

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934 (Fee Required)

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

For fiscal year ended  
August 2, 1996

Commission file number  
0-7536

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

Tennessee  
(State or other jurisdiction of  
incorporation or organization)

62-0812904  
(I.R.S. Employer  
Identification Number)

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:

None

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

Common Stock  
(Par Value \$.50)

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

Yes  No

The aggregate market value of voting stock held by nonaffiliates of the  
registrant is \$1,378,944,681 as of September 30, 1996.

60,612,953

(Number of shares of common stock outstanding as of September 30, 1996.)

1

Documents Incorporated by Reference

Document from which Portions  
are Incorporated by Reference

Part of Form 10-K  
to which incorporated

1. Annual Report to Shareholders  
for the fiscal year ended  
August 2, 1996
2. Proxy Statement for Annual  
Meeting of Shareholders  
to be held November 26, 1996

Items 6, 7 and 8  
  
Part III

## PART I

### ITEM 1. BUSINESS

#### Overview

Cracker Barrel Old Country Store, Inc. (the "Company" or "Cracker Barrel") was incorporated in October 1969 under the laws of the State of Tennessee. The Company owns and operates 267 full service "country store" restaurants which are primarily located in the southeast, midwest, mid-atlantic and southwest United States. The majority of stores are located along interstate highways, however, six stores are located at "tourist destinations". The restaurants serve breakfast, lunch and dinner between the hours of 6:00 a.m. and 10:00 p.m. (11:00 p.m. on Fridays and Saturdays) and feature home style country cooking prepared on the premises from the Company's own recipes using quality ingredients and emphasizing authenticity. Menu items are moderately priced and include country ham, chicken, fish, barbecue pork ribs, roast beef, beans, turnip greens, vegetable plates, salads, sandwiches, pancakes, eggs, bacon, sausage and grits. The restaurants do not serve alcoholic beverages. The stores are constructed in a rustic, country store design and feature a separate retail area offering a wide variety of items specializing in hand-blown glassware, cast iron cookware, toys and wood crafts as well as various old fashioned candies, jellies and other foods. The Company considers its store operations to constitute an integrated, single line of business.

As announced on August 21, 1996, the Company took a one-time charge related to store closures and other write-offs. The details related to this charge are included in Note 1 under "Store closing costs" on pages 25 and 26 of the Company's 1996 Annual Report.

#### Operations

**Store Format:** The format of Cracker Barrel stores consists of a rustic, country store style building. All stores are free standing buildings with adequate parking facilities and standard landscaping. Store interiors are

subdivided into a dining room consisting of approximately 23% of the total interior store space, a retail shop consisting of approximately 21% of such space, with the balance primarily consisting of kitchen and storage areas. All stores have wood-burning fireplaces and are decorated with antique-style furnishings and other authentic items of the past similar to those used and sold in original old country stores. The kitchens contain modern food preparation and storage equipment allowing for extensive flexibility in menu variation and development.

Products: Cracker Barrel's restaurants offer rural American cooking featuring the Company's own recipes. In keeping with the Company's emphasis on authenticity and quality, Cracker Barrel restaurants prepare menu selections on the premises. The Company's restaurants offer breakfast, lunch and dinner from a moderately-priced menu. Most items may be ordered at any time throughout the day. Breakfast items include juices, eggs, pancakes, bacon, country ham, sausage, grits, and a variety of biscuit specialties, with prices for a breakfast meal ranging from \$2.59 to \$7.49. Lunch and dinner items include country ham, chicken, fish, steak, barbecue pork ribs, roast beef, beans, turnip greens, vegetable plates, salads, sandwiches,

homemade soups and specialty items such as beef stew with muffins. Lunches and dinners range in price from \$2.99 to \$14.99. The Company from time to time increases its prices and increased its menu prices approximately 2% in November 1995 and 1% in May 1996.

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

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

**Store Management:** Store management typically consists of a general manager, four associate managers and a retail manager who are responsible for approximately 109 employees on two shifts. The relative complexity of operating a Cracker Barrel Old Country Store requires an effective management team at the individual store level. As a motivation to store managers to improve sales and operational efficiency, Cracker Barrel has a bonus plan designed to provide store management with an opportunity to share in the pre-tax profits of their store when meeting or exceeding predetermined performance criteria. To assure that individual stores are operated at a high level of quality, the Company emphasizes the selection and training of store managers and has a level of District Management to support individual store managers.

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

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

The majority of retail items are purchased directly by Cracker Barrel, warehoused at its Lebanon distribution center and shipped to the stores.

As announced on July 1, 1996, the Company has informed the distributor of its plans to solicit bids for separate long-term contracts related to the distribution of foodservice products and retail merchandise to the Company's stores. The Company expects to make the final decision before the end of calendar 1996.

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

**Quality, Cost and Inventory Controls:** Costs are monitored by management to determine if any material variances in food cost or operating expenses have occurred. The Company's computer system is used to analyze store operating information by providing management reports for continual monitoring of sales mix and detailed operational cost data. This system is also used in the development of budget analyses and planning.

