

CRACKER BARREL OLD COUNTRY STORE, INC
Form DEFC14A
November 09, 2011

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

CRACKER BARREL OLD COUNTRY STORE, INC.
(Name of Registrant as Specified in Its Charter)

BIGLARI HOLDINGS INC.
BIGLARI CAPITAL CORP.
THE LION FUND, L.P.
SARDAR BIGLARI

(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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BIGLARI HOLDINGS INC.
175 EAST HOUSTON STREET, SUITE 1300
SAN ANTONIO, TEXAS 78205
TELEPHONE (210) 344-3400
FAX (210) 344-3411

November 8, 2011

Dear Fellow Shareholder:

Biglari Holdings Inc. (“Biglari Holdings”) and the other participants in this solicitation (collectively, “Biglari,” “our” or “we”) are the beneficial owners of an aggregate of 2,287,987 shares of common stock of Cracker Barrel Old Country Store, Inc. (“Cracker Barrel” or the “Company”), thereby representing just under 10% of the Company’s outstanding shares of common stock. We do not believe the current Board of Directors of the Company is acting in your best interests. We are thus seeking your support at the annual meeting of shareholders (the “Annual Meeting”) scheduled to be held on December 20, 2011 at 10:00 a.m. Central Time at 305 Hartmann Drive, Lebanon, Tennessee 37087, for the following purposes:

1. To elect our director nominee, Sardar Biglari, to the Board of Directors of Cracker Barrel in opposition to one of the Company’s incumbent directors
2. To oppose the Company’s shareholder rights plan, or “poison pill”
3. To conduct an advisory vote on executive compensation, often referred to as a “say on pay”
4. To conduct an advisory vote on the frequency of future advisory votes on executive compensation
5. To approve an Agreement and Plan of Merger effecting an internal restructuring of the Company
6. To ratify the appointment of Deloitte & Touche LLP as the Company’s independent registered public accounting firm for its 2012 fiscal year
7. To transact any other business that may properly be raised before the Annual Meeting or any adjournment(s) thereof

We are seeking one seat on the Company’s Board of Directors to ensure that the interests of the shareholders, the true owners of Cracker Barrel, are properly represented in the boardroom. The Board is currently composed of 13 directors. Two directors are not standing for re-election at the Annual Meeting.

We are not seeking control of the Board of Directors. However, we hope that this election will send a strong and persuasive message to the remaining incumbent directors that shareholders are dissatisfied with the Company’s operating performance. As the largest shareholder of the Company we aim to stand up for all shareholders by seeking to maximize the long-term value of Cracker Barrel’s shares. If elected, our nominee will represent a minority of the members of the Board, specifically 9% (1 of 11 members), and therefore it is not guaranteed that our nominee will be able to enhance shareholder value.

We are soliciting proxies to elect not only our director nominee but also the candidates who have been nominated by the Company other than Charles E. Jones, Jr. This process gives shareholders the ability to vote for the total number of directors up for election at the Annual Meeting. The names, backgrounds and qualifications of the Company's nominees, added to other information about them, can be found in the Company's proxy statement.

We urge you to consider carefully the information contained in the attached Proxy Statement and then support our efforts by signing, dating and returning the enclosed GOLD proxy card today. The attached Proxy Statement and the enclosed GOLD proxy card are first being furnished to the shareholders on or about November 9, 2011.

Do NOT sign the Company's White proxy card. It is imperative that you disregard all White proxy cards. If you have already voted the White proxy card furnished by the Company, you may exercise your right to change your vote by signing, dating and returning a GOLD proxy card at a later date or by voting in person at the Annual Meeting.

If you have any questions or require any assistance with your vote, please contact Innisfree M&A Incorporated, which is assisting us. Their address and toll-free number is listed on the following page to offer you help in casting your vote.

Thank you for your support.

Sincerely,

/s/ Sardar Biglari

Sardar Biglari
Biglari Holdings Inc.

