax provision</b>	<b>\$ 30,451</b>	<b>\$ 24,105</b>	<b>\$ 28,212</b>

As of July 30, 2010 and July 31, 2009, the Company's liability for uncertain tax positions was \$17,467 (\$11,791, net of related federal tax benefits of \$5,676) and \$26,137 (\$17,364, net of related federal tax benefits of \$8,773), respectively. At July 30, 2010, July 31, 2009 and August 1, 2008, the amount of uncertain tax positions that, if recognized, would affect the effective tax rate is \$11,791, \$17,364 and \$17,753, respectively.

Summarized below is a tabular reconciliation of the beginning and ending balance of the Company's total gross liability for uncertain tax positions exclusive of interest and penalties:

	July 30, 2010	July 31, 2009	August 1, 2008
Balance at beginning of year	\$ 21,956	\$ 22,879	\$ 21,338
Tax positions related to the current year:			
Additions	2,195	3,168	3,857
Reductions	--	--	--
Tax positions related to prior years:			
Additions	44	90	1,342
Reductions	(4,458 )	(2,146 )	(995 )
Settlements	(4,980 )	(127 )	--
Expiration of statute of limitations	(1,792 )	(1,908 )	(2,663 )
Balance at end of year	\$ 12,965	\$ 21,956	\$ 22,879

At July 30, 2010, July 31, 2009 and August 1, 2008, the Company recognized approximately \$271, \$302 and \$780, respectively, in interest and penalties related to uncertain tax positions in its provision for income taxes. At July 30, 2010, and July 31, 2009, the Company's liability for uncertain tax positions included \$3,363 and \$3,092, respectively, net of tax for potential interest and penalties.

In many cases, the Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. Based on the outcome of these examinations or as a result of the expiration of the statutes of limitations for specific taxing jurisdictions, the related uncertain tax positions taken regarding previously filed tax returns could decrease from those recorded as liabilities for uncertain tax positions in the Company's financial statements at July 30, 2010 by approximately \$3,000 to \$4,000 within the next twelve months. At July 30, 2010, the Company was subject to income tax examinations for its U.S. federal income taxes after 2006 and for state and local income taxes generally after 2006.

#### 15. Discontinued Operations

The Company sold Logan's in 2007. In 2009 and 2008, the Company reported in discontinued operations certain expenses related to the divestiture of Logan's, which consist of the following:

	July 31, 2009	August 1, 2008
Loss before tax benefit from discontinued operations	\$ (47 )	\$ (229 )
Income tax benefit	16	80
Loss from discontinued operations, net of tax, before gain on sale of Logan's	(31 )	(149 )
Gain on sale of Logan's, net of tax of \$215	--	399
Loss (income) from discontinued operations, net of tax	\$ (31 )	\$ 250

In 2009, the Company incurred \$47 in expenses related to certain tax indemnifications related to Logan's (see Note 17). In 2008, the Company recorded an adjustment in accordance with the Logan's sale agreement related to taxes, resulting in additional proceeds from the sale of Logan's of \$614.

## 16. Net Income Per Share and Weighted Average Shares

The following table reconciles the components of diluted earnings per share computations:

	July 30, 2010	July 31, 2009	August 1, 2008
Income from continuing operations per share numerator	\$ 85,258	\$ 65,957	\$ 65,303
(Loss) income from discontinued operations, net of tax, per share numerator	\$ --	\$ (31 )	\$ 250
Net income per share numerator	\$ 85,258	\$ 65,926	\$ 65,553
Income from continuing operations, (loss) income from discontinued operations, net of tax, and net income per share denominator:			
Basic weighted average shares outstanding	23,007,856	22,458,971	22,782,608
Add potential dilution:			
Stock options and nonvested stock and stock awards	571,896	328,662	623,436
Diluted weighted average shares outstanding	23,579,752	22,787,633	23,406,044

## 17. Commitments and Contingencies

The Company and its subsidiaries are parties to various legal and regulatory proceedings and claims incidental to and arising out of the ordinary course of its business. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position.

The Company is contingently liable pursuant to standby letters of credit as credit guarantees related to insurers. As of July 30, 2010, the Company had \$30,346 of standby letters of credit related to securing reserved claims under workers' compensation insurance. All standby letters of credit are renewable annually and reduce the Company's availability under its Revolving Credit facility (see Note 5).

The Company is secondarily liable for lease payments under the terms of an operating lease that has been assigned to a third party. The lease has a remaining life of approximately 3.2 years with annual lease payments of approximately \$361 for a total guarantee of \$1,142. The Company's performance is required only if the assignee fails to perform its obligations as lessee. At this time, the Company has no reason to believe that the assignee will not perform and, therefore, no provision has been made in the Consolidated Balance Sheet for amounts to be paid in case of non-performance by the assignee.

Upon the sale of Logan's, the Company reaffirmed its guarantee of the lease payments for two Logan's restaurants. At July 30, 2010, the operating leases had remaining lives of 1.4 and 9.7 years with annual payments of approximately \$94 and \$108, respectively, for a total guarantee of \$1,222. The Company's performance is required only if Logan's fails to perform its obligations as lessee. At this time, the Company has no reason to believe Logan's will not perform, and therefore, no provision has been made in the Consolidated Balance Sheet for amounts to be paid as a result of non-performance by Logan's.

The Company enters into certain indemnification agreements in favor of third parties in the ordinary course of business. The Company believes that the probability of incurring an actual liability under such indemnification agreements is sufficiently remote so that no liability has been recorded. In connection with the divestiture of Logan's (see Note 15), the Company entered into various agreements to indemnify third parties against certain tax obligations, for any breaches of representations and warranties in the applicable transaction documents and for certain costs and expenses that may arise out of specified real estate matters, including potential relocation and legal costs. With the exception of certain tax indemnifications, the Company believes that the probability of being required to make any indemnification payments to Logan's is remote. Therefore, at July 30, 2010 and July 31, 2009, the Company has recorded a liability of \$20 and \$72, respectively, in the Consolidated Balance Sheet for these potential tax indemnifications, but no provision has been recorded for potential non-tax indemnifications.



