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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)
[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended August 1, 2008

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

CBRL GROUP, 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	Name of each exchange on which registered
Common Stock (Par Value $.01)	NASDAQ Global Market
Common Stock Purchase Rights (No Par Value)	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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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, by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter which ended February 1, 2008, was $704,503,251. For purposes of this computation, all directors, executive officers and 10% beneficial owners of the registrant are assumed to be affiliates. This assumption is not a conclusive determination for purposes other than this calculation.

As of September 23, 2008, there were 22,369,449 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 August 1, 2008, portions of which are filed as Exhibit 13 to this Annual Report on Form 10-K (the “2008 Annual Report”)	Part II
2.	Proxy Statement for Annual Meeting of Shareholders to be held November 25, 2008 (the “2008 Proxy Statement”)	Part III

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INTRODUCTION

General

This report contains references to years 2008, 2007, 2006, 2005 and 2004, which represent fiscal years ended August 1, 2008, August 3, 2007, July 28, 2006, July 29, 2005 and July 30, 2004, 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.

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 revenues or expenditures, plans and objectives for future operations, 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 CBRL Group, Inc. (the “Company”) expects will or may occur in the future, are forward-looking statements that 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 these 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. Factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to, those listed in Part I, Item 1A of this report below, all of which are incorporated herein by reference, as well as other factors discussed throughout this report, including, without limitation, the factors described under “Critical Accounting Estimates” in that portion of the 2008 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. 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 subjects related to those discussed in this report.

PART I

ITEM 1. BUSINESS

OVERVIEW

CBRL Group, Inc. ("we," "us," "our" or the "Company," which reference, unless the context requires otherwise, also includes our direct and indirect wholly-owned subsidiaries), is headquartered in Lebanon, Tennessee. We are principally engaged in the operation and development of the Cracker Barrel Old Country Store® restaurant and retail concept ("Cracker Barrel"). We were organized under the laws of the state of Tennessee in August 1998 (as a successor to one of our affiliated companies) and maintain an Internet website at cbrlgroup.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 24, 2008, we operated 579 full-service Cracker Barrel restaurants and gift shops in 41 states. Cracker Barrel stores are intended to appeal to both the traveler and the local customer and consistently have been a consumer favorite. During 2008, for the 18th consecutive year, Cracker Barrel was named the "Best Family Dining Restaurant" in the Restaurants & Institutions magazine "Choice in Chains" annual consumer survey. For the 7th consecutive year, Cracker Barrel was named "The Most RV Friendly Sit-Down Restaurant in America" by The Good Sam Club. In addition, in 2008, we were once again the top-ranked full service restaurant on Fortune's Most Admired Company list for food service companies.

Store Format: The format of Cracker Barrel 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 22% 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: Cracker Barrel's restaurant operations, which generated approximately 79% of our total revenue in 2008, offer home-style country cooking featuring Cracker Barrel's 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., Cracker Barrel 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 $2.59 to $8.79, and the breakfast day-part (until 11:00 a.m.) accounted for approximately 23% of restaurant sales in 2008. 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 $3.69 to $12.99. Lunch (11:00 a.m. to 4:00 p.m.) and dinner (4:00 p.m. to close) day-parts reflected approximately 37% and 40% of restaurant sales, respectively, in 2008. Cracker Barrel 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. Cracker Barrel's menu has daily dinner features that showcase a popular dinner entrée 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 for 2008 was $8.59, which represents a 3.4% increase over the prior year.

Cracker Barrel also offers items for sale in the retail store that are also featured on, or related to, the restaurant menu, such as pies, cornbread, coffee, syrups and pancake mixes. The retail operations, which generated approximately 21% of our total revenue in 2008, 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, seasonal, food, home and toys) accounted for the largest shares of our retail sales at approximately 20%, 16%, 16%, 15% and 13%, respectively, in 2008. The typical Cracker Barrel retail shop features approximately 3,200 SKU's. Many of the food items are sold under the "Cracker Barrel Old Country Store" brand name. We believe that Cracker Barrel achieves high retail sales per square foot as compared to mall stores (approximately $428 per square foot of retail selling space in 2008) 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 7,350 per week in a typical store in 2008. 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. Coordinated seasonal promotions are used regularly in the restaurants and retail shops. Our merchandising department attempts to select merchandise for the retail shop that reinforces the nostalgic theme of the restaurant. In 2008, we continued to build our exclusive music library. The newest albums include some of country and bluegrass music's greatest performers such as Alabama, Aaron Tippin, Ricky Skaggs and Kenny Rogers. By regularly infusing new talent into our musical offerings, we continue to strengthen the connection between the culture of country music and the Cracker Barrel brand. Also offered is The Grand Ole Opry® *Live Classics* CD series, which showcases 60 previously unreleased live recordings by some of the Opry's biggest stars including Patsy Cline, Loretta Lynn, Johnny Cash, George Jones, Dolly Parton and Waylon Jennings.

Store Management and Quality Controls: Cracker Barrel store management, typically consisting of one general manager, four associate managers and one retail manager, is responsible for an average of 104 employees on two shifts. The relative complexity of operating a Cracker Barrel store requires an effective management team at the individual store level. As a motivation to 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. To assure that individual stores are operated at a high level of quality, we focus on the selection and training of store managers. 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.

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 an 11-week training program consisting of seven 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 Cracker Barrel 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; Kendalville, 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. Certain perishable food items are purchased locally by our stores.

Four food categories (dairy (including eggs), beef, poultry and pork) accounted for the largest shares of our food purchasing expense at approximately 15%, 12%, 11% and 10%, respectively, in 2008, but each category includes several individual items. The single food item within these categories, accounting for the largest share of our food purchasing expense, was chicken tenderloin at approximately 6% of food purchases in 2008. 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 2008) directly from domestic and international vendors and warehouse them at our Lebanon distribution center. The distribution center is a 367,200 square foot warehouse facility with 36 foot ceilings and 170 bays and includes an additional 13,800 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 40% of our 2008 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 telecommunications 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 also are 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, which it uses in its ongoing efforts to improve the stores and to demonstrate our continuing commitment to pleasing our guests. We also have had for many years 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 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." In 2005, we implemented an anonymous, unannounced, third-party store testing program to ensure compliance with our guest satisfaction policies and commitments. We use an interactive voice response ("IVR") system to monitor operational performance and guest satisfaction at all stores on an ongoing basis.

Marketing: Outdoor advertising (i.e., billboards and state department of transportation signs) is the primary advertising medium utilized to reach consumers in the primary trade area for each Cracker Barrel store and also to reach interstate travelers and tourists. Outdoor advertising accounted for approximately 62% of advertising expenditures in 2008, with approximately 1,500 billboards at year-end. In recent years we have utilized other types of media, such as 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. In 2008, we conducted television advertising in certain markets. We define core markets based on average weekly sales, geographic location, and longevity and brand awareness in the market. In 2009, we plan to spend approximately 1.9% of our revenues on advertising. Outdoor advertising is expected to represent approximately 59% of advertising expenditures in 2009.

UNIT DEVELOPMENT

We opened 17 new Cracker Barrel stores and closed two stores in 2008. We also replaced two existing units with units in nearby communities. Replacements are not counted as either units opened or closed. We plan to open 12 new stores during 2009, two of which already were open as of September 24, 2008.

Cracker Barrel stores are located primarily along interstate highways; however, as of September 24, 2008, 82 of our stores are located near "tourist destinations" or are considered "off-interstate" stores. In 2009, we intend to open approximately 33% of our new stores along interstate highways as compared to 53% in 2008. 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 TV and/or radio advertising by having more units in media markets in which satisfactory interstate locations either may not be available or not available on reasonable terms. We have identified approximately 700 trade areas for potential future development with characteristics that appear to be consistent with those believed to be necessary to support successful Cracker Barrel units.

Of the 579 Cracker Barrel stores open as of September 24, 2008, we own 409, while the other 170 properties are either ground leases or ground and building leases. The current Cracker Barrel store prototype is approximately 10,000 square feet including approximately 2,100 square feet in the retail selling space. The prototype has approximately 200 seats in the restaurant.

EMPLOYEES

As of August 1, 2008, we employed approximately 65,000 people, of whom 584 were in advisory and supervisory capacities, 3,564 were in store management positions and 41 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 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 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 industry.

SEASONAL ASPECTS

Historically, our profits have been lower in the first three fiscal quarters and highest in the fourth fiscal quarter, which includes much of the summer vacation and travel season. We attribute these variations primarily to the increase in interstate tourist traffic and propensity to dine out during the summer months, whereas after the school year begins and as the winter months approach, there is a decrease in interstate tourist traffic and less of a tendency to dine out because of inclement weather. Our retail sales historically have been highest in our second fiscal quarter, which includes the Christmas holiday shopping season.

WORKING CAPITAL

In the restaurant industry, substantially all sales transactions occur either in cash or by third-party credit card. Like most other restaurant companies, we are able to, and often do operate with a working capital deficit. 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. Employee compensation and benefits payable generally may be related to weekly, bi-weekly or semi-monthly pay cycles, and 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. The risks described below are not the only ones facing our company and are not intended to be a complete discussion of all potential risks or uncertainties. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

General economic and business 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. Accordingly, we may experience declines in sales during economic downturns or during periods of uncertainty. In addition, recent increases in fuel and other energy prices as well as consumer uncertainty that has accompanied the recent home mortgage and credit “crisis” and general weakness in housing markets has resulted in decreased discretionary consumer spending. A continuing decline in consumer confidence or the amount of discretionary spending could have a material adverse effect on our sales, results of operations, business and financial condition.

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 spending patterns or result in increased costs for us due to security measures.

Unfavorable changes in the above factors 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.

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 and 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, utilities, retail merchandise and other related costs over which we may have little control. Fluctuations in economic conditions, weather, demand and other factors can adversely affect the availability, quality and cost of the ingredients and products that we buy. Furthermore, many of the products that we use and their costs are interrelated. For example, the recent focus on ethanol as a fuel, as well as 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. If restaurant management and staff turnover trends 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 could negatively affect 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 distribution risks are heightened because of our single distribution facility; in addition, our reliance on certain significant vendors, particularly for foreign-sourced 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 and supplies in a timely and efficient manner is a significant challenge that typically is more difficult with respect to goods sourced outside the United States. In some cases, we may have only one supplier for a product or supply. Our dependence on single source suppliers subjects us to the possible risks of shortages, interruptions and price fluctuations. 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;
- 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. 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 systemwide implementation relies on consistency of training, stability of workforce, ease of execution and the absence of offsetting factors that can influence results adversely. Failure to achieve successful implementation of our initiatives could adversely affect our results of operations.

We incurred substantial indebtedness to finance our 2006 strategic initiatives, which may decrease our flexibility and increase our borrowing costs.

Our consolidated indebtedness following our 2006 strategic initiatives is substantially greater than our indebtedness prior to those undertakings. The increased indebtedness and higher debt-to-equity ratio of our company, as compared to that which existed on a historical basis, will 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 could 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 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 and newspaper. While we have used 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 summer. Winter, excluding the Christmas holidays, has historically been the period of lowest sales and profits although retail revenues 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 a full fiscal 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 inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect our business.

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 primarily depends on our ability to find new restaurant locations and open new restaurants that are profitable, our business could suffer.

Historically, one of the most 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.

One of our biggest risks 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. 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 unit expansion will impose 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 affect the carrying value of those locations adversely.

The success of our business depends on the success of individual locations and the success of individual locations 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 and government regulation relating to the consumption of food products could affect consumer preferences and could negatively affect our results of operations.

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. In recent years there has been negative publicity concerning E. coli bacteria, hepatitis A, “mad cow” disease, “foot-and-mouth” disease, 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. There may also be adverse publicity associated with litigation that could decrease customer acceptance of our services, regardless of whether the allegations are valid or whether we are ultimately found liable. 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, 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 could have a material adverse effect on our business, financial condition and results of operations.

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

Our future growth and success depends substantially on the contributions and abilities of key executives and other employees and on our ability to recruit and retain high quality employees to work in and manage 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 that 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 building and zoning requirements and those relating to the preparation and sale of food as well as certain retail products. 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 and the Immigration Reform and Control Act of 1986 and applicable requirements concerning minimum wage, overtime, 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 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. 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. 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 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. If we fail to comply with these laws and regulations or experience a significant breach of customer, employee or company data, our reputation could be damaged and result in lost sales, fines or lawsuits.

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 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 securities analysts, rating agencies and investors 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 locations, 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 or impairments.

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 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters and warehouse facilities are located on approximately 128 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 utilize 367,200 square feet of warehouse facilities and an additional 13,800 square feet of office and maintenance space for our retail distribution center.

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 24, 2008:

State	Owned	Leased	State	Owned	Leased
Tennessee	36	14	Oklahoma	5	2
Florida	41	17	New Jersey	2	4
Georgia	32	10	Wisconsin	5	-
Texas	31	7	Colorado	3	1
North Carolina	25	8	Kansas	3	1
Ohio	22	9	Maryland	3	1
Kentucky	20	9	Massachusetts	-	4
Alabama	18	9	New Mexico	3	1
Indiana	21	6	Utah	4	-
Virginia	21	6	Iowa	3	-
Illinois	20	2	Connecticut	1	1
Pennsylvania	9	12	Montana	2	-
South Carolina	14	7	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	409	170

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

ITEM 3. LEGAL PROCEEDINGS

See Note 14 to our Consolidated Financial Statements filed or incorporated by reference into in Part II, Item 8 of this Annual Report on Form 10-K, which also is incorporated herein by this reference.

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

Not applicable.

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

Executive Officers of the Registrant

The following table sets forth certain information concerning our executive officers, as of September 24, 2008:

Name	Age	Position with Registrant
Michael A. Woodhouse	63	Chairman, President & Chief Executive Officer
N. B. Forrest Shoaf	58	Senior Vice President, Secretary and General Counsel and Interim Chief Financial Officer
Doug Barber	51	Executive Vice President & Chief Operating Officer
Terry Maxwell	49	Senior Vice President, Retail Operations
Edward A. Greene	53	Senior Vice President, Strategic Initiatives
Robert Harig	58	Senior Vice President, Human Resources
Diana S. Wynne	53	Senior Vice President, Corporate Affairs
Patrick A. Scruggs	44	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 by 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 from August 2001 until November 2004 when he assumed his current positions. Mr. Woodhouse has 24 years of experience in the restaurant industry and 15 years of experience in the retail industry.

Mr. Shoaf began his employment with us as Senior Vice President, Secretary and General Counsel in April 2005. In addition, in March 2008, he was appointed Interim Chief Financial Officer. Prior to April 2005, he was Managing Director of Investment Banking for Avondale Partners, LLC. From 1996-2000, he was a Managing Director of J.C. Bradford and from 2000-2002, a Managing Director in the investment banking group of Morgan Keegan, a Memphis, Tennessee based investment banking firm and head of its Nashville Corporate Finance Office. He is a graduate of West Point and Harvard Law School.

Mr. Barber has been employed by 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 and COO in 1995. Mr. Barber has 29 years of experience in the restaurant industry.

Mr. Maxwell has been employed by us since 1980. He assumed his current position in 2006. Mr. Maxwell has 28 years of experience in the restaurant and retail industries.

Mr. Greene has been employed by 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 30 years of combined experience in the restaurant and food processing industries.

Mr. Harig has been employed by us since 2000. He assumed his current position in 2004. Mr. Harig has over 31 years of experience in the restaurant industry and 8 years in the retail industry.

Ms. Wynne joined us in January 2006 in her current capacity. Prior to that, she was Vice President, Treasury for Blockbuster, Inc. Prior to that she served as Senior Vice President and Treasurer for Metromedia Restaurant Group. Ms. Wynne began her career with Price Waterhouse Coopers and has over 29 years of experience in the restaurant and retail industries.

Mr. Scruggs has been employed by us in various capacities since 1989. He assumed his current position in 2003. Mr. Scruggs has 19 years of experience in the restaurant and retail industries.

PART II

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 11,266 shareholders of record as of September 23, 2008.

The table "Market Price and Dividend Information" contained in the 2008 Annual Report is presented on page two of Exhibit 13 to this report and is incorporated herein by this reference.

If there is no default then existing and there is at least $100,000 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 our 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.

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

Unregistered Sales of Equity Securities

Except as described in the following paragraphs, we did not sell any equity securities during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended.

On May 1, 2007, we issued $375,931 in principal amount at maturity of zero coupon senior convertible notes due 2032 (the "New Notes") in exchange (the "Exchange Offer") for an identical principal amount at maturity of our previously outstanding liquid yield option notes due 2032 (the "Old Notes"). The New Notes were issued in reliance on the exemption from the registration requirements of the Securities Act of 1933, as amended, set forth in Section 3(a)(9) of the Securities Act. Therefore, no commission or other remuneration was paid to any broker, dealer, salesperson, or other person for soliciting tenders of the Old Notes for the New Notes. The purpose of the Exchange Offer was to issue New Notes with a "net share settlement" feature. Both the Old Notes and the New Notes were convertible into 10.8584 shares of our common stock per $1,000 in principal amount at maturity. The net share settlement feature, however, allowed us, upon conversion of a New Note, to satisfy a portion of our obligations due upon conversion in cash rather than with the issuance of shares of common stock.

The material terms of the New Notes are described in our exchange circular dated March 20, 2007 filed as Exhibit (a)(1)(A) to our tender offer statement on Schedule TO filed with the Commission on March 20, 2007 and the Supplement to exchange circular dated April 17, 2007 filed as Exhibit (a)(1)(E) to Amendment No. 1 to our tender offer statement on Schedule TO filed with the Commission on April 17, 2007.

On June 4, 2007, both the Old Notes and the New Notes were redeemed and none of those notes remained outstanding. In addition, any common stock issued in connection with conversions of either the Old Notes or the New Notes was repurchased during the quarter ended August 3, 2007.

Issuer Purchases of Equity Securities

We did not repurchase any of our common stock in the fourth quarter ended August 1, 2008. On July 31, 2008, our Board of Directors approved the repurchase of up to $65,000 of our common stock. These purchases will be made from time to time through open market transactions at management's discretion provided that all such purchases be made only from free cash flow.

ITEM 6. SELECTED FINANCIAL DATA

The table "Selected Financial Data" contained in the 2008 Annual Report is presented on page one of Exhibit 13 to this report and is incorporated into this Item of this Report 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 2008 Annual Report, is incorporated into this Item of this Report 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 2008 Annual Report, is incorporated into this Item of this Report 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 2008 Annual Report, are incorporated into this Item of this Report by this reference.

See Quarterly Financial Data (Unaudited) in Note 17 to the Consolidated Financial Statements.

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 Interim 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). Based upon this evaluation, the Chief Executive Officer and the Interim Chief Financial Officer concluded that as of August 1, 2008, 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 August 1, 2008 in our internal controls 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 controls over financial reporting.