YOUR VOTE IS IMPORTANT

Please mark, sign and date your GOLD proxy card and return it promptly in the enclosed envelope, whether or not you plan to attend the meeting. If you own shares in a brokerage account, your broker cannot vote your shares on the election of directors without your instructions. Therefore, it is imperative that you exercise your right as a shareholder and vote the GOLD card.

If you have any questions, require assistance in voting your GOLD proxy card, or need additional copies of Biglari's proxy materials, please call Innisfree M&A Incorporated at the phone numbers listed below.

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor
New York, NY 10022

Shareholders call toll free at: (888) 750-5834

Banks and brokers call collect at: (212) 750-5833

ANNUAL MEETING OF SHAREHOLDERS
OF
CRACKER BARREL OLD COUNTRY STORE, INC.

PROXY STATEMENT
OF
BIGLARI HOLDINGS INC.

PLEASE SIGN, DATE AND MAIL THE ENCLOSED GOLD PROXY CARD TODAY

This Proxy Statement and the enclosed GOLD proxy card are being furnished by Biglari Holdings Inc. (“Biglari Holdings”), Biglari Capital Corp. (“Biglari Capital”), The Lion Fund, L.P. (the “Lion Fund”), and Sardar Biglari (collectively, “Biglari,” “our” or “we”), the largest shareholder of Cracker Barrel Old Country Store, Inc., a Tennessee corporation (“Cracker Barrel” or the “Company”). We are writing to seek your support for the election of our director nominee to the Board of Directors of the Company (the “Board”) at the annual meeting of shareholders scheduled to be held on December 20, 2011 at 10:00 a.m. Central Time at 305 Hartmann Drive, Lebanon, Tennessee 37087 (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the “Annual Meeting”). This proxy statement (the “Proxy Statement”) and the enclosed GOLD proxy card are first being furnished to shareholders on or about November 9, 2011.

This Proxy Statement and the enclosed GOLD proxy card are being furnished to shareholders of Cracker Barrel by Biglari in connection with the solicitation of proxies from Cracker Barrel shareholders for the following purposes:

1. To elect our director nominee, Sardar Biglari (the “Nominee”), to the Board of Directors of Cracker Barrel in opposition to one of the Company’s incumbent directors whose term expires at the Annual Meeting
2. To oppose the Company’s shareholder rights plan, or “poison pill”
3. To conduct an advisory vote on executive compensation, often referred to as a “say on pay” (the “Say on Pay Proposal”)
4. To conduct an advisory vote on the frequency of future advisory votes on executive compensation, often referred to as a “say when on pay” (the “Say When on Pay Proposal”)
5. To approve an Agreement and Plan of Merger effecting an internal restructuring of the Company

6. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for its 2012 fiscal year
7. To transact any other business that may properly be raised before the Annual Meeting or any adjournment(s) thereof

This Proxy Statement is soliciting proxies to elect not only our Nominee, but also the candidates who have been nominated by the Company other than Charles E. Jones, Jr. This gives shareholders who wish to vote for our Nominee the ability to vote for a full slate of directors.

The Company has set the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting as October 14, 2011 (the "Record Date"). The mailing address of the principal executive offices of the Company is 305 Hartmann Drive, Lebanon, Tennessee 37087. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to the Company, as of the Record Date, there were 22,912,673 shares of common stock, \$0.01 par value per share (the "Shares"), outstanding and entitled to vote at the Annual Meeting. As of the Record Date, Biglari beneficially owned an aggregate of 2,287,987 Shares, which represents just under 10% of the Shares outstanding (based on the Company's proxy statement). We intend to vote such Shares (i) FOR the election of the Nominee to the Company's Board of Directors; (ii) AGAINST the Company's shareholder rights plan, or poison pill; (iii) AGAINST the Say on Pay Proposal; (iv) FOR future advisory votes on executive compensation to be held every ONE year with respect to the Say When on Pay Proposal; (v) FOR the approval of the Agreement and Plan of Merger effecting an internal restructuring of the Company; and (vi) FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for its 2012 fiscal year.

