



December 12, 2011

Cracker Barrel Letter to Shareholders Asks for Vote at Annual Meeting in Support of Business Progress and Momentum

Inform Shareholders of Endorsement of Company Nominees by ISS and Egan-Jones

LEBANON, Tenn.--(BUSINESS WIRE)-- Cracker Barrel Old Country Store, Inc. ("Cracker Barrel" or the "Company") (Nasdaq: CBRL) today sent the following letter to its shareholders, asking them to support the Company's nominees and allow the newly revitalized Board and management team to continue to focus on the Company's new strategic initiatives, which are delivering improved financial performance, business momentum and increased shareholder value.

Text of Letter from Ms. Cochran to Cracker Barrel Shareholders dated December 12, 2011:

December 12, 2011

Dear Cracker Barrel Shareholders:

As the December 20th Cracker Barrel Annual Meeting approaches, you are faced with an important decision that we believe will affect the future of your Company — and the value of your investment. I am asking you to vote today, on the WHITE proxy card, to elect all of the Company's nominees to the Board of Directors.

In recent weeks, I have met with many of you, and I appreciate the time and support you have given us. We continue to focus on our six strategic initiatives, which we believe will continue to translate into tangible results through improved financial performance — despite the unstable economic environment. As management and directors, we are excited about these results and about the new energy and excellent teamwork exhibited by our recent additions to management and the Board. In these tough economic times, we believe it is critical to stay focused on our strategic initiatives, and allow our cohesive, revitalized Board to continue our progress and our history of delivering superior long-term shareholder returns.

Proxy Advisory Firms' Recommendations

We are also very pleased to report that both Institutional Shareholder Services and Egan-Jones Proxy Services last week recognized our performance and progress and have recommended that shareholders vote FOR all of those nominated by the Company to the Board, and NOT elect Sardar Biglari.

In its report, ISS said, "In aggregate, the company's key performance trends, careful executive succession process, and current board renewal efforts strongly suggest that the dissident's arguments are poorly founded, and that there is not a compelling need for shareholders to effect board change at this time. Shareholders should vote FOR the management slate of nominees on the WHITE card." ¹

In addition, ISS made the following compelling points:

- "Corporate operating margin and operating income have improved in the past two fiscal years; revenue has grown without degrading gross margin through pricing incentives; SG&A has actually fallen as a percentage of revenue...."
- "Return on invested capital, as one primary measure of the wisdom of the board's capital allocation decisions, is substantially higher than peer mean or median."
- "...[I]t is particularly meaningful that the company has spent the past two years implementing a thoughtful executive succession plan which introduced a new CEO and CFO with significant prior experience in those roles at other companies, and which gave the incoming CEO — who was new to the industry — two years' experience in the key operating positions of CFO and COO before electing her to the top executive role in September. This was neither a kneejerk reaction to the dissident's campaign nor a belated recognition that someone had been asleep at the wheel; it was a two-year process which coincided with the beginning of the company's recovery on key operating metrics, and which shareholders should reasonably expect to produce stronger performance in the near as well as the long term."

Since we launched our six strategic initiatives, we have reported sequential year-over-year improvements in comparable restaurant and retail sales every month. During that time, our shares have gained 24.8 percent, compared to only a 10.5 percent increase for the S&P 600 Restaurant Index. On Thanksgiving Day, we had the highest restaurant sales of any day in our Company's history.

We believe that Cracker Barrel is on the right track.

Allow Us To Continue Our Progress by Rejecting Biglari

Mr. Biglari used a proxy contest to gain control of Steak 'n Shake without paying a change-of-control premium, and he has made clear in his own SEC filings that he seeks to take control positions in the companies in which Biglari Holdings invests.

His track record presents serious concerns, and we are convinced that he would not be a constructive addition to our Board. In fact, we fear the opposite — that he would be detrimental to our Board. When he has joined corporate boards in the past, most other directors have left. We also believe he has a business and legal conflict of interest as CEO of a restaurant company that in our view competes with Cracker Barrel. At his own company, Biglari Holdings, he has engaged in what we view as poor corporate governance and self-interested transactions.