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended). 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. Our disclosure controls and procedures or our internal controls cannot and will not 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 August 1, 2008, 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/N.B. Forrest Shoaf
N.B. Forrest Shoaf
Senior Vice President, Secretary and General Counsel and Interim Chief Financial Officer

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors of the Company is incorporated into this Item of this Report by this reference to the following sections of the 2008 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 into this Item of this Report by this reference to the following sections of the 2008 Proxy Statement: “Executive Compensation” and the question “How are directors compensated?” 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 into this Item of this Report by this reference to the sections entitled "Stock Ownership of Certain Beneficial Owners and Management" and “Executive Compensation-Equity Compensation Plan Information” in the 2008 Proxy Statement.

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

The information required by this Item is incorporated into this Item of this Report by this reference to the sections entitled "Certain Relationships and Related Transactions” and “Who are our independent directors?” in the 2008 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated into this Item of this Report 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 2008 Proxy Statement. No other portion of the section of the 2008 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.

PART IV

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 2008 Annual Report are included within Exhibit 13 to this Annual Report on Form 10-K and are incorporated into this Item of this Report by this reference:

   Report of Independent Registered Public Accounting Firm dated September 25, 2008

   Consolidated Balance Sheet as of August 1, 2008 and August 3, 2007

   Consolidated Statement of Income for each of the three fiscal years ended August 1, 2008, August 3, 2007 and July 28, 2006

   Consolidated Statement of Changes in Shareholders' Equity for each of the three fiscal years ended August 1, 2008, August 3, 2007 and July 28, 2006

   Consolidated Statement of Cash Flows for each of the three fiscal years ended August 1, 2008, August 3, 2007 and July 28, 2006

   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 29th day of September, 2008.

CBRL GROUP, 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 29th day of September, 2008.

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

INDEX TO EXHIBITS

Exhibit

3(I), 4(a)	Charter (1)
3(II), 4(b)	Bylaws (1)
4(c)	Shareholder Rights Agreement dated 9/7/1999 (2)
4(d),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(e), 10(b)	Amendment No. 1 to the Wachovia Credit Agreement (15)
10(c)	The Company's Amended and Restated Stock Option Plan, as amended (4)
10(d)	The Company’s 2000 Non-Executive Stock Option Plan (5)
10(e)	The Company's 1989 Non-Employee Director's Stock Option Plan, as amended (6)
10(f)	The Company's Non-Qualified Savings Plan (7)
10(g)	The Company's Deferred Compensation Plan
10(h)	The Company’s 2002 Omnibus Incentive Compensation Plan (“Omnibus Plan”) (8)
10(i)	Amendment No. 1 to Omnibus Plan (7)
10(j)	Form of Restricted Stock Award (7)
10(k)	Form of Stock Option Award under the Amended and Restated Stock Option Plan (7)
10(l)	Form of Stock Option Award under the Omnibus Plan (7)
10(m)	Executive Employment Agreement dated as of August 1, 2005 between Michael A. Woodhouse and the Company (7)
10(n)	Change-in-control Agreement for N.B. Forrest Shoaf dated 5/12/2005 (7)
10(o)	Change-in-control Agreement for Doug Barber dated 8/23/08
10(p)	Change-in-control Agreement for Ed Greene dated 6/22/06 (10)
10(q)	Change-in-control Agreement for Terry Maxwell dated 8/14/06 (9)
10(r)	Change-in-control Agreement for Patrick A. Scruggs dated October 13, 1999 (8)
10(s)	Change-in-control Agreement for Diana Wynne dated 6/22/06 (10)
10(t)	Change-in-control Agreement for Rob Harig dated 8/23/06 (15)
10(u)	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 (11)
10(v)	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(w)	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(x)	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(y)	CBRL Group, Inc. Targeted Retention Plan (12)
10(z)	CBRL Group, Inc. Stock Ownership Achievement Incentive Plan (12)
10(aa)	2007 Mid-Term Incentive and Retention Plan (13)
10(bb)	CBRL Group, Inc. Severance Benefits Policy (13)
10(cc)	Retirement Agreement (14)
10(dd)	2009 Annual Bonus Plan (16)
13	Pertinent portions of the Company's 2008 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(u).

(1) Incorporated by reference to the Company's Registration Statement on Form S-4/A under the Securities Act of 1933 ("Securities Act") (File No. 333-62469), filed October 9, 1998.

(2) Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K under the Securities Exchange Act of 1934 ("Exchange Act"), filed September 21, 1999.

(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(g) to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended July 30, 1999.

(5) 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.

(6) 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).

(7) Incorporated by reference to Exhibits 10(f), 10(i), 10(j), 10(k), 10(l), 10(m) and 10(o) to the Company's Annual Report on Form 10-K under the Exchange Act for fiscal year ended July 29, 2005.

(8) Incorporated by reference to Exhibits 10(i) and 10(t) to the Company's Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 1, 2003.

(9) 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.

(10) Incorporated by reference to Exhibits 10.1 and 10.2 to the Company’s Annual Report on Form 10-K under the Exchange Act for fiscal year ended July 28, 2006.

(11) 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.

(12) Incorporated by reference to Item 1.01 to the Company’s Quarterly Report on Form 8-K under the Exchange Act, filed August 1, 2005.

(13) Incorporated by reference to Exhibits 10.2 and 10.3 to the Company’s Current Report on Form 8-K under the Exchange Act, filed August 1, 2006.

(14) Incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K under the Exchange Act, filed September 21, 2007.

(15) Incorporated by reference to Exhibits 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.

(16) Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K under the Exchange Act, filed August 6, 2008.

EXHIBIT 10(g)

CBRL Group, Inc.

2005 DEFERRED COMPENSATION PLAN

(Effective January 1, 2005)

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ARTICLE I	DEFINITIONS AND CONSTRUCTION
ARTICLE II	ADMINISTRATION
ARTICLE III	PARTICIPATION
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ARTICLE VI	TRUST
ARTICLE VII	PAYMENT OF BENEFITS
ARTICLE VIII	IN-SERVICE DISTRIBUTIONS
ARTICLE IX	NATURE OF THE PLAN
ARTICLE X	EMPLOYMENT RELATIONSHIP
ARTICLE XI	AMENDMENT AND TERMINATION
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CBRL, INC.

2005 DEFERRED COMPENSATION PLAN

WITNESSETH:

WHEREAS, effective as of January 1, 1994, Cracker Barrel Old Country Store, Inc. (the “Company”) adopted the Cracker Barrel Old Country Store, Inc. Deferred Compensation Plan (the “Prior Plan”) to provide retirement and incidental benefits for certain executive employees of the Company; and

WHEREAS, effective as of January 1, 2003, CBRL Group, Inc. assumed sponsorship of the Prior Plan, and amended and restated the Plan in its entirety;

NOW, THEREFORE, in order to comply with the requirements of the Code, as amended by the American Jobs Creation Act of 2004, and effective as of the Effective Date, CBRL, Inc. hereby adopts the CBRL, Inc. 2005 Deferred Compensation Plan, as set forth herein or as hereafter amended, for the purpose of assuring compliance with the Code with respect to deferrals of compensation on or after January 1, 2005.

ARTICLE I

Definitions and Construction

1.1 Definitions. This Plan shall be deemed to have amended and restated the Prior Plan and, commencing on the Effective Date, shall govern all amounts credited to a Participant's Account other than Prior Plan Deferrals. The terms of the Prior Plan shall remain in effect with respect to the portion of a Participant's Account consisting of Prior Plan Deferrals. Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, un1ess their context clearly indicates to the contrary.

(a) Account: A memorandum bookkeeping account established on the records of the Company for a Member which is credited with amounts determined pursuant to Sections 4.1 and 4.2 of the Plan. As of any determination date, a Member’s benefit under the Plan shall be equal to the amount credited to his Account as of such date.

(b) Board: The Board of Directors of the Company.

(c) Committee: The administrative committee appointed by the Board to administer the Plan.

(d) Company: CBRL Group, Inc.

(e) Compensation: The total of all amounts paid by the Company to or for the benefit of a Member for services rendered or labor performed while a Member (as reported for federal income tax purposes on such Member’s Form W-2 or its equivalent), including the Member’s deferral contributions to this Plan and to the Qualified Plan and any bonus awarded to such Member by the Company.

(f) Disability: A Member shall be considered to be suffering from a Disability if the Member: (i) is unable to engage in any substantial gainful activity by
reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three
months under an accident and health plan covering employees of the Member's employer.

(g) Distribution Date: The date on which a Member's Account becomes payable, as determined under Article VII.

(h) Effective Date: January 1, 2005.

(i) Election: An election by a Member, consistent with the terms of this Plan and in a form and manner satisfactory to the Committee, to make elective deferral contributions to the Plan for a Plan Year, and to specify a time and form of payment for amounts attributable to the allocations to the Member's Account
for such Plan Year.

(j) Interest Credit: The interest applied to a Member's Account as of the end of each calendar quarter. Such interest shall be at one and one-half percent (1.5%) over the ten (10) year Treasury Bill rate in effect as of the beginning of such calendar quarter.

(k) Member: Any management or highly compensated employee or outside director of the Company who has been designated by the Committee as a Member of the Plan until such employee ceases to be a Member in accordance with Section 3.1 of the Plan.

(l) Plan: The CBRL Group, Inc. 2005 Deferred Compensation Plan, as set forth herein and as amended from time to time.

(m) Plan Year: The twelve-consecutive month period commencing on the Effective Date, and each twelve-consecutive month period commencing January 1
of each year thereafter.

(n) Prior Plan: The CBRL Group, Inc. Deferred Compensation Plan, as in effect immediately prior to the Effective Date of this Plan.

(o) Prior Plan Deferrals: The amount which, immediately prior to the Effective Date, was credited to the Member's Account and which on such date was
not subject to forfeiture, and any Investment Credit allocated to such amount since the Effective Date.

(p) Qualified Plan: The Cracker Barrel Old Country Store, Inc. and Affiliates Employee Savings Plan , as amended from time to time.

(q) Specified Employee: A key employee (as defined in Section 416(i) of the Code, but without regard to paragraph (5) thereof) of the Company. Provided, however, that no Member shall be considered to be a Specified Employee as of any date unless on such

date the stock of the Company is publicly traded on an established securities market or otherwise.

(r) Trust Agreement: Any agreement which may be entered into between the Company and the Trustee establishing a trust to hold and invest contributions
made by the Company under the Plan and from which all or a portion of the amounts payable under the Plan to Members and their beneficiaries will be distributed.

(s) Trust Assets: All assets held by the Trustee under the Trust Agreement.

(t) Trustee: The trustee or trustees qualified and acting under the Trust Agreement at any time.

(u) Unforeseeable Emergency: A severe financial hardship to the Member resulting from an illness or accident of the Member, the Member's spouse, or a dependent (as defined in section 152(a) of the Code) of the Member, loss of the Member's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Member. An unforeseeable emergency will not include the need to send a Member's child to college or the desire to purchase a home.

1.2 Number and Gender. Wherever appropriate herein, words used in the singular shall be considered to include the plural and the plural to include the singular. The masculine gender, where appearing in this Plan, shall be deemed to include the feminine gender.

1.3 Headings. The headings of Articles and Sections herein are included solely for convenience and if there is any conflict between such headings and the text of the Plan, the text shall control.

ARTICLE II

Administration

The Plan shall be administered by the Committee, which shall be authorized, subject to the provisions of the Plan, to establish rules and regulations and make such interpretations and determinations as it may deem necessary or advisable for the proper administration of the Plan, including, without limitation, the discretionary power (1) to construe the Plan and the Trust, (ii) to determine the eligibility of any employee of the Company or its subsidiaries for participation in the Plan, and (iii) to determine the eligibility for and amount of benefits payable to a Member or the Member's designated beneficiary hereunder. All such rules, regulations, interpretations and determinations shall be binding on all Plan Members and their beneficiaries. The Committee shall be composed of not less than three (3) individuals who shall be appointed by the Board. Each member of the Committee shall serve until the member resigns or is removed by the Board. Upon the resignation or removal of a member of the Committee, the Board shall appoint a substitute member. No member of the Committee shall have any right to vote or decide upon any matter relating solely to himself or herself under the Plan or to vote in any case which his individual right to claim any benefit under the Plan is particularly involved. In any case in which a Committee member is so disqualified to act, and the remaining members cannot agree, the

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Board shall appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which he or she is disqualified. All expenses incurred in connection with the administration of the Plan shall be borne by the Company.

ARTICLE III

Participation

3.1 Eligibility. Any management or highly compensated employee or outside director of the Company shall become a Member upon designation by the Committee.
Once an employee or outside director has been designated as a Member, he or she shall automatically continue to be a Member until he or she has received payment in full of all benefits accrued for him or her under this Plan or until he or she is removed as a Member by the Committee.

3.2 Election. Any Member may file an Election to defer receipt of an integral percentage or sum certain (in an even $1,000 amount) of his or her Compensation
for any Plan Year under the Plan. A Member's Election to defer receipt of Compensation for any Plan Year shall be made prior to the beginning of such Plan Year, shall be
irrevocable for such Plan Year, and shall specify the time and form of payment of the portion of the Member's Account attributable to amounts allocated to the Member's
Account for the Plan Year. The reduction in a Member's Compensation pursuant to such Election shall be effected by substantially equal Compensation reductions as
of each payroll period within the Plan Year.

3.3 Initial Election. Notwithstanding the provisions of Section 3.2 above, Members may make their first Election during such thirty (30) day period following the
date on which they become Members, provided, however, that such Election shall be attributable only to Compensation for services to be performed subsequent to the Election.

ARTICLE IV

Benefits

4.1 Amount of Benefit. As of the last day of each payroll period of each Plan Year, a Member's Account shall be credited with an amount equal to the Compensation
deferred under the Plan pursuant to an election by the Member as described in Article III for such payroll period. Additionally, the Board, in its sole and absolute discretion, may, as of the last day of each Plan Year, credit a Member's Account with an additional amount set by the Board. The crediting of additional amounts to Members' accounts need not be uniformly applied to Members. As of any determination date, the benefit to which a Member or his beneficiary shall be entitled under the Plan shall be equal to the amount credited to such Member's Account as of such date.

4.2 Interest Crediting. As of the last day of each calendar quarter, the Account of each Member shall be credited with the Interest Credit for such calendar quarter.

ARTICLE V

Vesting

All amounts credited to a Member's Account shall be fully vested and not subject to forfeiture for any reason; provided, however, such amounts shall remain subject to the claims of the general creditors of the Company, present and future, and no payments shall be made under this Plan to any Member or a Member's designated beneficiary during any period in which the Committee, in its sole and absolute discretion, determines that the Company is insolvent and notifies the Trustee in writing of such determination.

ARTICLE VI

Trust

In the event the Company establishes a Trust in connection with this Plan, the Company may, from time to time and in its sole discretion, pay and deliver money or other property to the Trustee for the payment of benefits under the Plan. Distributions due under the Plan to or on behalf of Members shall be made by the Trustee in accordance with the terms of the Trust Agreement and the Plan; provided, however, that the Company shall remain obligated to pay all amounts due to such persons under the Plan, to the extent that such amounts are not paid from the Trust. Nothing in the Plan or the Trust Agreement shall relieve the Company of its obligation to make the distributions required in Article VII hereof except to the extent that such obligation is satisfied by the application of funds held by the Trustee under the Trust Agreement. No Member or beneficiary of a deceased Member shall have any security or other interest in Trust Assets. Any and all Trust Assets shall remain subject to the claims of the general creditors of the Company, present and future, and no payment shall be made under the Plan during any period in which the Committee, in its sole and absolute discretion, determines that the Company is insolvent and notifies the Trustee in writing of such determination. The Trust Agreement shall prohibit the location of trust assets outside the United States or the transfer of trust assets outside the United States. Should an inconsistency or conflict exist between the specific terms of the Plan and those of the Trust Agreement, then the relevant terms of the Plan shall govern and control.

ARTICLE VII

Payment of Benefits

7.1 Termination of Employment. Upon a Member's termination of employment or service with the Company for any reason other than death (including retirement or Disability), the amount credited to each Member's Account as of the date of such Member's termination of employment or service shall be distributed to such Member pursuant to Sections 7.3 and 7.4 below.

7.2 Death. Upon a Member's death, the amount credited to such Member's Account as of the date of such Member's death shall be distributed to such Member's designated beneficiary pursuant to Sections 7.3 and 7.4 below. The Member, by written instrument filed

with the Committee in such manner and form as the Committee may prescribe, may designate one or more beneficiaries to receive such payment. The beneficiary designation may be changed from time to time prior to the death of the Member. In the event that the Committee has no valid beneficiary designation on file, the amount credited to each Member's Account shall be distributed to the Member's surviving spouse, if any, or if the Member has no surviving spouse, to the executor or administrator of the Member's estate.

7.3 Time of Payment. Subject to the requirements of this section, Payment of a Member's benefit hereunder shall begin as soon as administratively feasible following the Distribution Date.

(a) The "Distribution Date" of a Member's Account shall be the date specified as the Distribution Date in the Member's Election. Provided, however, that the Distribution Date shall not occur before the earliest of:

(1) the Member's separation from service;

(2) the Member's Disability; or

(3) the Member's death.

(b) Subject to the requirements of Article VIII, distribution of a Member's Account may occur at a specified time (or pursuant to a fixed schedule) specified in the Member's Election, or otherwise specified under the Plan at the date of deferral.

(c) Subject to the requirements of Article VIII, all or a portion of a Member's Account may be distributed upon the occurrence of an Unforeseeable Emergency.

(d) In the case of any Specified Employee, any distribution as the result of the Member's separation from service may not occur before the date which is six months after the date of the Member's separation from service (or, if earlier, the date of death of the Member).

(e) A Member may elect to postpone the commencement of benefits hereunder to a date which is specified by the Member in an Election; provided, however, that:

(1) such an election may not take effect until at least 12 months after the date on which it is made,

(2) except in the case of a payment of benefits as the result of the Member's death or Disability, or a distribution as the result of an Unforseeable Emergency, as described in Article VIII, the first payment with respect to which the election is made must be deferred for a period of at least 5 years from the date on which the payment would otherwise have been made, and

(3) any election related to a payment at a specified time or pursuant to a fixed schedule may not be made less than 12 months prior to the first scheduled payment.

7.4 Form of Payment. Subject to the prior approval of the Committee, a Member, or the Member’s designated beneficiary in the case of the death of the Member, may elect to receive benefits hereunder in either of the following forms or any combination thereof:

(a) single sum payment; or

(b) monthly, quarterly, or annual installment payments over a specified term not to exceed the greater of ten (10) years or the Member’s life expectancy as of the Distribution Date.

The form of payment shall be specified by the Member in an Election. A Member may specify different forms and times of payment for amounts attributable to allocations to the member's Account with respect to each Plan Year. Provided, however, that any election by a Member to receive payment in installments shall not be effective unless balance in the Member's Account (or the portion of the Account to which the installment election applies) exceeds $5,000. The Committee shall maintain records sufficient to determine the portion of the Member's Account to which each such Election applies.