THIS SOLICITATION IS BEING MADE BY BIGLARI AND NOT ON BEHALF OF THE BOARD OR MANAGEMENT OF THE COMPANY. WE ARE NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING OTHER THAN AS DESCRIBED HEREIN. SHOULD OTHER MATTERS, WHICH WE ARE NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED GOLD PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

WE URGE YOU TO SIGN, DATE AND RETURN THE GOLD PROXY CARD IN FAVOR OF THE ELECTION OF OUR NOMINEE, AGAINST THE COMPANY'S SHAREHOLDER RIGHTS PLAN, OR POISON PILL, AND AGAINST THE SAY ON PAY PROPOSAL.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY THE COMPANY'S MANAGEMENT OR THE BOARD, YOU MAY REVOKE THAT PROXY AND VOTE FOR EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT, INCLUDING THE ELECTION OF BIGLARI'S NOMINEE, BY SIGNING, DATING AND RETURNING THE ENCLOSED GOLD PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING TO BIGLARI, C/O INNISFREE M&A INCORPORATED, WHICH IS ASSISTING IN THIS SOLICITATION, OR TO THE SECRETARY OF THE COMPANY, OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting

This Proxy Statement and GOLD proxy card are available at
www.enhancecrackerbarrel.com/proxy

IMPORTANT

Your vote is important, no matter how many Shares you own. We urge you to sign, date, and return the enclosed GOLD proxy card today to vote FOR the election of our Nominee.

- If your Shares are registered in your own name, please sign and date the enclosed GOLD proxy card and return it today to Biglari, c/o Innisfree M&A Incorporated, in the enclosed envelope.
- If your Shares are held in a brokerage account or bank, you are considered the beneficial owner of the Shares, and these proxy materials, together with a GOLD voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your Shares on your behalf without your instructions.
- Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or through the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will count, we urge you not to return any White proxy card you receive from the Company. Even if you return the White proxy card marked “withhold” as a protest against the incumbent directors, it will revoke any GOLD proxy card you may have previously sent to us. The last card you submit must be the GOLD proxy card. Remember, you can vote for our independent Nominee only on our GOLD proxy card. So please make certain that the latest dated proxy card you return is the GOLD proxy card.

Please call INNISFREE M&A if you need assistance in voting your GOLD card:

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor
New York, NY 10022

Shareholders call toll free at: (888) 750-5834

Banks and brokers call collect at: (212) 750-5833

BACKGROUND OF THE SOLICITATION

The following is a chronology of events leading up to this proxy solicitation:

- On May 24, 2011, Cracker Barrel released its results for the third quarter of fiscal 2011, in which the Company stated, “We are disappointed in our results for the third quarter, as both restaurant and retail sales were below our forecast.” In its earnings release, Cracker Barrel disclosed that, for the third quarter of fiscal 2011, guest traffic declined 2.6%. Cracker Barrel also reduced its outlook for its full 2011 fiscal year.
- On June 13, 2011, Biglari filed a Schedule 13D with the Securities and Exchange Commission (the “SEC”) disclosing ownership in excess of 5% of the outstanding Shares. The current aggregate ownership of the members of Biglari is 2,287,987 Shares, or just under 10% of the outstanding Shares, representing the largest ownership in the Company.
- On June 15, 2011, Sardar Biglari, Chairman and Chief Executive Officer of Biglari Holdings, held a telephonic conference with Michael A. Woodhouse, Chairman (and then Chief Executive Officer) of Cracker Barrel, and Lawrence E. Hyatt, Senior Vice President and Chief Financial Officer of Cracker Barrel. Mr. Biglari conveyed to Mr. Woodhouse that he had acquired a significant interest in Cracker Barrel, had long followed the brand, and intends to be a long-term shareholder. Mr. Biglari expressed his desire to meet with Mr. Woodhouse to discuss Cracker Barrel’s business, operations, and plans.
- On June 20, 2011, the Company announced that it had increased the size of the Board from nine to 10 members and had elected Coleman Peterson as a director.
- On June 22, 2011, Standard & Poor’s Ratings Services dimmed its outlook on Cracker Barrel, noting that the chain’s performance had failed to fulfill its expectations. Standard & Poor’s pointed to a weaker-than-projected operating performance through Cracker Barrel’s 2011 fiscal third quarter. Standard & Poor’s stated, “We view the company’s business risk profile as weak, even after considering its loyal customer base.”
- On June 23, 2011, Messrs. Biglari, Woodhouse, and Hyatt, together with Dr. Philip L. Cooley, Biglari Holdings’ Vice Chairman, had an in-person meeting in which they discussed the restaurant industry, as well as Cracker Barrel’s business and governance matters. In this face-to-face meeting, there was a discussion verbalizing whether Steak n Shake and Cracker Barrel were rivals, during which exchanges of views Mr. Woodhouse agreed that the companies were not direct competitors. Towards the end of the meeting, a discourse centering on succession planning and board composition took place. Because of the Board’s planned changes in its composition, Mr. Biglari discussed the importance of having members with significant stock ownership represent the interests of all shareholders. Mr. Biglari also indicated his and Dr. Cooley’s willingness and desire to serve on the Cracker Barrel Board.
- On July 7, 2011, Messrs. Biglari, Woodhouse, and Hyatt had a telephone conference in which Mr. Woodhouse raised the Clayton Antitrust Act as an issue. Although on June 23, 2011 Mr. Woodhouse had agreed that Steak n Shake and Cracker Barrel were not direct competitors, he said on July 7 that Cracker Barrel’s outside counsel was concerned about a technical issue under the Clayton Act that required resolving. Thus, he suggested that Cracker Barrel counsel reach out to Biglari Holdings’ legal experts to discuss the issue under the aegis of the Clayton Act.

- On July 13, 2011, Messrs. Biglari, Woodhouse and Hyatt conducted a follow up telephone conference. Mr. Woodhouse opined that appointing Messrs. Biglari and Cooley to the Board was “a legal issue not a business issue.” Mr. Biglari countered, saying that Biglari Holdings denied that there was a legal issue, as, in his view, the service of Messrs. Biglari and Cooley on the Board would not result in any antitrust injury. Furthermore, Mr. Biglari proffered that Biglari Holdings would indemnify Cracker Barrel if any liabilities, including costs, arise. Mr. Woodhouse asked Mr. Biglari to provide names of prospective directors unaffiliated with Biglari Holdings. Mr. Biglari did not accept the idea of sourcing unaffiliated directors because he was motivated by the \$100 million investment and was also knowledgeable because of his relevant business experience. Mr. Biglari further believed that adding a director who was not a significant shareholder or affiliated with any restaurant company would neither serve the interests of shareholders nor satisfy the Board’s explicit criterion that a director have relevant industry experience. Mr. Woodhouse also asked that Messrs. Biglari and Cooley meet in person, as part of the process, with the members of the nominating committee to consider his and Dr. Cooley’s nominations, a proposition which Mr. Biglari accepted.
- On July 21, 2011, Messrs. Biglari and Cooley met with the nominating committee of Cracker Barrel. Mr. Biglari discussed, among other background items, Biglari Holdings’ interest in continuing as a long-term shareholder, as well as his disappointment at Cracker Barrel’s performance in light of its brand’s strength. Mr. Biglari highlighted the performance differential throughout the 1990s vs. that in the 2000s. He also explained the benefits of a significant shareholder with a long-term view, along with relevant business experience, to serve on the Board. Thus, he expressed his and Dr. Cooley’s desire to join the Board to work to produce ideas on how best to improve the operating performance of the Company and maximize the value of its Shares.
- On August 1, 2011, Messrs. Biglari, Woodhouse and Hyatt had a telephone discussion in which Mr. Woodhouse advised Mr. Biglari that the Board had rejected his own and Dr. Cooley’s candidacies. Mr. Woodhouse announced that the Board would consider only recommendations by Biglari Holdings of “two mutually acceptable independent directors” to engage in the nomination process provided that they were not affiliated with any restaurant company or with Biglari Holdings, which would be required to defer to a number of provisions including an agreement (i) to support the Board-recommended slate of nominees at the Annual Meeting and (ii) not to seek to call or support the call for any special meeting of Cracker Barrel shareholders prior to the Company’s 2012 annual meeting (the “Proposal”).
- Also on August 1, 2011, the Company announced the following changes to its management team and to the Board: (i) the Board appointed Sandra B. Cochran, then President and Chief Operating Officer of the Company, to serve as Chief Executive Officer effective as of September 12, 2011; (ii) Mr. Woodhouse notified the Company of his resolve to resign as Chief Executive Officer effective upon Ms. Cochran’s appointment to that position (nonetheless, Mr. Woodhouse would continue to serve as Executive Chairman of the Company); (iii) the Company increased the size of the Board from 10 to 11 members and elected James W. Bradford as a director and (iv) directors Robert C. Hilton and Jimmie D. White informed the Company that they did not intend to stand for re-election to the Board when their terms would expire at the Annual Meeting.