Mr. Biglari has used his experience at Steak 'n Shake to support his candidacy, but we agree with ISS's conclusion that "the primary consideration [for Board membership] ought not to be what the dissident nominee achieved at Steak 'n Shake, which was a broken company on a downward trend when he gained a board seat." We are certainly not a broken Company.

We remain open to new ideas and to having new members on our Board. We have added three new independent Board members in the past six months, and will be reconstituting our Nominating and Governance Committee with two new independent directors, including a new Chairman, effective as of the date of our Annual Meeting. In fact, we even offered Mr. Biglari the opportunity in August to name two additional independent directors — but he declined.

Amendment to the Trigger Threshold of Our Shareholder Rights Plan

We are also asking that you vote in favor of our shareholder-friendly rights plan — we believe it's critical because it helps ensure that neither Sardar Biglari nor anyone else can take over Cracker Barrel without paying a change-of-control premium to all shareholders. That's what Mr. Biglari did at Steak 'n Shake, and we believe it is important that you limit his ability to do the same thing at Cracker Barrel. ISS concluded that our rights plan "contains some reasonable features that protect shareholders from entrenchment risk." However, ISS objected to the 10% threshold that it believed "may deter legitimate investment by shareholders that do not intend to undertake an opportunistic, hostile takeover attempt" and, therefore, recommended a vote against.

Some of our large shareholders have also expressed concern about the 10% threshold in our rights plan. They have told us that this threshold may discourage added investment in our Company by passive institutional shareholders who are not attempting to take control positions. **We have listened, and in an effort to be responsive to these concerns, your Board has amended the rights plan to allow passive institutional shareholders to acquire up to 20% of our outstanding shares without triggering the rights plan.**

We have enclosed with this letter a supplement to our proxy statement, which includes for your review a further discussion of the rights plan amendment, including a copy of the amendment.

We ask that you vote FOR our newly amended rights plan.

Your Vote is Crucial

I want to thank you for taking the time to understand these important issues. We very much appreciate the support we have received from ISS and Egan-Jones, but we also recognize that our shareholders will be making their own decisions based on a variety of issues, opinions, and investment theses.

Your vote is crucial. I strongly urge you to vote FOR ALL of the Cracker Barrel nominees to the Board, and to vote FOR our newly amended, shareholder-friendly rights plan, using the WHITE proxy card.

Sincerely,

/s/ Sandra B. Cochran

Sandra B. Cochran

President and Chief Executive Officer

About Cracker Barrel

Cracker Barrel Old Country Store restaurants provide a friendly home-away-from-home in their old country stores and restaurants. Guests are cared for like family while relaxing and enjoying real home-style food and shopping that's surprisingly unique, genuinely fun and reminiscent of America's country heritage...all at a fair price. The restaurant serves up delicious, home-style country food such as meatloaf and homemade chicken n' dumplins as well as its signature biscuits using an old family recipe. The authentic old country retail store is fun to shop and offers unique gifts and self-indulgences.

Headquartered in Lebanon, Tennessee, Cracker Barrel Old Country Store, Inc. (Nasdaq: CBRL) was established in 1969 and operates 608 company-owned locations in 42 states. Every Cracker Barrel unit is open seven days a week with hours Sunday through Thursday, 6 a.m. — 10 p.m., and Friday and Saturday, 6 a.m. - 11 p.m. For more information, visit: crackerbarrel.com.

Important Additional Information

Cracker Barrel, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cracker Barrel shareholders in connection with the matters to be considered at Cracker Barrel's 2011 Annual Meeting. On November 8, 2011, Cracker Barrel filed a definitive proxy statement (as it may be amended, the "Proxy Statement") with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from Cracker Barrel shareholders. **INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION.** Detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement and other documents filed by Cracker Barrel with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at the Investor Relations section of our corporate website at www.crackerbarrel.com.

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¹ Permission to use quotes from the ISS report was neither sought nor obtained.

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