ARTICLE VIII

Distributions Upon Unforeseeable Emergency

Upon written application by a Member who has experienced an Unforeseeable Emergency, as determined by the Committee, the Committee may distribute to such Member an amount not to exceed the least of (i) the amount credited to such Member’s Account, (ii) the amount requested by the Member, or (iii) the amount determined by the Committee as being reasonably necessary to satisfy the need created by the Unforseeable Emergency, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such need is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Member's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

ARTICLE IX

Nature of the Plan

The Plan shall constitute an unfunded, unsecured obligation of the Company for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan is not intended to meet the qualification requirements of Section 401 of the Internal Revenue Code of 1986, as amended. The Company in its sole discretion may set aside such amounts for the payment of Accounts as the Company from time to time may determine. No Member shall have any security or other interest in any such amounts set aside or any other assets of the Company. Neither the establishment of the Plan, the operation thereof, nor the setting aside of any amounts shall be deemed to create a funding arrangement. Members shall

have the status of general unsecured creditors of the Company, and this Plan constitutes a mere promise by the Company to make benefit payments in the future.

ARTICLE X

Employment Re1ationship

Nothing in the adoption or implementation of the Plan shall confer on any employee the right to continued employment by the Company or affect in any way the right of the Company to terminate his employment at any time. Any question as to whether and when there has been a termination of a Member's employment, and the cause of such termination, shall be determined by the Committee in its discretion, and its determination shall be final.

ARTICLE XI

Amendment and Termination

The Board may amend or terminate the Plan, by resolution duly adopted, without the consent of the Members; provided, however, that no such amendment or termination shall adversely affect any benefits which have been earned prior to any such amendment or termination. Further, upon termination of the Plan, the Committee, in its sole discretion, may elect to distribute the amount credited to each Member's Account in a lump sum cash payment as soon as administratively feasible following the date of termination of the Plan.

ARTICLE XII

Claims and Appeals Procedures

12.1 Claims. Any claim for benefits shall be made in writing to the Committee. The Committee will handle claims in accordance with the following provisions:

(a) General Rule. If a claim is wholly or partially denied, the Committee shall notify the Member or beneficiary claimant, in accordance with paragraph (c) of this Section, of the Plan's adverse benefit determination within a reasonable period of time, but not later than 90 days after receipt of the claim by the Plan, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Member or beneficiary claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefit determination.

(b) Calculating Time Periods. For purposes of this Section 12.1, the period of time within which a benefit determination is required to be made shall begin at the time a claim is filed in accordance with the Plan's claim procedures, without regard to whether all the information necessary to make a benefit determination accompanies the filing.

(c) Manner and Content of Notification of Benefit Determination. The Committee shall provide a Member or beneficiary claimant with written notification of any adverse benefit determination. The notification shall set forth, in a manner calculated to be understood by the Member or beneficiary claimant--

(1) The specific reason or reasons for the adverse determination;

(2) Reference to the specific Plan provisions on which the determination is based;

(3) A description of any additional material or information necessary for the Member or beneficiary claimant to perfect the claim and an explanation of why such material or information is necessary;

(4) A description of the Plan's review procedures as described in Section 12.2 and the time limits applicable to such procedures, including a statement of the Member or beneficiary claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

12.2 Appeal of Adverse Benefit Determinations. Within 60 days after the receipt from the Committee of any written denial of a claim for benefits, a Member or beneficiary whose claim is denied may request, by written application to the Committee, a review by the Committee of the decision denying the payment of benefits.

(a) Submission of Additional Information. In connection with an appeal of an adverse benefit determination under this Section 12.2, a Member or beneficiary shall be entitled to submit written comments, documents, records, and other information relating to the claim for benefits. Review of an appeal under this Section 12.2 shall take into account all comments, documents, records, and other information submitted by the Member or beneficiary relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(b) Review of Relevant Information. The Member or beneficiary shall also be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Member or beneficiary's claim for benefits. For purposes of this Section, the determination of whether a document, record, or other information shall be considered "relevant" shall be made in accordance with the definition in Section 12.4(c).

12.3 Notification of Benefit Determination on Review.

(a) Manner and Content of Notification of Benefit Determination on Review. The Committee shall provide a Member or beneficiary claimant with written notification of the Plan's benefit determination on review. In the case of an adverse benefit

determination, the notification shall set forth, in a manner calculated to be understood by the Member or beneficiary claimant:

(1) The specific reason or reasons for the adverse determination;

(2) Reference to the specific plan provisions on which the determination is based;

(3) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. For purposes of this Section, determination of whether documents, records, and other information shall be considered "relevant" shall be made in accordance with the definition provided in Section 12.4(c);

(4) A statement of the Member or beneficiary claimant's right to bring a civil action under Section 502(a) of ERISA.

(b) Timing of Notification of Benefit Determination on Review.

(1) General Rule. Except as provided in paragraph (2) of this Section, the Committee shall notify a Member or beneficiary claimant in accordance with paragraph (a) of this Section of the Plan's benefit determination on review within a reasonable period of time, but not later than 60 days after receipt of the claimant's request for review by the Plan, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review.

(2) Special Rule. In the event that the Committee holds regularly scheduled meetings at least quarterly, paragraph (1) of this Section shall not apply, and the Committee shall instead make a benefit determination no later than the date of the meeting of the Committee that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within 30 days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second meeting following the Plan's receipt of the request for review. If special circumstances require further extension of time for processing, a benefit determination shall be rendered not later than the third meeting of the Committee following the Plan's receipt of the request for review. If such an extension of time for review is required because of special circumstances, the Committee shall provide the claimant with written

notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension. The Committee shall notify the claimant, in accordance with paragraph (a) of this Section, of the benefit determination as soon as possible, but no later than 5 days after the benefit determination is made.

(3) Calculating Time Periods. For purposes of this Section 12.3, the period of time within which a benefit determination on review is required to be made shall begin at the time an appeal is filed in accordance with the reasonable procedures of a Plan, without regard to whether all the information necessary to make a benefit determination on review accompanies the filing. In the event that a period of time is extended as permitted pursuant to paragraph (1) or (2) of this Section due to a claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination on review shall be tolled from the date on which the notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information.

12.4 Definitions. For purposes of this Article XII, the following terms shall have the meanings indicated:

(a) Adverse benefit determination. "Adverse benefit determination" means any of the following: a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a Member's or beneficiary's eligibility to participate in the Plan.

(b) Notice or notification. "Notice" or "Notification" means the delivery or furnishing of information to an individual in a manner that satisfies the standards of 29 CFR 2520.104b-1(b) as appropriate with respect to material required to be furnished or made available to an individual.

(c) Relevant. A document, record or other information shall be considered "relevant" to the Member or beneficiary's claim if such document, record or other information:

(1) was relied upon in making the benefit determination;

(2) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; and demonstrates compliance with the administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with the Plan and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated Members or beneficiaries.

ARTICLE XIII

Miscellaneous

13.1 Indemnification. The Company shall indemnify and hold harmless each member of the Committee and any other person acting on its behalf, against any and all expenses and liabilities arising out of his or her administrative functions or fiduciary responsibilities, excepting only expenses and liabilities arising out of the individual's own willful misconduct or lack of good faith. Expenses against which such person shall be indemnified hereunder include, without limitation, the amounts of any settlement or judgment, costs, counsel, fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof.

13.2 Effective Date. The Plan shall become operative and effective as of the Effective Date and shall continue until amended or terminated as provided in Article XI.

13.3 Withholding Taxes. The Company shall have the right to deduct from any payments made under this Plan, any federal, state or local taxes required by law to be withheld with respect to such payments.

13.4 Nonalienation of Benefits. Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, attachment, garnishment, execution or levy of any kind, either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of the Member, prior to actually being received; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits subject to the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder shall be void and without any force and effect.

13.5 Severability. If any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; rather, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

13.6 Jurisdiction and Applicable Law. The situs of the Plan hereby created is Tennessee. All provisions of the Plan shall be construed in accordance with the laws of Tennessee except to the extent preempted by federal law. This Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, and shall be interpreted in accordance with such intent.

IN WITNESS WHEREOF, the undersigned has caused this amended and restated Plan to be executed this 27th day of September, 2005, effective as of January 1, 2005.

CBRL Group, Inc.

By: /s/Michael J. Zylstra

Title: ______________________

[CBRL GROUP, INC. LOGO]

Post Office Box 787
Lebanon, Tennessee 37088
Phone 615-444-5533
Fax 615-443-9818
cbrlgroup.com

April 23, 2008

Douglas E. Barber
604 Five Oaks Blvd.
Lebanon, TN 37087

Re: Employee Retention Agreement

Dear Doug:

The Board of Directors of the CBRL Group, Inc. recognizes the contribution that you have made to CBRL Group, Inc. or one of its direct or indirect subsidiaries (collectively, the "Company") and wishes to ensure your continuing commitment to the Company and its business operations. Accordingly, in exchange for your continuing commitment to the Company, and your energetic focus on continually improving operations, the Company promises you the following benefits if your employment with the Company is terminated in certain circumstances:

1. DEFINITIONS. As used in this Agreement, the following terms have the following meanings which are equally applicable to both the singular and plural forms of the terms defined:

1.1 "**Cause**" means any one of the following:

(a) personal dishonesty;
(b) willful misconduct;
(c) breach of fiduciary duty; or
(d) conviction of any felony or crime involving moral turpitude.

1.2 "**Change in Control**" means: (a) that after the date of this Agreement, a person becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities, unless that acquisition was approved by a vote of at least 2/3 of the directors in office immediately prior to the acquisition; (b) that during any period of 2 consecutive years following the date of this Agreement, individuals who at the beginning of the period constitute members of the Board of Directors of the Company cease for any reason to constitute a majority of the Board unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least 2/3 of the directors then still in office who were directors at the

beginning of the 2-year period; (c) a merger, consolidation or reorganization of the Company (but this provision does not apply to a recapitalization or similar financial restructuring which does not involve a material change in ownership of equity of the Company and which does not result in a change in membership of the Board of Directors); or (d) a sale of all or substantially all of the Company's assets.

1.3 **"Change in Control Period"** means a 2-year year period beginning the day after a Change in Control occurs.

1.4 **"Change in Duties or Compensation"** means any one of: (a) a material change in your duties and responsibilities for the Company (without your consent) from those duties and responsibilities for the Company in effect at the time a Change in Control occurs, which change results in the assignment of duties and responsibilities inferior to your duties and responsibilities at the time such Change in Control occurs (it being understood and acknowledged by you that a Change in Control that results in two persons of which you are one having similar or sharing duties and responsibilities shall not be a material change in your duties and responsibilities); (b) a reduction in your salary or a material change in benefits (excluding discretionary bonuses), from the salary and benefits in effect at the time a Change in Control occurs; or (c) a change in the location of your work assignment from your location at the time a Change in Control occurs to any other city or geographical location that is located further than 50 miles from that location.

2. **TERMINATION OF EMPLOYMENT; SEVERANCE.** Your immediate supervisor or the Company's Board of Directors may terminate your employment, with or without cause, at any time by giving you written notice of your termination, such termination of employment to be effective on the date specified in the notice. You also may terminate your employment with the Company at any time. The effective date of termination (the "Effective Date") shall be the last day of your employment with the Company, as specified in a notice by you, or if you are terminated by the Company, the date that is specified by the Company in its notice to you. The following subsections set forth your rights to severance in the event of the termination of your employment in certain circumstances by either the Company or you. Section 5 also sets forth certain restrictions on your activities if your employment with the Company is terminated, whether by the Company or you. That section shall survive any termination of this Agreement or your employment with the Company.

2.1 **Termination by the Company for Cause.** If you are terminated for Cause, the Company shall have no further obligation to you, and your participation in all of the Company's benefit plans and programs shall cease as of the Effective Date. In the event of a termination for Cause, you shall not be entitled to receive severance benefits described in Section 3.

2.2 **Termination by the Company Without Cause Other Than During a Change in Control Period.** If your employment with the Company is terminated by the Company without Cause at a time other than during a Change in Control Period, you shall be entitled to only those severance benefits provided by the Company's severance policy or policies then in effect. You shall not be entitled to receive benefits pursuant to Section 3 of this Agreement.

2.3 **Termination by the Company Without Cause During a Change in Control Period.** If your employment with the Company is terminated by the Company without Cause during a Change in Control Period, you shall be entitled to receive Benefits pursuant to Section 3. A termination within 90 days prior to a Change in Control which occurs solely in order to make you ineligible for the benefits of this Agreement shall be considered a termination without Cause during a Change in Control Period.

2.4 **Termination By You For Change in Duties or Compensation During a Change in Control Period.** If during a Change in Control Period there occurs a Change in Duties or Compensation you may terminate your employment with the Company at any time within 30 days after the occurrence of the Change in Duties or Compensation, by giving to the Company not less than 120 nor more than 180 days notice of termination. During the notice period that you continue to work, any reduction in your Compensation will be restored. At the option of the Company, following receipt of this notice, it may: (a) change or cure, within 15 days, the condition that you claim has caused the Change in Duties or Compensation, in which case, your rights to terminate your employment with the Company pursuant to this Section 2.4 shall cease (unless there occurs thereafter another Change in Duties or Compensation) and you shall continue in the employment of the Company notwithstanding the notice that you have given; (b) allow you to continue your employment through the date that you have specified in your notice; or (c) immediately terminate your employment pursuant to Section 2.3. If you terminate your employment with the Company pursuant to this Section 2.4, you shall be entitled to receive Benefits pursuant to Section 3. Your failure to provide the notice required by this Section 2.4 shall result in you having no right to receive any further compensation from the Company except for any base salary or vacation earned but not paid, plus any bonus earned and accrued by the Company through the Effective Date.

3. **SEVERANCE BENEFITS.** If your employment with the Company is terminated as described in Section 2.3 or 2.4, you shall be entitled to the benefits specified in subsections 3.1, 3.2, and 3.3 (the "Benefits") for the period of time set forth in the applicable section.

3.1 **Salary Payment or Continuance.** You will be paid a single lump sum payment in an amount equal to 2.99 times the average of your annual base salary and any bonus payments for the 3 years immediately preceding the Effective Date. The determination of the amount of this payment shall be made by the Company's actuaries and benefit consultants and, absent manifest error, shall be final, binding and conclusive upon you and the Company.

3.2 **<u>Continuation of Benefits</u>.** During the 2 years following the Effective Date (the "Severance Period") that results in benefits under this Article 3, you shall continue to receive the medical, prescription, dental, and group life insurance benefits at the levels to which you were entitled on the day preceding the Effective Date, or reasonably equivalent benefits, to the extent continuation is not prohibited or limited by applicable law. In no event shall substitute plans, practices, policies and programs provide you with benefits which are less favorable, in the aggregate, than the most favorable of those plans, practices, policies and programs in effect for you at any time during the 120-day period immediately preceding the Effective Date. However, if you become reemployed with another employer and are eligible to receive medical or other welfare benefits under another employer-provided plan, Company payments for these medical and other welfare benefits shall cease.

4. **<u>EFFECT OF TERMINATION ON STOCK OPTIONS AND RESTRICTED STOCK</u>.** In the event of any termination of your employment, all stock options and restricted stock held by you that are vested prior to the Effective Date shall be owned or exercisable in accordance with their terms; all stock options held by you that are not vested prior to the Effective Date shall lapse and be void; however, if your employment with the Company is terminated as described in Sections 2.3 or 2.4, then, if your option or restricted stock grants provide for immediate vesting in the event of a Change in Control, the terms of your option or restricted stock agreement shall control. If your option or restricted stock agreement does not provide for immediate vesting, you shall receive, within 30 days after the Effective Date, a lump sum cash distribution equal to: (a) the number of shares of the Company's ordinary shares that are subject to options or restricted stock grants held by you that are not vested as of the Effective Date multiplied by (b) the difference between: (i) the closing price of a share of the Company's ordinary shares on the NASDAQ National Market System as reported by The Wall Street Journal as of the day prior to the Effective Date (or, if the market is closed on that date, on the last preceding date on which the market was open for trading), and (ii) the applicable exercise prices or stock grant values of those non-vested shares.

5. **<u>DISCLOSURE OF INFORMATION</u>.** You recognize and acknowledge that, as a result of your employment by the Company, you have or will become familiar with and acquire knowledge of confidential information and certain trade secrets that are valuable, special, and unique assets of the Company. You agree that all that confidential information and trade secrets are the property of the Company. Therefore, you agree that, for and during your employment with the Company and continuing following the termination of your employment for any reason, all confidential information and trade secrets shall be considered to be proprietary to the Company and kept as the private records of the Company and will not be divulged to any firm, individual, or institution, or used to the detriment of the Company. The parties agree that nothing in this Section 6 shall be construed as prohibiting the Company from pursuing any remedies available to it for any breach or threatened breach of this Section 6, including, without limitation, the recovery of damages from you or any person or entity acting in concert with you.

6. GENERAL PROVISIONS.

6.1 Other Plans. Nothing in this Agreement shall affect your rights during your employment to receive increases in compensation, responsibilities or duties or to participate in and receive benefits from any pension plan, benefit plan or profit sharing plans except plans which specifically address benefits of the type addressed in Sections 3 and 4 of this Agreement.

6.2 Death During Severance Period. If you die during the Severance Period, any Benefits remaining to be paid to you shall be paid to the beneficiary designated by you to receive those Benefits (or in the absence of designation, to your surviving spouse or next of kin).

6.3 Notices. Any notices to be given under this Agreement may be effected by personal delivery in writing or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses appearing on the first page of this Agreement (to the attention of the Secretary in the case of notices to the Company), but each party may change the delivery address by written notice in accordance with this Section 7.3. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of the second day following deposit in the United States Mail.

6.4 Entire Agreement. This Agreement supersedes all previous oral or written agreements, understandings or arrangements between the Company and you regarding a termination of your employment with the Company or a change in your status, scope or authority and the salary, benefits or other compensation that you receive from the Company as a result of the termination of your employment with the Company (the "Subject Matter"), all of which are wholly terminated and canceled. This Agreement contains all of the covenants and agreements between the parties with respect to the Subject Matter. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made with respect to the Subject Matter by any party, or anyone acting on behalf of any party, which are not embodied in this Agreement. Any subsequent agreement relating to the Subject Matter or any modification of this Agreement will be effective only if it is in writing signed by the party against whom enforcement of the modification is sought.

6.5 Partial Invalidity. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

6.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, and it shall be enforced or challenged only in the courts of the State of Tennessee.

6.7 Waiver of Jury Trial. The Company and you expressly waive any right to a trial by jury in any action or proceeding to enforce or defend any rights under this Agreement, and agree that any such action or proceeding shall be tried before a court and not a jury. You irrevocably

waive, to the fullest extent permitted by law, any objection that you may have now or hereafter to the specified venue of any such action or proceeding and any claim that any such action or proceeding has been brought in an inconvenient forum.

6.8 **Miscellaneous.** Failure or delay of either party to insist upon compliance with any provision of this Agreement will not operate as and is not to be construed to be a waiver or amendment of the provision or the right of the aggrieved party to insist upon compliance with the provision or to take remedial steps to recover damages or other relief for noncompliance. Any express waiver of any provision of this Agreement will not operate, and is not to be construed, as a waiver of any subsequent breach, irrespective of whether occurring under similar or dissimilar circumstances. You may not assign any of your rights under this Agreement. The rights and obligations of the Company under this Agreement shall benefit and bind the successors and assigns of the Company. The Company agrees that if it assigns this Agreement to any successor company, it will ensure that its terms are continued.