- On August 10, 2011, Messrs. Biglari, Woodhouse, and Hyatt had a telephone conference regarding business matters and an extensive discussion on segment reporting. Mr. Biglari inquired about management's rationale for not disclosing more information about the retail segment of the business; as well, Mr. Biglari proffered his rationale on why it is essential to enhance financial transparency. Mr. Woodhouse offered Mr. Biglari inside information on the retail segment of Cracker Barrel, which Mr. Biglari declined because he believed the Company should provide information to all shareholders. Mr. Woodhouse also discussed the idea of a Proposal which includes only proposed names who are unaffiliated with Biglari Holdings and with the restaurant industry; on the contrary, Mr. Biglari did not agree to provide possible names. Instead, Mr. Biglari discussed and requested that the Company put the Proposal in writing. Mr. Biglari also inquired about the Board's rationale on why his and Dr. Cooley's candidacies were unacceptable; manifestly, he disagreed with the Company's assertions and explained his continued interest in serving on the Board.
- On August 10, 2011, the Company announced that it had enlarged the size of the Board from 11 to 12 members and elected William W. McCarten as a director.
 - On August 22, 2011, Mr. Woodhouse delivered a letter to Mr. Biglari regarding the Proposal.
- On August 23, 2011, Mr. Biglari delivered a public letter to Mr. Woodhouse stating that, for Cracker Barrel to govern its business effectively, it is essential that it measure, monitor, and manage separately its two operating segments — restaurant and retail — therefore demanding that the Company provide detailed financial information on each of the two segments to all its shareholders. The letter further stated Mr. Biglari's belief that Cracker Barrel's failure to report both operating segments has deprived shareholders of the ability to gain a better understanding of the performance of the entire Company and to estimate more accurately the Company's intrinsic value.
- On August 26, 2011, Biglari Holdings filed a notification and report form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), notifying the Company that it was making such a filing because Biglari Holdings had the present aim to acquire a number of Shares, with the exact number to be determined based on market conditions and other factors, sufficient to meet or exceed solely the \$100 million filing threshold of the HSR Act and affirming that Biglari Holdings was not seeking to acquire control of Cracker Barrel.
- On August 26, 2011, Messrs. Biglari and Cooley met with Mr. Hyatt and Ms. Cochran, now CEO of Cracker Barrel. There was a discussion about her background, her views about Cracker Barrel's business and the anticipated roles and responsibilities between her and Chairman Woodhouse. A discussion also ensued concerning segment disclosure. Mr. Biglari discussed the importance of enhancing financial transparency. Ms. Cochran asked about Mr. Biglari's view towards the Proposal. Mr. Biglari's answer reiterated the same position he has held from the first time Mr. Woodhouse offered the idea, on July 13, i.e., that a board member should own a meaningful amount of stock and demonstrate a pertinent measure of business experience. Mr. Biglari believed that the Proposal was diametrically opposed to those criteria. He repeated that Biglari Holdings as an intended long-term shareholder wants to work constructively with the Board to help turn around the business, which is faltering.