The Company maintains insurance coverage for various aspects of its business and operations. The Company has elected, however, to retain all or 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. See Note 2 for a further discussion of insurance and insurance reserves.

As of July 30, 2010, the Company operated 193 Cracker Barrel stores in leased facilities and also leased certain land and advertising billboards (see Notes 2 and 10).

Rent expense under operating leases, excluding leases for advertising billboards (see Note 2) for each of the three years was:

	Minimum	Contingent	Total
2010	\$ 39,793	\$ 519	\$ 40,312
2009	33,929	535	34,464
2008	32,024	669	32,693

The following is a schedule by year of the future minimum rental payments required under operating leases, excluding leases for advertising billboards (see Note 2), as of July 30, 2010.

Year	
2011	\$ 36,078
2012	36,248
2013	36,557
2014	36,988
2015	37,004
Later years	566,060
<b>Total</b>	<b>\$ 748,935</b>

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the minimum lease payments as of July 30, 2010:

Year	
2011	\$ 22
2012	22
2013	22
Total minimum lease payments	66
Less amount representing interest	6
Present value of minimum lease payments	60
Less current portion	19
<b>Long-term portion of capital lease obligations</b>	<b>\$ 41</b>

The following is a schedule by year of the future minimum rental payments to be received under the Company's sublease, as of July 30, 2010.

Year	
2011	\$ 66
2012	67
2013	67
2014	67
2015	71
Later years	162
<b>Total</b>	<b>\$ 500</b>

## 18. Quarterly Financial Data (Unaudited)

Quarterly financial data for 2010 and 2009 are summarized as follows:

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>2010</b>				
Total revenue	\$ 581,183	\$ 632,616	\$ 578,233	\$ 612,483
Gross profit	403,712	420,718	405,192	429,075
Income before income taxes	26,215	36,092	19,645	33,757
Income from continuing operations	18,024	25,393	14,428	27,413
Net income	18,024	25,393	14,428	27,413
Income from continuing operations per share - basic	\$ 0.79	\$ 1.11	\$ 0.62	\$ 1.18
Net income per share – basic	\$ 0.79	\$ 1.11	\$ 0.62	\$ 1.18
Income from continuing operations per share – diluted	\$ 0.78	\$ 1.09	\$ 0.61	\$ 1.14
Net income per share – diluted	\$ 0.78	\$ 1.09	\$ 0.61	\$ 1.14
<b>2009</b>				
Total revenue	\$ 573,932	\$ 630,182	\$ 567,568	\$ 595,603
Gross profit	392,575	407,689	391,241	410,871
Income before income taxes	18,525	25,992	16,276	29,269
Income from continuing operations	12,832	18,362	11,948	22,815
Net income	12,832	18,362	11,952	22,780
Income from continuing operations per share - basic	\$ 0.57	\$ 0.82	\$ 0.53	\$ 1.01
Net income per share – basic	\$ 0.57	\$ 0.82	\$ 0.53	\$ 1.01
Income from continuing operations per share – diluted	\$ 0.57	\$ 0.81	\$ 0.52	\$ 0.99
Net income per share – diluted	\$ 0.57	\$ 0.81	\$ 0.52	\$ 0.99

## Subsidiaries of the Registrant

The following is a list of the significant subsidiaries of the Registrant as of July 30, 2010, all of which are wholly-owned:

<u>Parent</u>	<u>State of Incorporation</u>
Cracker Barrel Old Country Store, Inc.	Tennessee
<u>Subsidiaries</u>	
CBOCS, Inc. (dba Cracker Barrel Old Country Store)	Tennessee
CBOCS Distribution, Inc. (dba Cracker Barrel Old Country Store)	Tennessee
CBOCS Properties, Inc. (dba Cracker Barrel Old Country Store)	Michigan
CBOCS West, Inc. (dba Cracker Barrel Old Country Store)	Nevada
Rocking Chair, Inc.	Nevada
CBOCS Texas, LLC (dba Cracker Barrel Old Country Store)	Tennessee

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 2-86602, 33-15775, 33-37567, 33-45482, 333-01465, 333-63442, 333-71384, 333-81063 and 333-111364 on Form S-8 of our reports dated September 28, 2010 relating to the consolidated financial statements of Cracker Barrel Old Country Store, Inc., and the effectiveness of Cracker Barrel Old Country Store, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc. for the year ended July 30, 2010.

/s/ Deloitte & Touche LLP

Nashville, Tennessee  
September 28, 2010

I, Michael A. Woodhouse, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2010

/s/Michael A. Woodhouse

Michael A. Woodhouse, Chairman, President  
and Chief Executive Officer

I, Sandra B. Cochran, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2010

/s/Sandra B. Cochran

Sandra B. Cochran, Executive Vice President  
and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cracker Barrel Old Country Store, Inc. (the "Issuer") on Form 10-K for the fiscal year ended July 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Woodhouse, Chairman, President and Chief Executive Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: September 28, 2010

By: /s/Michael A. Woodhouse  
Michael A. Woodhouse,  
Chairman, President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cracker Barrel Old Country Store, Inc. (the "Issuer") on Form 10-K for the fiscal year ended July 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sandra B. Cochran, Executive Vice President and Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: September 28, 2010

By: /s/Sandra B. Cochran  
Sandra B. Cochran,  
Executive Vice President and Chief Financial Officer