6.9 **Certain Additional Payments by the Company.**

a. The Company will pay you an amount (the "Additional Amount") equal to the excise tax under the United States Internal Revenue Code of 1986, as amended (the "Code"), if any, incurred by you by reason of the payments under this Agreement and any other plan, agreement or understanding between you and the Company or its parent, subsidiaries or affiliates (collectively, "Separation Payments") constituting excess parachute payments under Section 280G of the Code (or any successor provision). In addition, the Company will pay an amount equal to all excise taxes and federal, state and local income taxes incurred by you with respect to receipt of the Additional Amount. All determinations required to be made under this Section 6.9 including whether an Additional Amount is required and the amount of any Additional Amount, will be made by the independent auditors engaged by the Company immediately prior to the Change in Control (the "Accounting Firm"), which will provide detailed supporting calculations to the Company and you. In computing taxes, the Accounting Firm will use the highest marginal federal, state and local income tax rates applicable to you and will assume the full deductibility of state and local income taxes for purposes of computing federal income tax liability, unless you demonstrate that you will not in fact be entitled to such a deduction for the year of payment.

b. The Additional Amount, computed assuming that all of the Separation Payments constitute excess parachute payments as defined in Section 280G of the Code (or any successor provision), will be paid to you at the time that the payments made pursuant to Section 3.1 is made unless the Company, prior to the Severance Period, provides you with an opinion of the Accounting Firm that you will not incur an excise tax on part or all of the Separation Payments. That opinion will be based upon the applicable regulations under Sections 280G and 4999 of the Code (or any successor provisions) or substantial authority within the meaning of Section 6662 of the Code. If that opinion applies only to part of the Separation Payments, the

Company will pay you the Additional Amount with respect to the part of the Separation Payments not covered by the opinion.

c. The amount of the Additional Amount and the assumptions to be utilized in arriving at the determination, shall be made by the Company's Accounting Firm, whose decision shall be final and binding upon both you and the Company. You must notify the Company in writing no later than 30 days after you are informed of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Additional Amount. You must also cooperate fully with the Company and give the Company any information reasonably requested relating to the claim, and take all action in connection with contesting the claim as the Company reasonably requests in writing from time to time.

If all of the terms and conditions in this Agreement are agreed to by you, please signify your agreement by executing the enclosed duplicate of this letter and returning it to us. At the date of your return, this letter shall constitute a fully enforceable Agreement between us.

CBRL GROUP, INC.

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

The foregoing is fully agreed to and accepted by:

Company Employee's Signature: /s/Douglas E. Barber

Please Print or Type Name: Douglas E. Barber

Please Print or Type Title: Executive Vice President and Chief Operating Officer

EXHIBIT 13

CBRL Group, Inc.
Selected Financial Data

(Dollars in thousands except share data)

	For each of the fiscal years ended				
	August 1, 2008[(a)(b)]	**August 3, 2007[(b)(c)(d)]**	**July 28, 2006[(b)(e)]**	**July 29, 2005[(b)(f)]**	**July 30, 2004[(b)(g)]**
Selected Income Statement Data:					
Total revenue	$ 2,384,521	$ 2,351,576	$ 2,219,475	$ 2,190,866	$ 2,060,463
Income from continuing operations	65,303	75,983	95,501	105,363	93,260
Income from discontinued operations, net of tax	250	86,082	20,790	21,277	18,625
Net income	65,553	162,065	116,291	126,640	111,885
Basic net income per share:					
Income from continuing operations	2.87	2.75	2.23	2.20	1.91
Income from discontinued operations, net of tax	0.01	3.11	0.48	0.45	0.38
Net income per share	2.88	5.86	2.71	2.65	2.29
Diluted net income per share:					
Income from continuing operations	2.79	2.52	2.07	2.05	1.78
Income from discontinued operations, net of tax	0.01	2.71	0.43	0.40	0.34
Net income per share	2.80	5.23	2.50	2.45	2.12
Dividends paid per share[(h)]	$ 0.68	$ 0.55	$ 0.51	$ 0.47	$ 0.33
As Percent of Revenues:					
Cost of goods sold	32.4%	31.7%	31.8%	32.7%	33.0%
Labor and related expenses	38.2	38.0	37.6	37.5	37.6
Impairment and store closing charges	--	--	0.2	--	--
Other store operating expenses	17.7	17.4	17.3	16.9	16.5
Store operating income	11.7	12.9	13.1	12.9	12.9
General and administrative expenses	5.4	5.7	5.8	5.2	5.4
Operating income	6.3	7.2	7.3	7.7	7.5
Income before income taxes	3.9	5.0	6.3	7.3	7.1
Selected Balance Sheet Data:					
Working capital (deficit) [(i)]	$ (44,080)	$ (74,388)	$ (6,280)	$ (80,060)	$ (20,808)
Current assets from discontinued operations	--	--	401,222	362,656	322,642
Total assets	1,313,703	1,265,030	1,681,297	1,533,272	1,435,704
Long-term debt	779,061	756,306	911,464	212,218	185,138
Other long-term obligations[(j)]	122,842	67,499	55,128	38,862	28,411
Shareholders' equity	92,751	104,123	302,282	869,988	873,336
Selected Cash Flow Data:					
Purchase of property and equipment, net of insurance recoveries, from continuing operations	$ 87,849	$ 96,447	$ 89,167	$ 124,624	$ 108,216
Share repurchases	52,380	405,531	704,160	159,328	69,206
Selected Other Data:					
Common shares outstanding at end of year	22,325,341	23,674,175	30,926,906	46,619,803	48,769,368
Cracker Barrel stores open at end of year	577	562	543	529	504

Average Unit Volumes [k]:					
Cracker Barrel restaurant	$ 3,282	$ 3,339	$ 3,248	$ 3,291	$ 3,217
Cracker Barrel retail	898	917	876	959	988
Comparable Store Sales [l]:					
Period to period increase (decrease) in comparable store sales:					
Cracker Barrel restaurant	0.5%	0.7%	(1.1)%	3.1%	2.0%
Cracker Barrel retail	(0.3)	3.2	(8.1)	(2.7)	5.3
Memo: Number of Cracker Barrel stores in comparable base	531	507	482	466	445

(a) Includes charges of $877 before taxes for impairment and store closing costs from continuing operations.
(b) Due to the divestiture of Logan's Roadhouse, Inc. ("Logan's") in fiscal 2007, Logan's is presented as a discontinued operation.
(c) 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.
(d) We completed a 5,434,774 common share tender offer and repurchased 3,339,656 common shares in the open market (see Note 7 to the Consolidated Financial Statements). We redeemed our zero-coupon convertible notes (see Note 8 to the Consolidated Financial Statements).
(e) Includes charges of $5,369 before taxes for impairment and store closing costs from continuing operations. We completed a 16,750,000 common share repurchase by means of a tender offer. We adopted SFAS 123R, "Share-Based Payment," on July 30, 2005.
(f) Includes charges of $431 before taxes for impairment costs.
(g) Includes in general and administrative expense charges of $5,210 before taxes, as a result of settlement of certain litigation.
(h) On September 20, 2007, our Board of Directors (the "Board") increased the quarterly dividend to $0.18 per share per quarter (an annual equivalent of $0.72 per share) from $0.14 per share per quarter. We paid dividends of $0.18 per share during the second, third and fourth quarters of 2008. Additionally, on September 18, 2008, the Board increased the quarterly dividend to $0.20 per share, declaring a dividend payable on November 5, 2008 to shareholders of record on October 17, 2008.
(i) Working capital (deficit) excludes discontinued operations.
(j) The increase in other long-term obligations in 2008 as compared to prior years is primarily due to the increase in our interest rate swap liability (see Note 2 to the Consolidated Financial Statements) and the adoption of FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (see Note 12 to the Consolidated Financial Statements).
(k) Average unit volumes include sales of all stores. Fiscal 2007 includes a 53rd week while all other periods presented consist of 52 weeks.
(l) Comparable store sales and traffic consist of sales and calculated number of guests, respectively, of units 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 indica

	Fiscal Year 2008			Fiscal Year 2007		
	Prices			Prices		
	High	Low	Dividends Paid	High	Low	Dividends Paid
First	$ 42.74	$ 35.75	$ 0.14	$ 43.93	$ 32.04	$ 0.13
Second	37.97	24.00	0.18	47.61	42.03	0.14
Third	38.87	30.40	0.18	50.74	44.18	0.14
Fourth	38.02	18.93	0.18	47.50	36.72	0.14

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto. All dollar amounts reported or discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations (“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

CBRL Group, 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 24, 2008, the Company operated 579 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. Until December 6, 2006, we also owned the Logan’s Roadhouse® (“Logan’s”) restaurant concept, but we divested Logan’s at that time (see Note 3 to our Consolidated Financial Statements). As a result, Logan’s is presented as discontinued operations in the Consolidated Financial Statements and the accompanying notes to the Consolidated Financial Statements for all periods presented. Unless otherwise noted, this MD&A relates only to results from continuing operations.

Restaurant Industry

Cracker Barrel 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 industry is often affected by changes in the taste and eating habits of the public, local and national economic conditions affecting spending habits, population and traffic patterns. 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 among competitors with similar menu offerings or convenience.

Additionally, economic, weather and seasonal conditions affect the restaurant business. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby attributing to higher profits in our fourth quarter. Retail sales, which in Cracker Barrel are made substantially to restaurant customers, are strongest in the second quarter, which includes the Christmas holiday shopping season. Increases in fuel, including gasoline, and energy prices, among other things, appear to have affected consumer discretionary income and dining out habits. Severe weather also affects 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 units 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 Cracker Barrel 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 the substantial majority of our retail guests are also restaurant guests.

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

2008 Summary

Total revenue from continuing operations increased 1.4% in 2008 as compared to 2007. In 2007, total revenue from continuing operations benefited from an additional week, resulting in an increase of $46,283. Excluding that additional week, total revenue from continuing operations increased 3.4% in 2008 as compared to 2007.

Operating income margin from continuing operations was 6.3% of total revenue in 2008 compared to 7.2% in 2007. Excluding the additional week in 2007, operating income margin from continuing operations was 7.0% in 2007. The decrease in operating income margin from 2007 to 2008 primarily reflected the following:

- higher food costs and retail cost of goods sold,
- higher management wages,
- higher group health costs,
- higher utilities and
- the non-recurrence of litigation settlement proceeds received in 2007.

The higher costs, which decreased operating income margin, were partially offset by lower incentive compensation, lower general insurance, lower store hourly labor costs as a percentage of revenue in 2008 versus 2007 and higher menu pricing.

Income from continuing operations for 2008 decreased 14.1% from 2007 primarily due to lower operating income and lower interest income partially offset by a lower provision for income tax. Excluding the effects of the additional week in 2007, income from continuing operations for 2008 decreased 8.8%.

Diluted income from continuing operations per share increased 10.7% in 2008 as compared to 2007 due to the reduction in shares outstanding resulting from our share repurchases. Excluding the additional week in 2007, diluted income from continuing operations per share increased 17.2% in 2008.

Consolidated Results

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

	Relationship to Total Revenue			Period to Period Increase (Decrease)	
	2008	2007	2006	2008 vs 2007	2007 vs 2006
Total revenue	100.0%	100.0%	100.0%	1%	6%
Cost of goods sold	32.4	31.7	31.8	4	5
Gross profit	67.6	68.3	68.2	--	6
Labor and other related expenses	38.2	38.0	37.6	2	7
Impairment and store closing charges	--	--	0.2	--	(100)
Other store operating expenses	17.7	17.4	17.3	3	7
Store operating income	11.7	12.9	13.1	(9)	5
General and administrative	5.4	5.7	5.8	(7)	6
Operating income	6.3	7.2	7.3	(10)	4
Interest expense	2.4	2.5	1.0	(3)	168
Interest income	--	0.3	--	(98)	918
Income before income taxes	3.9	5.0	6.3	(20)	(17)
Provision for income taxes	1.2	1.8	2.0	(30)	(10)
Income from continuing operations	2.7	3.2	4.3	(14)	(20)
Income from discontinued operations, net of tax	--	3.7	0.9	(100)	314
Net income	2.7	6.9	5.2	(60)	39

Total Revenue

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

	2008	2007	2006
Total Revenue:			
Cracker Barrel restaurant	78.5%	78.4%	78.8%
Cracker Barrel retail	21.5	21.6	21.2
Total revenue	100.0%	100.0%	100.0%

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

	Cracker Barrel Period to Period Increase (Decrease)	
	2008 vs 2007 (531 Stores)	2007 vs 2006 (507 Stores)
Restaurant	0.5%	0.7%
Retail	(0.3)	3.2
Restaurant & Retail	0.4	1.2

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

The increase in comparable store restaurant sales from 2007 to 2008 was due to an increase in average check of 3.4%, including a 3.6% average menu price increase, offset by a decrease in guest traffic of 2.9%. The increase in comparable store restaurant sales from 2006 to 2007 was due to an increase in average check of 1.4%, including a 1.4% average menu price increase, offset by a decrease in guest traffic of 0.7%.

The comparable store retail sales decrease from 2007 to 2008 resulted from a decrease in restaurant guest traffic, which we believe resulted from uncertain consumer sentiment and reduced discretionary spending. We believe that the comparable store retail sales increase from 2006 to 2007 resulted from a more appealing retail merchandise selection, particularly for seasonal merchandise, in 2007 versus 2006. This increase was partially offset by smaller clearance sales and restaurant guest traffic decreases, which again we believe resulted from uncertain consumer sentiment and reduced discretionary spending.

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

	2008 (531 Stores)	2007 (507 Stores)	2006 (482 Stores)
Cracker Barrel restaurant	$ 3,293	$ 3,350	$ 3,279
Cracker Barrel retail	893	914	878
Total	$ 4,186	$ 4,264	$ 4,157

*2007 is calculated on a 53-week basis while the other periods are calculated on a 52-week basis.

Total revenue, which increased 1.4% and 6.0% in 2008 and 2007, respectively, benefited from the opening of 17, 19 and 21 Cracker Barrel stores in 2008, 2007 and 2006, respectively, partially offset by the closing of two Cracker Barrel stores in 2008 and seven Cracker Barrel stores in 2006. Total revenue in 2007 also benefited from an additional week, which resulted in an increase in revenues from continuing operations of $46,283. Excluding the additional week in 2007, total revenue from continuing operations increased 3.4% in 2008 as compared to 2007.

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

	2008	2007	2006
Restaurant	$ 63.1	$ 63.0	$ 62.5
Retail	17.3	17.3	16.8

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

Cost of Goods Sold

Cost of goods sold as a percentage of total revenue increased to 32.4% in 2008 from 31.7% in 2007. This increase was due to higher restaurant product costs, primarily reflecting commodity inflation, higher retail freight costs, which were primarily related to fuel cost increases, higher markdowns of retail merchandise and higher inventory shrinkage versus the prior year partially offset by higher menu pricing and higher initial mark-ons of retail merchandise. The increase in commodity inflation from a year ago was primarily due to increases in dairy, eggs, oil, grain products and produce.

Cost of goods sold as a percentage of total revenue decreased to 31.7% in 2007 from 31.8% in 2006. This decrease was due to higher menu pricing, lower markdowns of retail merchandise, higher initial mark-ons of retail merchandise partially offset by higher commodity costs and a shift in the mix of sales versus prior year from restaurant sales toward retail sales, the latter of which typically have a higher cost of sales. The additional week in 2007 had no effect on cost of goods sold as a percentage of revenue.

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 38.2%, 38.0% and 37.6% in 2008, 2007, and 2006, respectively. The year-to-year increase from 2007 to 2008 was due to higher management staffing levels as a percent of revenues versus 2007 and group health costs partially offset by lower bonus accruals, lower store hourly labor costs as a percentage of revenue versus the prior year and higher revenues driven by menu pricing. The increase in group health costs was due to higher medical and pharmacy claims and lower employee contributions. The decrease in restaurant and retail management bonus accruals reflected lower performance against financial objectives in 2008 as compared to 2007.

The year-to-year increase from 2006 to 2007 was due to higher group health costs resulting from higher medical and pharmacy claims due to an increase in the number of participants and an increase in the utilization of available plan benefits, higher hourly labor costs due to wage inflation and the effect of higher management staffing levels as a percent of revenues versus 2006 partially offset by lower workers' compensation expenses. The additional week in 2007 had no effect on labor and related expenses as a percentage of revenue.

Impairment and Store Closing Costs

During 2008, we closed one leased Cracker Barrel store and one owned Cracker Barrel store, which resulted in impairment charges of $532 and store closing costs 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 location was due to its age, expected future capital expenditure requirements and changes in traffic patterns around the store over the years. We expect to sell the real estate related to the owned store within one year. The store closing charges

represent the total amount expected to be incurred and no liability has been recorded for store closing charges at August 1, 2008. We did not incur any impairment losses or store closing charges in 2007. During 2006, we closed seven Cracker Barrel stores, which resulted in impairment charges of $3,795 and store closing costs of $736. We also recorded an impairment of $838 on our Cracker Barrel management trainee housing facility in 2006. See Note 2 to the accompanying Consolidated Financial Statements for more details surrounding the impairment and store closing charges.

Other Store Operating Expenses

Other store operating expenses include all unit-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 were 17.7%, 17.4% and 17.3% in 2008, 2007 and 2006, respectively. Without the additional week in 2007, other store operating expenses would have been 17.5% of total revenue in 2007. The year-to-year increase from 2007 to 2008 was due to higher utilities and the non-recurrence of the Visa/MasterCard class action litigation settlement proceeds received in 2007 partially offset by higher menu pricing and lower general insurance expense as a result of revised actuarial estimates.

The year-to-year increase from 2006 to 2007 was due to higher general insurance expense as a result of higher insurance premiums and revised actuarial estimates for unfavorable changes in loss development factors, which were partially offset by gains on disposition of property and on the Visa/MasterCard class action litigation settlement, higher menu pricing and the non-recurrence of hurricane-related costs.

General and Administrative Expenses

General and administrative expenses as a percentage of total revenue were 5.4%, 5.7% and 5.8% in 2008, 2007 and 2006, respectively. Without the additional week in 2007, general and administrative expenses would have been 5.8% of total revenue in 2007. The year-to-year decrease from 2007 to 2008 was due to lower incentive compensation accruals, including share-based compensation, and higher revenues driven by menu pricing and new unit openings. The decrease in incentive compensation accruals primarily reflected lower performance against financial objectives in 2008 versus 2007 and the non-recurrence of bonuses related to strategic initiatives and the additional share-based compensation recorded in 2007 for participants eligible for retirement prior to the vesting date of the award.