- On September 1, 2011, Biglari Holdings delivered a letter to the Corporate Secretary of the Company nominating only Sardar Biglari as a possible Board member elected by the shareholders of the Company at the Annual Meeting. Concurrently with the arrival of this letter, Mr. Biglari delivered a public letter to Mr. Woodhouse stating that (i) Cracker Barrel's pre-conditions to its Proposal contradicted the qualifications that the Company's Nominating and Corporate Governance Committee enunciates — e.g., industry experience — when nominating directors and that (ii) Mr. Biglari's leadership, financial and industry experience meets the requirements for serving on the Board and exceeds those of any current member of the Board.
- On September 1, 2011, Cracker Barrel issued a press release responding to Biglari Holdings' nomination of Mr. Biglari to the Board and included Mr. Woodhouse's August 22, 2011 letter to Mr. Biglari.
 - On September 12, 2011, Mr. Biglari issued a public letter to shareholders of the Company stating that, over the last several months, he had spent time with the Board and with management to understand their approach to the business and to shareholders, and that it had become increasingly clear to Biglari that, in its view, top leadership had shaped a culture that lacks accountability, transparency, and stock ownership, and that under the current Board the Company had failed to perform up to its potential. The letter further stated Mr. Biglari's firm belief that achieving top-level corporate governance and enhancing long-term business and stock value demand electing shareholders to the Board who possess substantial holdings along with germane business experience.
- On September 13, 2011, Cracker Barrel issued its earnings release reporting its results for its 2011 fourth quarter and full fiscal year, in which it stated, "We are not satisfied with our sales and traffic results for the quarter." In its earnings release, Cracker Barrel disclosed that, for the fourth quarter of fiscal 2011, guest traffic had declined by 4.2%. Cracker Barrel's fiscal 2012 outlook also reflected continued weakness in the first half of fiscal 2012.
- On September 15, 2011, the Company announced that it had increased the size of the Board from 12 to 13 members and appointed Ms. Cochran as a director, effective as of September 12, 2011.
- On September 23, 2011, Cracker Barrel announced that its Board had adopted a shareholder rights plan, or poison pill, that effectively prevents any shareholder from purchasing 10% or more of the Company (other than in connection with a qualifying cash tender offer), in response to the so-called "threat" that Biglari Holdings could acquire a "potentially controlling" position in Cracker Barrel.
- On September 23, 2011, Mr. Biglari issued a statement responding to the Cracker Barrel Board's adoption of the poison pill. As part of its filing with the Federal Trade Commission ("FTC") and the Department of Justice to give Biglari Holdings the option to purchase more than 10% of Cracker Barrel, Mr. Biglari noted, "Biglari Holdings specifically wrote to Cracker Barrel and provided a copy to the FTC stating that 'Biglari Holdings is not seeking to acquire control of Cracker Barrel'" and that, "in meetings, we told Chairman Michael Woodhouse that we have purchased stock for investment purposes only." Mr. Biglari concluded that, in his view, the 10% poison pill affords Board members immunity, not accountability, and in doing so disenfranchises all shareholders because it deprives them of the right to acquire Shares above the threshold.

REASONS FOR 1 BOARD SEAT OUT OF 11

We are the largest shareholder of the Company with just under 10% ownership. As such, we have one major goal: to maximize the long-term value of the Shares for the benefit of all shareholders. We believe the Board has failed to maximize shareholder value as a result of poor management, flawed expansion strategy, low expectations, and deficient accountability. Furthermore, we believe the current Board's lack of meaningful stock ownership has been a major factor in the Company's underperformance. Specifically, our concerns include, but are not limited to, the following:

- Declining unit-level customer traffic for the past seven consecutive years

- Faulty capital allocation

- Lack of financial transparency

- Weak stock performance as compared to that of the restaurant index

Improving store-level performance, generation of free cash flow, optimizing real estate strategy, share repurchases, pay-for-performance compensation, enhancing financial transparency (e.g., separate reporting of financial data for the two operating segments), a more effective governance Board — these and other enhancements we have in mind to inject verve into and to augment the value of the Company. We have made a commitment to own the stock of the Company for the long haul, and our allegiance therefore is to the long-term shareholders of the Company. Our objective is to obtain representation on the Board and explore all avenues to maximize the value of the Shares for the benefit of all shareholders.