The year-to-year decrease from 2006 to 2007 was due to the gain on the sale of two properties we retained when we sold Logan's and a decrease in stock option expense partially offset by an increase in bonus accruals and an increase in share-based compensation for nonvested stock. The decrease in the stock option expense is due to the adoption of Statement of Financial Accounting Standard ("SFAS") No. 123 (Revised 2004) "Share-Based Payment" ("SFAS No. 123R") in 2006 and our granting fewer options in 2007 versus 2006. The increase in share-based compensation for nonvested stock is due to an increase in the number of nonvested stock grants during the year as compared with the prior year as well as accruals for retirement eligibility prior to the vesting date of certain awards. The increase in the bonus accruals reflected improved performance against financial objectives and the declaration and payment of discretionary bonuses for certain executives in the first quarter of 2007, as well as certain bonus plans related to strategic initiatives. See Note 9 to the accompanying Consolidated Financial Statements for more details surrounding the strategic initiatives bonuses.

Interest Expense

Interest expense as a percentage of total revenue was 2.4%, 2.5% and 1.0% in 2008, 2007, and 2006, respectively. The year-to-year decrease from 2007 to 2008 was primarily due to slightly lower interest expense in 2008 combined with higher revenues. The absolute dollar decrease primarily was due to lower non-use fees incurred under our credit facility and lower average debt outstanding partially offset by higher average interest rates in 2008 as compared to 2007. The decrease in the non-use fees was due to our borrowing $100,000 available under the Delayed-Draw Term Loan facility during the fourth quarter of 2007 and the remaining $100,000 during the first quarter of 2008. The year-to-year increase from 2006 to 2007 was due to our 2006 recapitalization and corresponding higher debt levels.

Interest Income

Interest income as a percentage of total revenue was zero in 2008, 0.3% in 2007 and zero in 2006. The year-to-year decrease from 2007 to 2008 was due to a lower level of cash on hand at the beginning of 2008 versus 2007. The year-to-year increase from 2006 to 2007 was due to the increase in average funds available for investment as a result of the proceeds from the divestiture of Logan's and a higher level of cash on hand at the beginning of 2007 versus 2006.

Provision for Income Taxes

Provision for income taxes as a percent of income before income taxes was 30.2% for 2008, 34.8% for 2007 and 32.0% for 2006. The decrease in the effective tax rate from 2007 to 2008 reflected higher employer tax credits as a percent of income before income taxes due to the decrease in income from continuing operations, lower effective state income tax rates and the non-recurrence of certain non-deductible compensation expense.

The increase in the effective tax rate from 2006 to 2007 reflected a higher effective state income tax rate and certain non-deductible compensation partially offset by higher employer tax credits as a percent of income before income taxes due to the decrease in income from continuing operations resulting from our 2006 recapitalization and corresponding higher debt levels.

LIQUIDITY AND CAPITAL RESOURCES

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

	2008	2007	2006
Net cash provided by operating activities of continuing operations	$ 124,510	$ 96,872	$ 174,694
Net cash used in investing activities of continuing operations	(82,706)	(87,721)	(82,262)
Net cash used in financing activities of continuing operations	(44,459)	(502,309)	(5,385)
Net cash provided by (used in) operating activities of discontinued operations	385	(33,818)	40,016
Net cash provided by (used in) investing activities of discontinued operations	--	453,394	(54,810)
Net (decrease) increase in cash and cash equivalents	$ (2,270)	$ (73,582)	$ 72,253

Our primary sources of liquidity are cash generated from our operations and our borrowing capability under the revolver portion of our $1,250,000 credit facility (the “2006 Credit Facility”). Our internally generated cash, along with cash on hand at August 3, 2007, proceeds from stock option exercises and our borrowing capability under the 2006 Credit Facility were sufficient to finance all of our growth, share repurchases, dividend payments, working capital needs and other cash payment obligations in 2008.

Cash Generated From Operations

Our cash generated from operating activities was $124,510 in 2008. Most of this cash was provided by net income adjusted by depreciation and amortization and share-based compensation and an increase in accrued interest expense partially offset by our income taxes receivable and an increase in inventories. The increase in accrued interest expense is due to the timing of our interest payments. Our income taxes receivable resulted from the timing of payments for estimated taxes. The increase in inventories is primarily due to higher retail receipts as compared with the prior year.

Borrowing Capability

Under the 2006 Credit Facility, we have a $250,000 revolving credit facility which expires on April 27, 2011. At August 1, 2008, we had $3,200 of outstanding borrowings under the revolving facility and $29,062 of standby letters of credit related to securing reserved claims under workers' compensation and general liability insurance which reduce our availability under the revolving facility. At August 1, 2008, we had $217,738 available under our revolving facility.

The 2006 Credit Facility also includes a Term Loan B facility and Delayed-Draw Term Loan facility, each of which have a scheduled maturity date of April 27, 2013. During 2008, we borrowed the remaining $100,000 available under the Delayed-Draw Term Loan facility and also made $47,250 in optional principal prepayments. At August 1, 2008, our Term Loan B balance was $633,456 and our Delayed-Draw Term balance was $151,103. See “Material Commitments” below and Note 8 to our Consolidated Financial Statements for further information on our long-term debt.

Share Repurchases, Dividends and Proceeds from the Exercise of Options

During 2008, we repurchased 1,625,000 shares of our common stock in the open market at an aggregate cost of $52,380. On July 31, 2008, our Board of Directors approved additional repurchases of up to $65,000 of our common

stock. Our principal criteria for share repurchases are that they be accretive to expected net income per share, be within the limits imposed by our 2006 Credit Facility and that they nowbe made only from free cash flow.

Our 2006 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 2006 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.

During the first quarter of 2008, the Board declared a quarterly dividend of $0.18 per common share (an annual equivalent of $0.72 per share), an increase from the quarterly dividend of $0.14 paid in 2007. We paid dividends of $0.18 per share during the second, third and fourth quarters of 2008. Additionally on September 18, 2008, the Board declared a dividend of $0.20 per share payable on November 5, 2008 to shareholders of record on October 17, 2008.

During 2008, we received proceeds of $306 from the exercise of options to purchase 276,166 shares of our common stock and the tax deficiency upon exercise of stock options was $1,071.

Working Capital

We had negative working capital of $44,080 at August 1, 2008 versus negative working capital of $74,388 at August 3, 2007. 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. 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, bi-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.

The change in working capital compared with August 3, 2007 reflected timing of payments for income taxes, interest and retail inventory purchases. The decrease in income taxes payable also was due to the reclassification of our liability for uncertain tax positions from income taxes payable to other long-term obligations upon adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48") (see Note 12 to the accompanying Consolidated Financial Statements).

Capital Expenditures

Capital expenditures (purchase of property and equipment) were $87,849, $96,447 and $89,167 in 2008, 2007 and 2006, respectively. Capital expenditures in 2008, 2007 and 2006 are net of proceeds from insurance recoveries of $178, $91 and $548, respectively. Costs of new locations accounted for the majority of these expenditures. The decrease in capital expenditures from 2007 to 2008 is primarily due to a reduction in the number of new locations acquired and under construction as compared to the prior year. The increase in capital expenditures from 2006 to 2007 is due to the timing of 2008 stores under construction in 2007. We estimate that our capital expenditures (purchase of property and equipment) during 2009 will be up to $98,000. This estimate includes costs related to the acquisition of sites and construction of 12 new Cracker Barrel stores and openings that will occur during 2009, as well as for acquisition and construction costs for locations to be opened in 2010, capital expenditure maintenance programs and operational innovation initiatives.

We believe that cash at August 1, 2008, along with cash generated from our operating activities, stock option exercises and available borrowings under the 2006 Credit Facility, will be sufficient to finance our continued operations, our continued expansion plans, principal payments on our debt, our share repurchase authorization and our dividend payments for at least the next twelve months and thereafter for the foreseeable future.

Off-Balance Sheet Arrangements

Other than various operating leases, which are disclosed more fully in "Material Commitments" below and Note 14 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 was deemed appropriate under SFAS No. 13, "Accounting for Leases," to be 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 August 1, 2008, are summarized in the tables below:

		Payments due by Year			
Contractual Obligations (a)	Total	Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
Term Loan B	$ 633,456	$ 7,168	$ 14,336	$ 611,952	--
Revolving Credit Facility	3,200	--	3,200	--	--
Delayed-Draw Term Loan Facility	151,103	1,530	3,060	146,513	--
Long-term debt (b)	787,759	8,698	20,596	758,465	--
Operating lease base term and exercised options – excluding billboards (c)	310,107	30,129	58,658	54,430	$ 166,890
Operating lease renewal periods not yet exercised – excluding billboards (d)	333,720	165	929	3,950	328,676
Operating leases for billboards	34,459	21,032	13,403	24	--
Capital leases	110	22	44	44	--
Purchase obligations (e)	287,977	96,922	89,127	88,903	13,025
Other long-term obligations (f)	33,269	--	2,460	355	30,454
Total contractual cash obligations	$ 1,787,401	$ 156,968	$ 185,217	$ 906,171	$ 539,045

		Amount of Commitment Expirations by Year			
	Total	Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
Revolving Credit facility	$ 250,000	--	$ 250,000	--	--
Standby letters of credit	29,062	$ 600	28,462	--	--
Guarantees (g)	4,546	662	1,337	$ 1,204	$ 1,343
Total commitments	$ 283,608	$ 1,262	$ 279,799	$ 1,204	$ 1,343

(a) We adopted FIN 48 effective the first day of 2008. At August 1, 2008, 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 $26,602 is not included in the contractual cash obligations and commitments table above.

(b) The balances on the Term Loan B and Delayed-Draw Term Loan, at August 1, 2008, are, respectively, $633,456 and $151,103. Using the minimum principal payment schedules on the Term Loan B and Delayed-Draw Term Loan facilities and projected interest rates, we will have interest payments of $53,479, $104,406 and $88,785 in 2009, 2010-2011 and 2012-2013, respectively. These interest payments are calculated using a 7.07% and 5.68% interest rate, respectively, for the swapped and unswapped portion of our debt. The 7.07% interest rate is the same rate as our fixed rate under our interest rate swap plus our credit spread at August 1, 2008 of 1.50%. The projected interest rate of 5.68% was estimated by using the five-year swap rate at August 1, 2008 plus our credit spread of 1.50%. We had $3,200 outstanding under our variable rate revolving facility as of August 1, 2008. We repaid the $3,200 on August 5, 2008. In conjunction with these principal repayments, we paid $2 in interest. We paid $630 in non-use fees (also known as commitment fees) on the Revolving Credit facility and Delayed-Draw Term Loan facilities during 2008. Based on the outstanding revolver balance at August 1, 2008 and our current unused commitment fee as defined in the 2006 Credit Facility, our unused commitment fees in 2009 would be $550; however, the actual amount will differ based on actual usage of the revolver in 2009.

(c) Includes base lease terms and certain optional renewal periods that have been exercised and are included in the lease term in accordance with SFAS No. 13.
(d) Includes certain optional renewal periods that have not yet been exercised, but are included in the lease term for the straight-line rent calculation, since at the inception of the lease, it is reasonably assured that we will exercise those renewal options.
(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. 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 ($27,033, with a corresponding long-term asset to fund the liability; see Note 15 to the Consolidated Financial Statements), Deferred Compensation Plan ($3,420), FY2007 Mid-Term Incentive and Retention Plans ($323, cash portion only; see Note 10 to the Consolidated Financial Statements) FY2006, FY2007 and FY2008 Long-Term Retention Incentive Plans ($2,042) and FY2008 District Manager Long-Term Performance Plan ($451).
(g) Consists solely of guarantees associated with properties that have been subleased or 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 2006 Credit Facility. At August 1, 2008, our outstanding borrowings under our 2006 Credit Facility totaled $787,759 (see Note 8 to our Consolidated Financial Statements). Loans under the credit facility bear interest, at our election, either at the prime rate or a percentage point spread from LIBOR 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 8, 14 and 16 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, or 7.07% based on today's credit spread, over the 7-year life of the interest rate swap. A discussion of our accounting policies for derivative instruments is included in the summary of significant accounting policies in Note 2 to our Consolidated Financial Statements.

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 August 1, 2008, would be approximately $1,739.

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 15%, 12%, 11% and 10%, respectively. Other categories affected by the commodities markets, such as grains and seafood, may each account for as much as 6% 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.

CRITICAL ACCOUNTING ESTIMATES

We prepare our Consolidated Financial Statements in conformity with generally accepted accounting principles in the United States ("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 Shrinkage
- Tax Provision
- Share-Based Compensation
- Unredeemed Gift Cards and Certificates
- 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 fiscal 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 2008 and 2006, we incurred impairment and store closing charges resulting from the closing of Cracker Barrel stores. For a more detailed discussion of these costs see the sub-section entitled "Impairment and Store Closing Costs" under the section entitled "Results of Operations" presented earlier in the MD&A. We recorded no impairment losses or store closing charges during 2007.

Insurance Reserves

We self-insure a significant portion of expected losses under our workers' compensation, general liability and health insurance programs. We have purchased insurance for individual claims that exceed $500 and $1,000 for certain coverages since 2004. Since 2004, we have elected not to purchase such insurance for our primary group health program, but our offered benefits are limited to not more than $1,000 during the lifetime of any employee (including dependents) in the program, and, in certain cases, to not more than $100 in any given plan year. 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 adjusting it by the actuarially determined losses and actual claims payments for the fourth quarter. Those reserves and losses are determined actuarially from a range of possible outcomes within which no given estimate is more likely than any other estimate. In accordance with SFAS No. 5, "Accounting for Contingencies," 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. We record a liability for our group health program for all unpaid claims based primarily upon a loss development analysis derived from actual group health claims payment experience provided by our third party administrator.

Our 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. We have not made any material changes in the accounting methodology used to establish our insurance reserves during the past three fiscal 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 than would be reported under these insurance programs.

Inventory Shrinkage

Cost of goods sold includes the cost of retail merchandise sold at the Cracker Barrel stores utilizing the retail inventory accounting method. It includes an estimate of shortages that are adjusted upon physical inventory counts. In 2006, the physical inventory counts for all Cracker Barrel stores and the retail distribution center were conducted as of the end of 2006 and shrinkage was recorded based on the physical inventory counts taken. During 2007, the Company changed the timing of its physical inventory counts. Beginning in 2007, physical inventory counts are conducted throughout the third and fourth quarters of the fiscal year based upon a cyclical inventory schedule. During 2007, the Company also changed its method for calculating inventory shrinkage for the time period between physical inventory counts by using a three-year average of the results from the current year physical inventory and the previous two physical inventories on a store-by-store basis. The impact of this change on our Consolidated Financial Statements was immaterial. We have not made any material changes in the methodology used to estimate shrinkage during 2008 and do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate shrinkage. However, actual shrinkage recorded may produce materially different amounts of shrinkage than we have estimated.

Tax Provision

We must make estimates of certain items that comprise our income tax provision. These estimates include 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. Also, in 2008, we adopted FIN 48. FIN 48 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. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) 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 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The cumulative effect of this change in accounting principle upon adoption resulted in a net increase of $2,898 to our beginning 2008 retained earnings.

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, a successful legal proceeding or a settlement could result in material adjustments to our Consolidated Financial Statements and our consolidated financial position.

Share-Based Compensation

In accordance with the adoption of SFAS No. 123R, we began recognizing share-based compensation expense in 2006. 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 stock option exercises or grants of nonvested and restricted shares.

The fair value of each option award granted subsequent to July 29, 2005 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 quarterly. We update option exercise and termination assumptions quarterly. The expected life is a by-product of the lattice model and is updated when new grants are made.

SFAS No. 123R also requires that compensation expense be 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 was, 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 also were based upon Company performance against a specified annual increase in earnings before interest, taxes, depreciation, amortization and rent. 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 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 fiscal 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 and Certificates

Unredeemed gift cards and certificates represent a liability 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, we make estimates of the ultimate unredeemed ("breakage") gift cards and certificates in the period of the original sale and amortize this breakage over the redemption period that other gift cards and certificates historically have been redeemed by reducing the liability and recording revenue accordingly. For those states that do not exempt gift cards and certificates from their escheat laws, we record breakage in the period that gift cards and certificates 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 and certificates during the past three fiscal 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).

Recently Adopted Accounting Pronouncement

Effective August 4, 2007, the first day of 2008, we adopted FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." FIN 48 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As a result of the adoption of FIN 48, we recognized a liability for uncertain tax positions of $23,866 and related federal tax benefits of $7,895, which resulted in a net liability for uncertain tax positions of $15,971. As required by FIN 48, the liability for uncertain tax positions has been included in other long-term obligations and the related federal tax benefits have reduced long-term deferred income taxes. In 2007, the liability for uncertain tax positions (net of the related federal tax benefits) was included in income taxes payable. The cumulative effect of this change in accounting principle upon adoption resulted in a net increase of $2,898 to our beginning 2008 retained earnings.

We recognize, net of tax, interest and estimated penalties related to uncertain tax positions in our provision for income taxes. As of the date of adoption, our liability for uncertain tax positions included $2,010 net of tax for potential interest and penalties. The amount of uncertain tax positions that, if recognized, would affect the effective tax rate is $15,971.

As of August 1, 2008, our liability for uncertain tax positions was $26,602 ($17,753, net of related federal tax benefits of $8,849), which included $2,790 net of tax for potential interest and penalties. The total amount of uncertain tax positions that, if recognized, would affect the effective tax rate is $17,753.

In many cases, our 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 our financial statements at August 1, 2008 by approximately $3,400 to $4,000 within the next twelve months.

As of August 1, 2008, we were subject to income tax examinations for our U.S. federal income taxes after 2004 and for state and local income taxes generally after 2004.

Recent Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS No. 157 for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements, are effective for fiscal years beginning after November 15, 2007. The provisions for nonfinancial assets and liabilities are effective for fiscal years beginning after November 15, 2008. We will adopt SFAS No. 157 as it relates to financial assets and liabilities beginning in the first quarter of 2009. We do not expect the adoption will have a significant impact on our consolidated financial statements. We will adopt SFAS No. 157 as it relates to nonfinancial assets and liabilities beginning in the first quarter of 2010. We are currently evaluating the impact of the adoption and cannot yet determine the impact of its adoption.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS No. 159"), which permits entities to choose to measure eligible financial instruments and other items at fair value. The provisions of SFAS No. 159 are effective for fiscal years beginning after November 15, 2007. We adopted SFAS No. 159 on August 2, 2008, the first day of 2009, and did not elect the fair value option for eligible items that existed at the date of adoption.

The Emerging Issues Task Force ("EITF") reached a consensus on EITF 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11") in June 2007. The EITF consensus indicates that the tax benefit received on dividends associated with share-based awards that are charged to retained earnings should be recorded in additional paid-in capital and included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. The consensus is effective for the tax benefits of dividends declared in fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF 06-11 in the first quarter of 2009 will have a significant impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"), which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We do not expect that the adoption of SFAS No. 161 in the third quarter of 2009 will have a significant impact on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 is effective sixty days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." We do not expect that the adoption of SFAS No. 162 will have a significant impact on our consolidated financial statements.

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended). 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. Our disclosure controls and procedures and our internal controls, however, will not and cannot prevent all error 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 August 1, 2008, 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/N.B. Forrest Shoaf
N.B. Forrest Shoaf
Senior Vice President, General Counsel and Interim Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CBRL Group, Inc.
Lebanon, Tennessee

We have audited the accompanying consolidated balance sheets of CBRL Group, Inc. and subsidiaries (the “Company”) as of August 1, 2008 and August 3, 2007, 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 August 1, 2008. 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 CBRL Group, Inc. and subsidiaries as of August 1, 2008 and August 3, 2007, and the results of their operations and their cash flows for each of the three fiscal years in the period ended August 1, 2008, 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 August 1, 2008, 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 25, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 25, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CBRL Group, Inc.
Lebanon, Tennessee

We have audited the internal control over financial reporting of CBRL Group, Inc. and subsidiaries (the "Company") as of August 1, 2008, 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 August 1, 2008, 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 August 1, 2008, and our report dated September 25, 2008, expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 25, 2008

CBRL GROUP, INC.
CONSOLIDATED BALANCE SHEET

ASSETS	(In thousands except share data) August 1, 2008	August 3, 2007
Current Assets:		
Cash and cash equivalents	$ 11,978	$ 14,248
Property held for sale	3,248	4,676
Accounts receivable	13,484	11,759
Income taxes receivable	6,919	--
Inventories	155,954	144,416
Prepaid expenses and other current assets	10,981	12,629
Deferred income taxes	18,075	12,553
Total current assets	220,639	200,281
Property and Equipment:		
Land	299,608	287,873
Buildings and improvements	711,030	687,041
Buildings under capital leases	3,289	3,289
Restaurant and other equipment	359,089	336,881
Leasehold improvements	183,729	165,472
Construction in progress	15,071	19,673
Total	1,571,816	1,500,229
Less: Accumulated depreciation and amortization of capital leases	526,576	481,247
Property and equipment – net	1,045,240	1,018,982
Other assets	47,824	45,767
Total	$ 1,313,703	$ 1,265,030

See Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 93,112	$ 93,060
Current maturities of long-term debt and other long-term obligations	8,714	8,188
Taxes withheld and accrued	29,459	32,201
Income taxes payable	--	18,066
Accrued employee compensation	46,185	48,570
Accrued employee benefits	34,241	34,926
Deferred revenues	22,618	21,162
Accrued interest expense	12,485	164
Other accrued expenses	17,905	18,332
Total current liabilities	264,719	274,669
Long-term debt	779,061	756,306
Interest rate swap liability	39,618	13,680
Other long-term obligations	83,224	53,819
Deferred income taxes	54,330	62,433
Commitments and Contingencies (Note 14)		
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; 2008 – 22,325,341 shares issued and outstanding; 2007 – 23,674,175 shares issued and outstanding	223	237
Additional paid-in capital	731	--
Accumulated other comprehensive loss	(27,653)	(8,988)
Retained earnings	119,450	112,874
Total shareholders' equity	92,751	104,123
Total	$ 1,313,703	$ 1,265,030

See Notes to Consolidated Financial Statements.

CBRL GROUP, INC.
CONSOLIDATED STATEMENT OF INCOME

	(In thousands except share data) Fiscal years ended		
	August 1, 2008	August 3, 2007	July 28, 2006
Total revenue	$ 2,384,521	$ 2,351,576	$ 2,219,475
Cost of goods sold	773,757	744,275	706,095
Gross profit	1,610,764	1,607,301	1,513,380
Labor and other related expenses	909,546	892,839	832,943
Impairment and store closing charges	877	--	5,369
Other store operating expenses	422,293	410,131	384,442
Store operating income	278,048	304,331	290,626
General and administrative expenses	127,273	136,186	128,830
Operating income	150,775	168,145	161,796
Interest expense	57,445	59,438	22,205
Interest income	185	7,774	764
Income before income taxes	93,515	116,481	140,355
Provision for income taxes	28,212	40,498	44,854
Income from continuing operations	65,303	75,983	95,501
Income from discontinued operations, net of tax	250	86,082	20,790
Net income	$ 65,553	$ 162,065	$ 116,291
Basic net income per share:			
Income from continuing operations	$ 2.87	$ 2.75	$ 2.23
Income from discontinued operations, net of tax	0.01	3.11	0.48
Net income per share	$ 2.88	$ 5.86	$ 2.71
Diluted net income per share:			
Income from continuing operations	$ 2.79	$ 2.52	$ 2.07
Income from discontinued operations, net of tax	0.01	2.71	0.43
Net income per share	$ 2.80	$ 5.23	$ 2.50
Basic weighted average shares outstanding	22,782,608	27,643,098	42,917,319
Diluted weighted average shares outstanding	23,406,044	31,756,582	48,044,440

See Notes to Consolidated Financial Statements.

CBRL GROUP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Retained Earnings	Total Shareholders' Equity
Balances at July 29, 2005	46,619,803	$ 466	--	--	$ 869,522	$ 869,988
Comprehensive Income:						
Net income	--	--	--	--	116,291	116,291
Change in fair value of interest rate swap, net of tax benefit of $2,691 (See Notes 2 and 8)	--	--	--	$ (4,529)	--	(4,529)
Total comprehensive income	--	--	--	(4,529)	116,291	111,762
Cash dividends declared - $.52 per share	--	--	--	--	(22,471)	(22,471)
Share-based compensation	---	--	$ 13,439	--	--	13,439
Exercise of stock awards	1,057,103	11	27,272	--	--	27,283
Tax benefit realized upon exercise of stock options	--	--	6,441	--	--	6,441
Purchases and retirement of common stock	(16,750,000)	(168)	(42,895)	--	(661,097)	(704,160)
Balances at July 28, 2006	30,926,906	309	4,257	(4,529)	302,245	302,282
Comprehensive Income:						
Net income	--	--	--	--	162,065	162,065
Change in fair value of interest rate swap, net of tax benefit of $2,001 (See Notes 2 and 8)	--	--	--	(4,459)	--	(4,459)
Total comprehensive income	--	--	--	(4,459)	162,065	157,606
Cash dividends declared - $.56 per share	--	--	--	--	(14,908)	(14,908)
Share-based compensation	---	--	12,717	--	--	12,717
Exercise of stock awards	1,125,924	11	33,168	--	--	33,179
Tax benefit realized upon exercise of stock options	--	--	6,642	--	--	6,642
Issuance of common stock	395,775	4	12,132	--	--	12,136
Purchases and retirement of common stock	(8,774,430)	(87)	(68,916)	--	(336,528)	(405,531)
Balances at August 3, 2007	23,674,175	237	--	(8,988)	112,874	104,123
Comprehensive Income:						
Net income	--	--	--	--	65,553	65,553
Change in fair value of interest rate swap, net of tax benefit of $7,273 (See Notes 2 and 8)	--	--	--	(18,665)	--	(18,665)
Total comprehensive income	--	--	--	(18,665)	65,553	46,888
Cumulative effect of a change in accounting principle – adoption of FIN 48 (Note 12)	--	--	--	--	2,898	2,898
Cash dividends declared - $.72 per share	--	--	--	--	(16,504)	(16,504)
Share-based compensation	---	--	8,491	--	--	8,491
Exercise of stock awards	276,166	2	304	--	--	306
Tax deficiency realized upon exercise of stock options	--	--	(1,071)	--	--	(1,071)
Purchases and retirement of common stock	(1,625,000)	(16)	(6,993)	--	(45,371)	(52,380)
Balances at August 1, 2008	22,325,341	$ 223	$ 731	$ (27,653)	$ 119,450	$ 92,751

See Notes to Consolidated Financial Statements.

CBRL GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	(In thousands) Fiscal years ended		
	August 1, 2008	August 3, 2007	July 28, 2006
Cash flows from operating activities:			
Net income	$ 65,553	$ 162,065	$ 116,291
Income from discontinued operations, net of tax	(250)	(86,082)	(20,790)
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	57,689	56,908	57,259
Loss on disposition of property and equipment	1,195	53	1,501
Impairment	532	--	4,633
Accretion on zero-coupon contingently convertible senior notes and new notes	--	5,237	5,747
Share-based compensation	8,491	12,717	13,439
Excess tax benefit from share-based compensation	--	(6,642)	(6,441)
Cash paid for accretion of original issue discount on zero-coupon contingently convertible senior notes and new notes	--	(27,218)	--
Changes in assets and liabilities:			
Accounts receivable	(1,725)	(325)	(643)
Income taxes receivable	(6,919)	--	--
Inventories	(11,538)	(16,113)	5,692
Prepaid expenses and other current assets	1,648	(8,234)	1,181
Other assets	(3,597)	(2,381)	(4,941)
Accounts payable	52	22,116	(15,863)
Taxes withheld and accrued	(2,742)	1,296	1,111
Income taxes payable	990	(6,280)	11,861
Accrued employee compensation	(2,385)	7,988	(1,985)
Accrued employee benefits	(685)	(3,592)	(2,625)
Deferred revenues	1,456	2,315	164
Accrued interest expense	12,321	(11,934)	11,971
Other accrued expenses	(1,188)	1,537	(3,581)
Other long-term obligations	5,462	5,931	9,183
Deferred income taxes	150	(12,490)	(8,470)
Net cash provided by operating activities of continuing operations	124,510	96,872	174,694
Cash flows from investing activities:			
Purchase of property and equipment	(88,027)	(96,538)	(89,715)
Proceeds from insurance recoveries of property and equipment	178	91	548
Proceeds from sale of property and equipment	5,143	8,726	6,905
Net cash used in investing activities of continuing operations	(82,706)	(87,721)	(82,262)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	797,650	234,100	1,343,500
Proceeds from exercise of stock options	306	33,179	27,283
Principal payments under long-term debt and other long-term obligations	(774,292)	(355,089)	(642,232)
Purchases and retirement of common stock	(52,380)	(405,531)	(704,160)
Dividends on common stock	(15,743)	(15,610)	(24,019)
Excess tax benefit from share-based compensation	--	6,642	6,441
Deferred financing costs	--	--	(12,198)
Net cash used in financing activities of continuing operations	(44,459)	(502,309)	(5,385)

Cash flows from discontinued operations:			
Net cash provided by (used in) operating activities of discontinued operations	385	(33,818)	40,016
Net cash provided by (used in) investing activities of discontinued operations	--	453,394	(54,810)
Net cash provided by (used in) discontinued operations	385	419,576	(14,794)
Net (decrease) increase in cash and cash equivalents	(2,270)	(73,582)	72,253
Cash and cash equivalents, beginning of year	14,248	87,830	15,577
Cash and cash equivalents, end of year	$ 11,978	$ 14,248	$ 87,830

Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 42,758	$ 63,472	$ 1,755
Accretion of original issue discount of zero-coupon contingently convertible senior notes and new notes	--	27,218	--
Income taxes	32,030	101,495	52,703
Supplemental schedule of non-cash financing activity:			
Conversion of zero-coupon contingently convertible senior notes to common stock	--	$ 12,136	--
Change in fair value of interest rate swap	$ (25,938)	(6,460)	$ (7,220)
Change in deferred tax asset for interest rate swap	7,273	2,001	2,691

See Notes to Consolidated Financial Statements.

(In thousands except share data)

1. Description of the Business

CBRL Group, 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 and, until December 6, 2006, the Logan's Roadhouse® ("Logan's") restaurant concept. The Company sold Logan's on December 6, 2006 (see Note 3). As a result, Logan's is classified as discontinued operations for all periods presented in the Consolidated Financial Statements. The Company has changed its prior year presentation of the cash proceeds from the sale of Logan's from cash provided by investing activities of continuing operations to cash provided by investing activities of discontinued operations to better reflect the nature of these proceeds in the Consolidated Statement of Cash Flows.

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. The Company's fiscal year ended August 3, 2007 consisted of 53 weeks and the fourth quarter of fiscal 2007 consisted of fourteen weeks. 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.

Financial instruments – The fair values of cash and cash equivalents, accounts receivable and accounts payable as of August 1, 2008, approximate their carrying amounts due to their short duration. The fair value of the Company's variable-rate Term Loan B, Delayed-Draw Term Loan and revolving credit facilities approximate their carrying values. The estimated fair value of the Company's interest rate swap is the present value of the expected cash flows and is calculated by using the replacement fixed rate in the then-current market. See "Derivative instruments and hedging activities" in this Note.

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.

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. Approximately 70% of retail inventories are valued using the retail inventory method and the remaining 30% are valued using an average cost method. Valuation provisions are included for retail inventory obsolescence, returns and amortization of certain items.

Cost of goods sold includes the cost of retail merchandise sold at the Cracker Barrel stores utilizing the retail inventory accounting method. It includes an estimate of shortages that are adjusted upon physical inventory counts. In 2006, the physical inventory counts for all Cracker Barrel stores and the retail distribution center were conducted as of the end of 2006 and shrinkage was recorded based on the physical inventory counts taken. During 2007, the Company changed the timing of its physical inventory counts. Beginning in 2007, physical inventory counts are conducted throughout the third and fourth quarters of the fiscal year based upon a cyclical inventory schedule. During 2007, the Company also changed its method for calculating inventory shrinkage for the time period between physical inventory counts by using a three-year average of the results from the current year physical inventory and the previous two physical inventories on a store-by-store basis. The impact of this change on the Consolidated Financial Statements was immaterial.

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 "Operating leases" section in this Note.

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 $56,149, $55,331 and $56,030 for 2008, 2007 and 2006, respectively. Accelerated depreciation methods are generally used for income tax purposes.

Capitalized interest, excluding discontinued operations, was $682, $890 and $384 for 2008, 2007 and 2006, 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.

In 2008 and 2006, the Company incurred impairment and store closing charges resulting from the closing of Cracker Barrel stores. These impairments were recorded based upon the lower of unit carrying amount or fair value less costs to sell. In 2008, the Company closed one leased Cracker Barrel store and one owned Cracker Barrel 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 location was due to its age, expected future capital expenditure requirements and changes in traffic patterns around the store over the years. During 2006, the Company closed seven Cracker Barrel stores, which resulted in impairment charges of $3,795 and store closing costs of $736. The locations were closed due to weak financial performance, an unfavorable outlook and relatively positive prospects for proceeds from disposition for certain locations. Additionally, during 2006, the Company recorded an impairment of $838 on its Cracker Barrel management trainee housing facility. During 2007, the Company did not incur any impairment losses or store closing costs.

The Company expects to sell within one year the property relative to the owned store closed in 2008 and the two remaining owned properties relative to the 2006 store closures (see “Property held for sale” in this Note).

The store closing charges, 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 August 1, 2008 and August 3, 2007, no liability has been recorded for store closing charges.

The financial information related to all restaurants closed in 2008 and 2006 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.

Property held for sale – Property held for sale consists of real estate properties that the Company expects to sell within one year. The assets are reported at the lower of carrying amount or fair value less costs to sell. At August 1, 2008, property held for sale was $3,248 and consisted of Cracker Barrel stores closed in 2008 and 2006 (see “Impairment of long-lived assets” in this Note). The Company also replaced two existing Cracker Barrel units with units in nearby communities in 2008; the replaced units are also classified as property held for sale as of August 1,

2008. At August 3, 2007, property held for sale was $4,676 and consisted of Cracker Barrel stores closed in 2006 and two properties that were later sold in 2008. These properties consisted of a vacant real estate property and the one remaining Logan's property that the Company had retained and leased back to Logan's (see Note 4).

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. In accordance with FASB Technical Bulletin ("FTB") No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," 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.

Certain leases provide for rent holidays, which are included in the lease life used for the straight-line rent calculation in accordance with FTB No. 88-1, "Issues Relating to Accounting for Leases." 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.

The same lease life is used for reporting future minimum lease commitments as is used for the straight-line rent calculation. The Company uses a lease life that extends through certain of the renewal periods that can be exercised at the Company's option.

Advertising – The Company expenses the costs of producing advertising the first time the advertising takes place. Net advertising expense was $42,160, $40,522 and $38,274 for 2008, 2007 and 2006, respectively.

Insurance – The Company self-insures a significant portion of expected losses under its workers' compensation, general liability and health insurance programs. The Company has purchased insurance for individual claims that exceed $500 and $1,000 for certain coverages since 2004. Since 2004 the Company has elected not to purchase such insurance for its primary group health program, but its offered benefits are limited to not more than $1,000 lifetime for any employee (including dependents) in the program, and, in certain cases, to not more than $100 in any given plan year. 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 as of the end of the Company's third quarter and adjusting 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. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," 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 records a liability for its group health program for all unpaid claims based primarily upon a loss development analysis derived from actual group health claims payment experience provided by the Company's third party administrator. 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.

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. As permitted by the provisions of Emerging Issues Task Force ("EITF") 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation)," 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.

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. Effective August 4, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). See Note 12 regarding income taxes and the adoption of FIN 48.

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, nonvested stock and stock awards issued by the Company are calculated using the treasury stock method.

During 2007, a portion of the Company's zero-coupon contingently convertible notes ("Senior Notes") were exchanged for a new issue of zero-coupon contingently convertible notes ("New Notes"). The New Notes were substantially the same as the Senior Notes except the New Notes had a net share settlement feature which allowed the Company, upon conversion of a New Note, to settle the accreted principal amount of the debt for cash and issue shares of the Company's common stock for the conversion value in excess of the accreted value. The Senior Notes required the issuance of the Company's common stock upon conversion. The Company's Senior Notes and New Notes were redeemed during 2007 (see Note 8). Prior to redemption, the New Notes were included in the calculation of diluted consolidated net income per share if their inclusion was dilutive under the treasury stock method and the Senior Notes were included in the calculation of diluted consolidated net income per share if their inclusion was dilutive under the "if-converted" method pursuant to EITF No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share" issued by the FASB. Additionally, diluted consolidated net income per share was calculated excluding the after-tax interest and financing expenses associated with the Senior Notes since these Senior Notes were treated as if converted into common stock (see Notes 6 and 8). Following the redemption of the Senior Notes and New Notes, 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.

Share-based compensation – The Company has four share-based compensation plans for employees and non-employee directors, which authorize the granting of stock options, nonvested stock and other types of awards consistent with the purpose of the plans (see Note 10). The number of shares authorized for future issuance under the Company's plans as of August 1, 2008 totals 1,485,320. Stock options granted under these plans are granted with an exercise price equal to the market price of the Company's stock on the date immediately preceding the date of the grant (except grants made to employees under the Company's 2002 Omnibus Incentive Compensation Plan, whose exercise price is equal to the closing price on the day of the grant); 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 Company accounts for share-based compensation in accordance with SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which requires the measurement and recognition of compensation cost at fair value for all share-based payments. 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 stock option exercises or grants of nonvested and restricted shares.

Segment reporting – The Company accounts for its segment in accordance with SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information." SFAS No. 131 requires that a public company report annual and

interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, 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 13).

Derivative instruments and hedging activities – The Company accounts for derivative instruments and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its subsequent amendments. These statements specify how to report and display derivative instruments and hedging activities.

The Company is exposed to market risk, such as changes in interest rates and commodity prices. The Company does not hold or use derivative financial instruments for trading purposes.