Our Nominee would seek to enhance the long-term value of the Company, i.e., the intrinsic value of the business, which is derived from its future cash flows. Thus, by maximizing the production of long-term cash flows and judiciously reallocating capital to earn high returns on invested capital, intrinsic value is maximized. We believe that increasing per-share intrinsic value maximizes shareholder value. Consequently, our Nominee seeks to enhance product innovation, menu, marketing, and supply chain management.

We have discussed with the Company its alleged concerns regarding antitrust issues, and firmly believe that Steak n Shake and Cracker Barrel are not competitors within the meaning of the antitrust laws and that our Nominee's election to the Board would not result in any injury that the antitrust laws are intended to prevent.

Our Nominee is committed to exercising his independent judgment and would seek to work constructively with the other members of the Board to address the Company's problems. Your vote to elect our Nominee will send a compelling, convincing message to the Company that Cracker Barrel shareholders desire an independent Board member, with substantial restaurant, leadership, and financial experience, one who is focused on gaining the utmost value for all shareholders.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board is currently composed of 13 directors. According to the Company's proxy statement, two of the 13 directors will not stand for re-election at the Annual Meeting and will resign prior to the Annual Meeting, and the size of the Board will be set at 11 directors at that time.

For the reasons stated above, we are seeking your support at the Annual Meeting to elect our Nominee, in opposition to one of the Company's nominees for director, Charles E. Jones, Jr. Your vote to elect our Nominee will have the legal effect of replacing one incumbent director of the Company with our Nominee. If elected, our Nominee will represent a minority of the members of the Board, specifically 9% (1 of 11 members), and therefore it is not guaranteed that he will be able to enhance shareholder value.

THE NOMINEE

Biglari has nominated one highly qualified Nominee, who, if elected, will exercise his independent judgment in accordance with his fiduciary duties as a director in all matters that come before the Board. If elected, he will work consistently with his fiduciary duties as a director. Clearly, the Nominee would seek to work with the other members of the Board to take those steps that he deems necessary or advisable to unlock the Company's inherent value.

Mr. Biglari's nomination was made in a timely manner and in compliance with the provisions of the Company's governing instruments. Plainly, we are permitted to nominate Mr. Biglari pursuant to Article 5 of the Bylaws of the Company (the "Bylaws").

Set forth below are the name, age, business address, present principal occupation, and employment and material occupations, positions, offices, employments and directorships for the past five years of the Nominee. This information also includes the specific experience, qualifications, attributes and skills of the Nominee that led us to conclude that the Nominee should serve as a director of the Company. This information has been furnished to us by the Nominee. The Nominee is a citizen of the United States of America.

Sardar Biglari (Age 34) has served as a director, since March 2008, Chairman, since June 2008, and Chief Executive Officer, since August 2008, of Biglari Holdings, a New York Stock Exchange listed holding company engaged in a number of diverse business activities. All major operating, investment, and capital allocation decisions are made for Biglari Holdings by Mr. Biglari. Mr. Biglari has also served as Chairman and Chief Executive Officer of Biglari Capital Corp., a wholly-owned subsidiary of Biglari Holdings and the general partner of the private investment fund, The Lion Fund, L.P., since its inception in 2000. He has also served as a director since December 2005, Chairman, since March 2006, and Chief Executive Officer and President, since May 2007, of Western Sizzlin Corporation ("Western"), a formerly-NASDAQ-listed diversified holding company, acquired by Biglari Holdings in March 2010. Since August 4, 2011, Mr. Biglari has also served as a director of CCA Industries, Inc., a manufacturer and marketer of health and beauty aids ("CCA Industries"). Mr. Biglari's principal business address is 175 East Houston Street, Suite 1300, San Antonio, Texas 78205.