The Company's policy has been to manage interest cost using a mix of fixed and variable rate debt (see Notes 8, 14 and 16). 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 interest rate swap was accounted for as a cash flow hedge under SFAS No. 133. The swapped portion of the Company's outstanding debt is fixed at a rate of 5.57% plus the Company's then current credit spread, or 7.07% based on our credit spread at August 1, 2008, over the 7-year life of the interest rate swap.

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 3, 2009	625,000
From May 4, 2009 to May 2, 2010	600,000
From May 3, 2010 to May 2, 2011	575,000
From May 3, 2011 to May 2, 2012	550,000
From May 3, 2012 to May 2, 2013	525,000

The estimated fair value of this interest rate swap liability was $39,618 and $13,680 at August 1, 2008 and August 3, 2007, respectively. The offset to the interest rate swap liability is in accumulated other comprehensive income (loss), net of the deferred tax asset. 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 2008, 2007 and 2006. Cash flows related to the interest rate swap, which consist of interest payments, are included in operating activities.

Many of the food products purchased by the Company are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties and other factors 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 (loss) – Comprehensive income (loss) includes net income and the effective unrealized portion of the changes in the fair value of the Company's interest rate swap.

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.

Recently Adopted Accounting Pronouncement

Effective August 4, 2007, the first day of 2008, the Company adopted FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." FIN 48 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. See Note 12 for further information regarding the adoption of FIN 48.

Recent Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS No. 157 for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements, are effective for fiscal years beginning after November 15, 2007. The provisions for nonfinancial assets and liabilities are effective for fiscal years beginning after November 15, 2008. The Company will adopt SFAS No. 157 as it relates to financial assets and liabilities beginning in the first quarter of 2009 and does not expect the adoption will have a significant impact on the Company's consolidated financial statements. The Company will adopt SFAS No. 157 as it relates to nonfinancial assets and liabilities beginning in the first quarter of 2010. The Company is currently evaluating the impact of the adoption and cannot yet determine the impact of its adoption.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS No. 159"), which permits entities to choose to measure eligible financial instruments and other items at fair value. The provisions of SFAS No. 159 are effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 on August 2, 2008, the first day of 2009, and did not elect the fair value option for eligible items that existed at the date of adoption.

The Emerging Issues Task Force ("EITF") reached a consensus on EITF 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11") in June 2007. The EITF consensus indicates that the tax benefit received on dividends associated with share-based awards that are charged to retained earnings should be recorded in additional paid-in capital and included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. The consensus is effective for the tax benefits of dividends declared in fiscal years beginning after December 15, 2007. The Company does not expect that the adoption of EITF 06-11 in the first quarter of 2009 will have a significant impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"), which amends SFAS No. 133. SFAS No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect that the adoption of SFAS No. 161 in the third quarter of 2009 will have a significant impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 is effective sixty days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The Company does not expect that the adoption of SFAS No. 162 will have a significant impact on its consolidated financial statements.

3. Discontinued Operations

On December 6, 2006, the Company completed the sale of Logan's, for total consideration of approximately $485,000. A portion of the consideration was funded by a real estate sale-leaseback transaction, which required the Company to retain three Logan's restaurant locations at that time. The Company leased these three properties to Logan's under terms and conditions consistent with the sale-leaseback transaction. Two of these properties were sold in 2007 and the remaining property was sold in 2008 (see Note 4).

The Company has reported in discontinued operations certain expenses incurred in 2008 related to the divestiture of Logan's, the results of operations of Logan's through December 5, 2006 as well as certain expenses of the Company related to the divestiture through August 3, 2007, and the results of operations of Logan's for the full period ended July 28, 2006, which consist of the following:

	August 1, 2008	August 3, 2007	July 28, 2006
Revenues	$ --	$ 154,529	$ 423,522
(Loss) income before tax benefit (provision for income taxes) from discontinued operations	(229)	7,450	27,694
Income tax benefit (provision for income taxes)	80	(2,279)	(6,904)
(Loss) income from discontinued operations, net of tax, before gain on sale of Logan's	(149)	5,171	20,790
Gain on sale of Logan's, net of tax of $215 and $8,592, respectively	399	80,911	--
Income from discontinued operations, net of tax	$ 250	$ 86,082	$ 20,790

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 by $614.

A reconciliation of the income tax benefit (provision for income taxes) from discontinued operations and the amount computed by multiplying the income before the income tax benefit (provision for income taxes) from discontinued operations by the U.S. federal statutory rate of 35% was as follows:

	August 1, 2008	August 3, 2007	July 28, 2006
Income tax benefit (provision) computed at federal statutory income tax rate	$ 135	$ (11,955)	$ (9,693)
State and local income taxes, net of federal benefit	--	621	713
Employer tax credits for FICA taxes paid on employee tip income	--	478	1,158
Federal reserve adjustments	--	--	978
Other-net	--	(15)	(60)
Total income tax benefit (provision) from discontinued operations	$ 135	$ (10,871)	$ (6,904)

4. Gains on Property Disposition

During 2008, the Company sold the one remaining Logan's property that the Company had retained and leased back to Logan's (see Note 3). This property was classified as property held for sale and had a net book value of approximately $1,960. The Company received 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.

During 2007, the Company sold two of the three Logan's properties the Company had retained and leased to Logan's. These properties were classified as property held for sale and had a combined net book value of approximately $3,682. The Company received total proceeds of approximately $6,187 on the two properties, which resulted in a total pre-tax gain of approximately $2,505. The gain is recorded in general and administrative expenses in the Consolidated Statement of Income. Additionally, during 2007, the State of New York condemned a portion of the land on which a Cracker Barrel store was located to build a road. The Company received condemnation proceeds of approximately $760 and recorded a pre-tax gain of approximately $500 in other store operating expenses in the Consolidated Statement of Income.

5. Inventories

Inventories were comprised of the following at:

	August 1, 2008	August 3, 2007
Retail	$ 124,572	$ 109,891
Restaurant	17,439	16,593
Supplies	13,943	17,932
Total	$ 155,954	$ 144,416

6. Net Income Per Share and Weighted Average Shares

Basic consolidated net income per share is computed by dividing consolidated net income available 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.

During 2007, a portion of the Company's Senior Notes was exchanged for New Notes (see Note 8). The New Notes were substantially the same as the Senior Notes except the New Notes had a net share settlement feature which allowed the Company, upon conversion of a New Note, to settle the accreted principal amount of the debt for cash and issue shares of the Company's common stock for the conversion value in excess of the accreted value. The Senior Notes required the issuance of the Company's common stock upon conversion. The Company's Senior Notes and New Notes were redeemed during 2007. Prior to redemption, the New Notes were included in the calculation of diluted consolidated net income per share if their inclusion was dilutive under the treasury stock method and the Senior Notes were included in the calculation of diluted consolidated net income per share if their inclusion was dilutive under the "if-converted" method pursuant to EITF No. 04-8. Additionally, diluted consolidated net income per share was calculated excluding the after-tax interest and financing expenses associated with the Senior Notes since these Senior Notes were treated as if converted into common stock. Following the redemption of the Senior Notes and New Notes, 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.

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

	August 1, 2008	August 3, 2007	July 28, 2006
Income from continuing operations per share numerator:			
Income from continuing operations	$ 65,303	$ 75,983	$ 95,501
Add: Interest and loan acquisition costs associated with Senior Notes, net of related tax effects	--	3,977	3,977
Income from continuing operations available to common shareholders	$ 65,303	$ 79,960	$ 99,478
Income from discontinued operations, net of tax, per share numerator	$ 250	$ 86,082	$ 20,790
Net income per share numerator:			
Income from operations	$ 65,553	$ 162,065	$ 116,291
Add: Interest and loan acquisition costs associated with Senior Notes, net of related tax effects	-	3,977	3,977
Income from operations available to common shareholders	$ 65,553	$ 166,042	$ 120,268
Income from continuing operations, income from discontinued operations, net of tax, and net income per share denominator:			
Basic weighted average shares outstanding	22,782,608	27,643,098	42,917,319
Add potential dilution:			
Senior and New Notes	--	3,479,087	4,582,788
Stock options and nonvested stock and stock awards	623,436	634,397	544,333
Diluted weighted average shares outstanding	23,406,044	31,756,582	48,044,440

7. Share Repurchases

On September 20, 2007, the Company's Board of Directors approved the repurchase of up to 1,000,000 shares of the Company's outstanding shares of common stock. On January 22, 2008, the Company's Board of Directors approved the repurchase of up to 625,000 additional shares of its common stock. During 2008, the Company repurchased a total of 1,625,000 shares of its common stock in the open market at an aggregate cost of $52,380. 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 $32.23 per share. On July 31, 2008, the Company's Board of

Directors approved the repurchase of up to $65,000 of the Company's common stock. The Company's principal criteria for share repurchases are that they be accretive to expected net income per share and are within the limits imposed by the Company's debt covenants under the $1,250,000 credit facility (the "2006 Credit Facility") and that they now be made only from free cash flow.

During 2007, the Company repurchased a total of 8,774,430 shares of its common stock pursuant to an issuer tender offer ("the Tender Offer") and previously announced share repurchase authorizations. The Company repurchased 5,434,774 shares of its common stock pursuant to the Tender Offer for a total purchase price of approximately $250,000 before fees. In accordance with SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," the Company recorded interest expense of $286 associated with the Tender Offer in the second quarter of 2007. The Company also incurred related transaction fees, which were recorded as a reduction to shareholders' equity, and resulted in an average cost of $46.03 per share for the Tender Offer. During 2007, the Company also repurchased 3,339,656 shares of its common stock in the open market at an aggregate cost of approximately $155,000 before fees.

8. Debt

Long-term debt consisted of the following at:

	August 1, 2008	August 3, 2007
Term Loan B payable $1,792 per quarter with the remainder due on April 27, 2013	$ 633,456	$ 640,624
Delayed-Draw Term Loan Facility payable $383 and $250 per quarter in 2008 and 2007, respectively, with the remainder due on April 27, 2013	151,103	99,750
Revolving Credit Facility payable on or before April 27, 2011	3,200	24,100
	787,759	764,474
Current maturities	(8,698)	(8,168)
Long-term debt	$ 779,061	$ 756,306

The aggregate maturities of long-term debt subsequent to August 1, 2008 are as follows:

Year	
2009	$ 8,698
2010	8,698
2011	11,898
2012	8,698
2013	749,767
Total	$787,759

Credit Facility

Effective April 27, 2006, the Company entered into the 2006 Credit Facility, which consisted of up to $1,000,000 in term loans (an $800,000 Term Loan B facility and a $200,000 Delayed-Draw Term Loan facility) with a scheduled maturity date of April 27, 2013 and a $250,000 Revolving Credit facility expiring April 27, 2011. Contemporaneously with the acceptance of shares in an issuer tender offer (the "2006 Tender Offer") on May 3, 2006, the Company drew $725,000 under the $800,000 available under the Term Loan B facility (the $75,000 not drawn is no longer available), which was used to pay for the shares accepted in the 2006 Tender Offer, fees associated with the 2006 Credit Facility and the related transaction costs.

During 2006, loan acquisition costs associated with the 2006 Credit Facility were capitalized in the amount of $7,122 (net of $656 in commitment fees that were written off in 2006 related to the $75,000 availability that was not drawn on the Term Loan B), $2,456, and $1,964, respectively. These costs are amortized over the respective terms of the facilities.

During 2007, the Company drew $100,000 under its Delayed-Draw Term Loan facility in connection with its redemption of its Senior and New Notes. During 2008, the Company drew the remaining $100,000 available under the Delayed-Draw Term Loan facility.

The interest rates for the Term Loan B, Delayed-Draw Term Loan facility and the Revolving Credit facility are based on either LIBOR or prime. A spread is added to the interest rates according to a defined schedule based on the Company's consolidated total leverage ratio as defined in the 2006 Credit Facility, 1.50% as of August 1, 2008 and August 3, 2007. The Company's policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. 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. See Note 2 for a further discussion of the Company's interest rate swap. As of August 1, 2008 and August 3, 2007, the interest rates on both the Term Loan B and Delayed-Draw Term facilities were 4.29% and 6.86%, respectively. As of August 1, 2008 and August 3, 2007, the interest rates on the Revolving Credit facility were 5.50% and 8.75%, respectively. At August 1, 2008, the Company had $217,738 available under its Revolving Credit facility.

The 2006 Credit Facility contains customary financial covenants, which include maintenance of a maximum consolidated total leverage ratio as specified in the agreement and maintenance of minimum consolidated interest coverage ratios. At August 1, 2008 and August 3, 2007, the Company was in compliance with all debt covenants. The 2006 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 2006 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.

Senior Notes and New Notes

In 2002, the Company issued $422,050 (face value at maturity) of Senior Notes, maturing on April 2, 2032, and received proceeds totaling approximately $172,756 prior to debt issuance costs. The Senior Notes required no cash interest payments and were issued at a discount representing a yield to maturity of 3.00% per annum. The Senior Notes were redeemable at the Company's option on or after April 3, 2007, and the holders of the Senior Notes could have required the Company to redeem the Senior Notes on April 3, 2007, 2012, 2017, 2022 or 2027, and in certain other circumstances. In addition, each $1 (face value at maturity) Senior Note was convertible into 10.8584 shares of the Company's common stock (approximately 4.6 million shares in the aggregate). During the third quarter of 2006, the Company's credit ratings decreased below the thresholds defined in the indenture and the Senior Notes became convertible.

During the third quarter of 2007, pursuant to the put option, the Company repurchased $20 in principal amount at maturity of the Senior Notes. In addition, during the third quarter of 2007, the Company completed an exchange offer in which $375,931 (face value at maturity) of its $422,030 (face value at maturity) Senior Notes were exchanged for New Notes due 2032. The New Notes were substantially the same as the Senior Notes except that the New Notes had a net share settlement feature which allowed the Company, upon conversion of a New Note, to settle the accreted principal amount of the debt for cash and issue shares of the Company's common stock for the conversion value in excess of the accreted value. The Senior Notes required the issuance of the Company's common stock upon conversion.

In connection with the Company's redemption of its Senior Notes and New Notes on June 4, 2007, holders of approximately $401,000 principal amount at maturity outstanding elected to convert their notes into common stock rather than have them redeemed. The Company issued 395,775 shares of its common stock upon conversion and paid approximately $179,720 upon redemption. In addition, the Company purchased $20,000 in principal amount at maturity of the Senior Notes for approximately $9,836. The Company obtained funds for the redemption by drawing on its Delayed-Draw Term Loan facility and using cash on hand.

9. Compensatory Plans and Arrangements

In connection with the Company's 2006 strategic initiatives, the Compensation Committee (the "Committee") of the Company's Board of Directors approved, pursuant to the Company's 2002 Omnibus Incentive Compensation Plan (described below), the "2006 Success Plan" for certain officers of the Company. The maximum amount payable under the 2006 Success Plan was $6,647 by the Company and $1,168 by Logan's. On June 6, 2007, the Company paid $6,647 under this plan. During 2007, the Company recorded expense of $2,137 for this plan as general and administrative expenses from continuing operations and recorded $2,136 related to CBRL Group officers and $206 related to Logan's officers as discontinued operations. During 2006, the Company recorded expense of $1,187 for this plan as general and administrative expenses from continuing operations and recorded $1,187 related to CBRL Group officers and $417 related to Logan's officers as discontinued operations.

10. Share-Based Compensation

Stock Compensation Plans

The Company’s employee compensation plans are administered by 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 Board adopted the Cracker Barrel Old Country Store, Inc. 1989 Stock Option Plan for Non-employee Directors (“Directors Plan”). The stock options were granted with an exercise price equal to the fair market value of the Company’s common stock as of the date of grant and expire one year from the retirement of the director from the Board. An aggregate of 1,518,750 shares of the Company’s common stock was authorized by the Company’s shareholders under this plan. Owing to the overall plan limit, no shares have been granted under this plan since 1994. At August 1, 2008, there were outstanding options for 244,762 shares under this plan.

Employee Plan

The CBRL Group, Inc. 2000 Non-Executive Stock Option Plan (“Employee Plan”) covered employees who are not officers or directors of the Company. The stock options were granted with an exercise price of at least 100% of the fair market value of a share of the Company’s common stock based on the closing price on the day the option was granted 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 were authorized under this plan, which expired on July 29, 2005. At August 1, 2008, there were outstanding options for 440,820 shares under this plan.

Amended and Restated Stock Option Plan

The Company also has an Amended and Restated Stock Option Plan (the “Plan”) that allows the Committee to grant options to purchase an aggregate of 17,525,702 shares of the Company’s common stock. At August 1, 2008, there were 788,180 shares of the Company’s common stock reserved for future issuance under the Plan. The option price per share under the Plan must be at least 100% of the fair market value of a share of the Company’s common stock based on the closing price on the day preceding the day the option is granted. Options 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 August 1, 2008, there were outstanding options for 1,369,237 shares under this plan.

Omnibus Plan

The CBRL Group, Inc. 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 other than non-employee directors: 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. Except as described below for certain options granted to non-employee directors, the option price per share of all options granted under the Omnibus Plan are required to be at least 100% of the fair market value of a share of the Company’s common stock based on the closing price on the day the option is granted. Under the Omnibus Plan, non-employee directors are granted annually on the day of the annual shareholders meeting an option to purchase up to 5,000 shares of the Company’s common stock, and awards of up to 2,000 shares of nonvested stock or nonvested stock units. The option price per share will be at least 100% of the fair market value of a share of the Company's common stock based on the closing price on the day preceding the day the option is granted. Additionally, non-employee directors newly elected or appointed between an annual shareholders meeting (typically in November) and the following July 31 receive an option on the day of election or appointment to acquire up to 5,000 shares of the Company’s common stock or awards of up to 2,000 shares of nonvested stock or nonvested stock units. 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 August 1, 2008, there were outstanding options for 1,252,757 shares under this plan and 697,140 shares of the Company’s common stock reserved for future issuance under this plan.

Mid-Term Incentive and Retention Plans

The Committee established the FY2005, FY2006 and FY2007 Mid-Term Incentive and Retention Plans ("2005 MTIRP," "2006 MTIRP," and "2007 MTIRP," respectively) pursuant to the Omnibus Plan, for the purpose of rewarding certain officers. The 2005 MTIRP award was calculated during 2005 based on achievement of qualified financial performance measures, but restricted until vesting occurred on the last day of 2007. At August 3, 2007, the nonvested stock of 38,910 shares under the 2005 MTRIP vested, and cash and dividends earned under the 2005 MTIRP of $353 and $42, respectively, were paid on August 6, 2007.

The 2006 MTIRP award was calculated during 2006 based on achievement of qualified financial performance measures, but restricted until vesting occurred on the last day of 2008. At August 1, 2008, the nonvested stock of 55,599 shares under the 2006 MTIRP vested, and cash and dividends earned under the 2006 MTIRP of $205 and $71, respectively, were paid on August 4, 2008.

The 2007 MTIRP award was calculated during 2007 based on achievement of qualified financial performance measures, but restricted until vesting occurs on the last day of 2009. The 2007 award will be paid in the form of either 50% nonvested stock and 50% cash or 100% nonvested stock, based upon the election of each officer. At August 1, 2008, the nonvested stock and cash earned under the 2007 MTIRP was 63,098 shares and $346, respectively. Cash dividends on the 2007 MTIRP nonvested stock earned shall accrue from August 3, 2007 and be payable, along with the remainder of the award, to participants on the payout date on August 3, 2009.

Stock Ownership Plan

The Committee established the Stock Ownership Achievement Plan ("Stock Ownership Plan") pursuant to the Omnibus Plan, for the purpose of rewarding certain executive officers of the Company for early achievement of target stock ownership levels in 2005 and in the future. Upon meeting the stock ownership levels at an earlier date than required and upon approval by the Committee, the Company will award unrestricted shares to those certain officers on the first Monday of the next fiscal year. The Stock Ownership Plan reward is expensed over the year during which those certain officers achieve the stock ownership target, beginning when the target is met. On August 4, 2008, August 6, 2007 and July 31, 2006, the Company issued 2,100, 2,500 and 2,400 unrestricted shares of common stock less shares withheld for taxes to the certain executive officers that earned the award in 2008, 2007 and 2006, respectively.

2008 Long-Term Performance Plan

The Committee established the FY2008 Long-Term Performance Plan ("2008 LTPP") 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. During 2008, the 2008 LTPP was rescinded and replaced with discretionary cash bonuses for all non-executive team members to be paid in September 2008. See "Nonvested and Restricted Stock" in this Note for a discussion of the executive team's new awards.

Stock Options

A summary of the Company's stock option activity as of August 1, 2008, and changes during 2008 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 August 3, 2007	2,991	$	30.48			
Granted	262		39.56			
Exercised	(79)		29.46			
Forfeited/Expired	(163)		34.41			
Outstanding at August 1, 2008	3,011	$	31.09	5.15	$	5,278
Exercisable	2,329	$	28.70	4.22	$	5,278

The weighted-average grant-date fair values of options granted during 2008, 2007, and 2006 were $11.99, $13.10, and $10.93, 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 2008, 2007 and 2006 were $785, $16,298, and $17,055, respectively.

During 2008, cash received from options exercised was $306 and the tax deficiency realized for the tax deductions from stock options exercised totaled $1,071.

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		
	August 1, 2008	August 3, 2007	July 28, 2006
Dividend yield range	1.8%- 2.2%	1.2%- 1.4%	1.2%- 1.6%
Expected volatility	31% - 34%	30% - 31%	28% - 31%
Risk-free interest rate range	2.9%- 5.0%	4.4%- 5.2%	3.8%- 5.5%
Expected term (in years)	6.3	1.2 - 6.2	2.1 - 6.2

Nonvested and Restricted Stock

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 also were based upon Company performance against a specified annual increase in earnings before interest, taxes, depreciation, amortization and rent. 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.

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.

On August 1, 2008, the Company awarded 196,525 shares of stock less shares withheld for taxes to certain executives which vested immediately but were subject to restrictions on resale for one to three years resulting in share-based compensation expense of $4,436.

A summary of the Company's nonvested and restricted stock activity as of August 1, 2008, and changes during 2008 is presented in the following table:

(Shares in thousands)

Nonvested and Restricted Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested at August 3, 2007	400	$36.88
Granted	302	27.20
Vested	(274)	25.92
Forfeited	(168)	38.85
Unvested at August 1, 2008	260	$35.91

As of August 1, 2008, there was $7,916 of total unrecognized compensation cost related to unvested share-based compensation arrangements that is expected to be recognized over a weighted-average period of 1.08 years. Nonvested and restricted stock grants of 274,324 vested during 2008.

Compensation Cost

Compensation cost for share-based payment arrangements was $4,673, $6,360 and $9,900, respectively, for stock options in 2008, 2007 and 2006. Included in the totals for 2007 and 2006 are share-based compensation from continuing operations of $6,294 and $8,533, respectively, for stock options. Compensation cost for nonvested and restricted stock was $3,818, $6,357 and $3,539, respectively, in 2008, 2007 and 2006. Included in the totals for 2007 and 2006 are share-based compensation from continuing operations of $6,837 and $3,140, respectively for nonvested stock. Share-based compensation from continuing operations is recorded in general and administrative expenses. The total income tax benefit recognized in the Consolidated Statement of Income for 2008, 2007 and 2006 for share-based compensation arrangements was $2,564, $4,406 and $4,139, respectively.

In 2007, the Company modified certain share-based compensation awards for eleven Logan's employees. These employees would have forfeited these unvested awards upon Logan's divestiture due to the performance and/or service conditions of the awards not being met. The modification of these awards consisted of the cancellation of the Mid-Term Incentive Retention Plans ("MTIRP") and nonvested stock grants for these employees and the concurrent grant of cash replacement awards for the cancelled awards. No replacement awards for these employees' stock options were given and thus, the unvested stock options were forfeited upon the completion of the Logan's divestiture. In accordance with SFAS No. 123R, the previously accrued compensation cost for these awards were reversed and no compensation cost was recorded for these awards. Total compensation cost reversed related to these awards was approximately $101 for stock options and $559 for nonvested stock awards and is recorded as discontinued operations in the Consolidated Financial Statements. The cash replacement awards for the 2005 and 2006 MTIRP awards retained their original vesting terms. The cash replacement awards of the nonvested stock grants retained their original vesting terms and vest on various dates between August 2007 and February 2011. Compensation cost for these modified awards will be recognized by Logan's over the remaining vesting period of the awards.

During 2007, the Company also recognized additional compensation expense of $1,731 for retirement eligible employees under its MTIRP plans. In accordance with SFAS No. 123R, compensation expense is recognized to the date on which retirement eligibility is achieved, if shorter than the vesting period.

11. Litigation Settlement

The Company was a member of a plaintiff class of a settled lawsuit against Visa U.S.A. Inc. ("Visa") and MasterCard International Incorporated ("MasterCard"). The Visa Check/Mastermoney Antitrust litigation settlement became final on June 1, 2005. Because the Company believed this settlement represented an indeterminate mix of loss recovery and gain contingency, the Company could not record the expected settlement proceeds until the settlement amount and timing were reasonably certain. During the second quarter of 2007, the Company received its share of the proceeds, which was $1,318, and recorded the amount of the proceeds as a gain that is included in other store operating expenses in the Consolidated Statement of Income.

12. Income Taxes

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

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

	August 1, 2008	August 3, 2007
Deferred tax assets:		
Financial accruals without economic performance	$ 57,155	$ 37,326
Other	5,985	6,864
Deferred tax assets	$ 63,140	$ 44,190
Deferred tax liabilities		
Excess tax depreciation over book	$ 75,213	$ 72,202
Other	24,182	21,868
Deferred tax liabilities	99,395	94,070
Net deferred tax liability	$ 36,255	$ 49,880

The Company provided no valuation allowance against deferred tax assets recorded as of August 1, 2008 and August 3, 2007, 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:

	2008	2007	2006
Current:			
Federal	$ 23,536	$ 46,883	$ 49,130
State	1,789	7,824	4,194
Deferred:			
Federal	1,565	(14,250)	(6,815)
State	1,322	41	(1,655)
Total income tax provision	$ 28,212	$ 40,498	$ 44,854

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:

	2008	2007	2006
Provision computed at federal statutory income tax rate	$ 32,730	$ 40,768	$ 49,124
State and local income taxes, net of federal benefit	2,992	6,143	3,202
Employer tax credits for FICA taxes paid on employee tip income	(5,846)	(5,449)	(4,761)
Federal reserve adjustments	--	168	(1,332)
Other employer tax credits	(2,994)	(3,915)	(2,219)
Section 162(m) non-deductible compensation	--	1,809	--
Other-net	1,330	974	840
Total income tax provision	$ 28,212	$ 40,498	$ 44,854

As a result of the adoption of FIN 48, the Company recognized a liability for uncertain tax positions of $23,866 and related federal tax benefits of $7,895, which resulted in a net liability for uncertain tax positions of $15,971. As required by FIN 48, the liability for uncertain tax positions has been included in other long-term obligations and the related federal tax benefits have reduced long-term deferred income taxes. In the prior year, the liability for uncertain tax positions (net of the related federal tax benefits) was included in income taxes payable. The cumulative effect of this change in accounting principle upon adoption resulted in a net increase of $2,898 to the Company’s beginning 2008 retained earnings.

As of August 1, 2008, the Company’s liability for uncertain tax positions was $26,602 ($17,753, net of related federal tax benefits of $8,849).

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:

Balance at August 4, 2007	$	21,338
Tax positions related to the current year:		
Additions		3,857
Reductions		--
Tax positions related to prior years:		
Additions		1,342
Reductions		(995)
Settlements		--
Expiration of statute of limitations		(2,663)
Balance at August 1, 2008	$	22,879

The Company recognizes, net of tax, interest and estimated penalties related to uncertain tax positions in its provision for income taxes. At August 1, 2008 and August 4, 2007, the Company's liability for uncertain tax positions included $2,790 and $2,010, respectively, net of tax for potential interest and penalties.

At August 1, 2008 and August 4, 2007, the amount of uncertain tax positions that, if recognized, would affect the effective tax rate is $17,753 and $15,971, respectively.

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 August 1, 2008 by approximately $3,400 to $4,000 within the next twelve months.

At August 1, 2008, the Company was subject to income tax examinations for its U.S. federal income taxes after 2004 and for state and local income taxes generally after 2004.

13. Segment Information

Cracker Barrel units 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 unit 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. As stated in Note 3, the operations of Logan's are reported as discontinued operations and have been excluded from segment reporting. The following data are presented in accordance with SFAS No. 131 for all periods presented.

	2008	2007	2006
Revenue from continuing operations:			
Restaurant	$ 1,872,152	$ 1,844,804	$ 1,748,193
Retail	512,369	506,772	471,282
Total revenue from continuing operations	$ 2,384,521	$ 2,351,576	$ 2,219,475

14. 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, however, based upon information currently available, the ultimate liability with respect to these other 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 August 1, 2008, the Company had $29,062 of standby letters of credit related to securing reserved claims under workers' compensation and general liability insurance. All standby letters of credit are renewable annually and reduce the Company's availability under its revolving credit facility.

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 5.2 years with annual lease payments of approximately $361. The Company's performance is required only if the assignee fails to perform its obligations as

lessee. The Company is also liable under a second operating lease that has been sublet to a third party. The lease has a remaining life of approximately 9.3 years and annual lease payments net of sublease rentals of approximately $50. At this time, the Company has no reason to believe that either the assignee or subtenant, respectively, of the foregoing leases 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 or subtenant, as applicable.

Upon the sale of Logan's, the Company has reaffirmed its guarantee of the lease payments for two Logan's restaurants. At August 1, 2008, the operating leases have remaining lives of 3.4 and 11.7 years with annual payments of approximately $94 and $98, respectively. 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 Financial Statements for amounts to be paid as a result of non-performance by Logan's.

The Company enters into certain indemnification requirements 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 and Logan's sale-leaseback transaction (see Note 3), 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, no provision has been recorded for any potential non-tax indemnification payments in the Consolidated Balance Sheet. At August 1, 2008, the Company has recorded a liability of $377 in the Consolidated Balance Sheet for these potential 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 August 1, 2008, the Company operated 168 Cracker Barrel stores in leased facilities and also leased certain land and advertising billboards (see Note 16). These leases have been classified as either capital or operating leases. The interest rates for capital leases vary from 5% to 10%. Amortization of capital leases is included with depreciation expense. A majority of the Company's lease agreements provide for renewal options and some of these options contain escalation clauses. Additionally, certain store leases provide for percentage lease payments based upon sales volume in excess of specified minimum levels.

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 August 1, 2008:

Year	
2009	$ 22
2010	22
2011	22
2012	22
2013	22
Total minimum lease payments	110
Less amount representing interest	17
Present value of minimum lease payments	93
Less current portion	16
Long-term portion of capital lease obligations	$ 77

The following is a schedule by year of the future minimum rental payments to be received under the Company's sublease, as of August 1, 2008.

Year	
2009	$ 61
2010	63
2011	67
2012	67
2013	67
Later years	272
Total	$597

The following is a schedule by year of the future minimum rental payments required under operating leases, excluding leases for advertising billboards, as of August 1, 2008. Included in the amounts below are optional renewal periods associated with such leases that the Company is currently not legally obligated to exercise; however, it is reasonably assured that the Company will exercise these options.

Year	Base term and exercised options*	Renewal periods not yet exercised**	Total
2009	$ 30,129	$ 165	$ 30,294
2010	30,056	448	30,504
2011	28,602	481	29,083
2012	27,916	1,157	29,073
2013	26,514	2,793	29,307
Later years	166,890	328,676	495,566
Total	$ 310,107	$ 333,720	$ 643,827

*Includes base terms and certain optional renewal periods that have been exercised and are included in the lease term in accordance with SFAS No. 13 (see Note 2).
**Includes certain optional renewal periods that have not yet been exercised, but are included in the lease term for the straight-line rent calculation. Such optional renewal periods are included because it is reasonably assured by the Company that it will exercise such renewal options (see Note 2).

The following is a schedule by year of the future minimum rental payments required under operating leases for advertising billboards as of August 1, 2008:

Year	
2009	$21,032
2010	10,308
2011	3,095
2012	24
Total	$34,459

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. Rent expense from continuing operations for each of the three years was:

	Minimum	Contingent	Total
2008	$32,024	$669	$32,693
2007	29,691	618	30,309
2006	28,801	609	29,410

Rent expense from continuing operations under operating leases for billboards for each of the three years was:

	Minimum	Contingent	Total
2008	$25,177	--	$25,177
2007	25,204	--	25,204
2006	24,938	--	24,938

15. Employee Savings Plans

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried and hourly employees who have completed one year 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 2008, 2007 and 2006, 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 2008, 2007, and 2006, the Company contributed approximately $1,801, $1,552 and $1,244, respectively, under Plan I and approximately $356, $323 and $353, respectively, under Plan II, for continuing operations. 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 $27,033 is included in other assets and the liability to Plan II participants of $27,033 is included in other long-term obligations. Company contributions under Plan I and Plan II related to continuing operations are recorded as either labor and other related expenses or general and administrative expenses.

16. Sale-Leaseback

On July 31, 2000, Cracker Barrel completed a sale-leaseback transaction involving 65 of its owned units. Under the transaction, the land, buildings and building improvements at the locations were sold for net consideration of $138,325 and were leased back for an initial term of 21 years. Equipment was not included. The leases include specified renewal options for up to 20 additional years and have certain financial covenants related to fixed charge coverage for the leased units. At August 1, 2008 and August 3, 2007, the Company was in compliance with all those covenants. Net rent expense during the initial term is $14,963 annually, and the assets sold and leased back previously had depreciation expense of approximately $2,707 annually. The gain on the sale is being amortized over the initial lease term of 21 years.

17. Quarterly Financial Data (Unaudited) (a)

Quarterly financial data for 2008 and 2007 are summarized as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (c)
2008				
Total revenue	$ 581,165	$ 634,453	$ 567,138	$ 601,765
Gross profit	400,937	410,718	386,550	412,559
Income before income taxes	21,170	31,095	13,527	27,723
Income from continuing operations	13,983	20,234	10,479	20,607
Loss (income) from discontinued operations, net of tax	(94)	(17)	(35)	396
Net income	13,889	20,217	10,444	21,003
Income from continuing operations per share - basic	$ 0.59	$ 0.87	$ 0.47	$ 0.93
Loss (income) from discontinued operations, net of tax, per share – basic	$ --	$ --	$ --	$ 0.02
Net income per share – basic	$ 0.59	$ 0.87	$ 0.47	$ 0.95
Income from continuing operations per share – diluted	$ 0.57	$ 0.85	$ 0.46	$ 0.91
Loss (income) from discontinued operations, net of tax, per share – diluted	$ --	$ --	$ --	$ 0.02
Net income per share – diluted	$ 0.57	$ 0.85	$ 0.46	$ 0.93
2007				
Total revenue	$ 558,263	$ 612,134	$ 549,050	$ 632,129
Gross profit	385,407	401,782	381,122	438,990
Income before income taxes	23,672	31,482	18,461	42,866
Income from continuing operations	15,162	20,501	12,111	28,209
Income (loss) from discontinued operations, net of tax	4,265	82,011	214	(408)
Net income	19,427	102,512	12,325	27,801
Income from continuing operations per share - basic	$ 0.49	$ 0.66	$ 0.48	$ 1.18
Income (loss) from discontinued operations, net of tax, per share – basic	$ 0.14	$ 2.66	$ 0.01	$ (0.02)
Net income per share – basic	$ 0.63	$ 3.32	$ 0.49	$ 1.16
Income from continuing operations per share – diluted (b)	$ 0.45	$ 0.60	$ 0.44	$ 1.15
Income (loss) from discontinued operations, net of tax, per share – diluted	$ 0.12	$ 2.28	$ 0.01	$ (0.02)
Net income per share – diluted	$ 0.57	$ 2.88	$ 0.45	$ 1.13

(a) Due to the divestiture of Logan's in 2007, Logan's is presented as discontinued operations for all periods presented (see Note 3).

(b) Diluted income from continuing operations per share reflects, among other things, the potential dilution effects of the Company's Senior Notes and New Notes (as discussed in Notes 2, 6 and 8) for all quarters presented for 2007.

(c) The Company's fourth quarter of 2007 consisted of 14 weeks.

EXHIBIT 21

Subsidiaries of the Registrant

The following is a list of the significant subsidiaries of the Registrant as of August 1, 2008, all of which are wholly-owned:

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

Exhibit 23

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 25, 2008 relating to the consolidated financial statements of CBRL Group, Inc., and the effectiveness of CBRL Group, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of CBRL Group, Inc. for the year ended August 1, 2008.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 25, 2008

EXHIBIT 31.1 CERTIFICATION

I, Michael A. Woodhouse, certify that:

1. I have reviewed this Annual Report on Form 10-K of CBRL Group, 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 29, 2008

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

EXHIBIT 31.2 CERTIFICATION

I, N.B. Forrest Shoaf, certify that:

1. I have reviewed this Annual Report on Form 10-K of CBRL Group, 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 29, 2008

/s/N.B. Forrest Shoaf
N.B. Forrest Shoaf, Senior Vice President, Secretary and General
Counsel and Interim Chief Financial Officer

Exhibit 32.1

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 CBRL Group, Inc. (the "Issuer") on Form 10-K for the fiscal year ended August 1, 2008, 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 29, 2008

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

Exhibit 32.2

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 CBRL Group, Inc. (the “Issuer”) on Form 10-K for the fiscal year ended August 1, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, N.B. Forrest Shoaf, Senior Vice President, Secretary and General Counsel and Interim 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 29, 2008

By: /s/N.B. Forrest Shoaf
N.B. Forrest Shoaf,
Senior Vice President, Secretary and General
Counsel and Interim Chief Financial Officer