**Marketing:** New store locations generally are not advertised in the media until several weeks after they have been opened in order to give the staff time to adjust to local customer habits and traffic volume. To effectively reach consumers in the primary trade area for each Cracker Barrel store and also interstate travelers and tourists, outdoor advertising is the primary advertising media utilized, accounting for approximately 50% of advertising expenditures. The Company utilizes various types of media, such as television, in its core markets to maintain customer awareness. Outside of its core markets, other types of media, such as radio and print, are used in an effort to increase name awareness and to build brand loyalty.

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

**Working Capital:** Since substantially all sales in the restaurant industry are for cash, the Company, like most other restaurant companies, is able to, and may from time to time, operate with negative working capital. Inventories are generally financed from normal trade credit aided by rapid turnover of the restaurant inventory.

#### Expansion

The Company opened forty-three new stores in fiscal 1996. Five of the stores are located on: Interstate 10 in Goodyear, Arizona, Moss Point, Mississippi, Crestview, Florida, El Paso, Texas, and Las Cruces, New Mexico; Interstate 95 in Ashland, Virginia, Stuart, Florida, Smithfield, North Carolina, Dumfries, Virginia, and Vero Beach, Florida; four are located on: Interstate 40 in Hickory, North Carolina, Conway, Arkansas, Jackson, Tennessee, and Clemmons, North Carolina; Interstate 81 in Harrisonburg and Troutville, Virginia, Chambersburg, Pennsylvania, and Martinsburg, West Virginia; three are located on: Interstate 65 in Gardendale and Prattville, Alabama, and Edinburg, Indiana; two are located on: Interstate 4 in Orlando

and Seffner, Florida; Interstate 20 in Pearl, Mississippi, and West Monroe, Louisiana; Interstate 25 in Loveland, Colorado and Albuquerque, New Mexico; Interstate 35 in DeSoto, Texas and Olathe, Kansas, and one each is located on: Interstate 29/80 in Council Bluffs, Iowa, Highway 360 in Arlington, Texas, Interstate 26 in Hendersonville, North Carolina, Interstate 30 in Bryant, Arkansas, Interstate 45 in Conroe, Texas, Interstate 57 in Bradley, Illinois, Interstate 66 in Manassas, Virginia, Interstate 70 in St. Charles, Missouri, Interstate 71 in Medina, Ohio, Interstate 72 in Decatur, Illinois, Interstate 85 in Concord, North Carolina, Interstate 90 in Rockford, Illinois, Interstate 94 in Kalamazoo, Michigan, and Interstate 270 in Frederick, Maryland.

The Company plans to open fifty new stores by the end of fiscal 1997. Ten of the stores are already open: two are on Interstate 95 in Boynton Beach, Florida and Fayetteville, North Carolina, and there is one each on Interstate 55 in Romeoville, Illinois, Interstate 59 in Tuscaloosa, Alabama, Interstate 71 in LaGrange, Kentucky, Interstate 78 in Fogelsville, Pennsylvania, Interstate 81 in Watertown, New York, Interstate 90 in Erie, Pennsylvania, Interstate 96 in Brighton, Michigan, and Interstate 275 in Forest Park, Ohio.

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

It is the Company's preference to own its restaurant properties. The Company presently owns 250 of its 267 restaurant properties. The other 17 properties are either ground leases or ground and building leases. Currently, average cost for a new store is approximately \$1,100,000 for land and sitework, \$800,000 for building, and \$650,000 for equipment. The current store size is approximately 10,000 square feet with 184 seats in the restaurant.

#### Employees

As of August 2, 1996, Cracker Barrel employed 31,683 people, of whom 188 were in advisory and supervisory capacities, 1,757 were in store management positions and 16 were officers of the Company. Many of the restaurant personnel are employed on a part-time basis. The Company has an incentive plan for its hourly employees which is intended to lower turnover and to increase productivity by providing a defined career path through testing and ranking of employees. The Company's employees are not represented by any union, and management considers its employee relations to be good.

#### Competition

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

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

#### Trademarks

The Company owns certain registered copyrights, patents and trademarks relating to the name "Cracker Barrel Old Country Store", as well as its logo, menus, designs of buildings, and other aspects of operations. The Company believes that the use of these names have some value in maintaining the atmosphere and public acceptance of its mode of operations.

#### Research and Development

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

#### Compliance With Environmental Protection Requirements

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

## ITEM 2. PROPERTIES

The Company's present corporate headquarters and warehouse facilities are situated on approximately 120 acres of land owned by the Company in Lebanon, Tennessee.

The Company utilizes approximately 190,000 square feet of office space and 400,000 square feet of warehouse facilities. Management feels that the current amount of office space is sufficient to meet the Company's needs through the end of the fiscal 1998.

In addition to the corporate facilities, the Company owns or leases the following properties:

State	Owned		Leased	
	Land	Buildings	Land	Buildings
Tennessee	26	28	8	5
Florida	24	24	-	-
Georgia	17	17	2	2
Illinois	18	19	1	-
Texas	17	17	-	-
Ohio	14	15	1	-
Indiana	15	15	-	-
North Carolina	14	15	1	-
Virginia	13	13	-	-
Kentucky	11	11	2	2
Alabama	11	11	1	1
Michigan	12	12	-	-
Missouri	10	10	-	-
South Carolina	7	8	2	1
Mississippi	5	5	-	-
Louisiana	5	5	-	-
Wisconsin	6	4	-	-
Pennsylvania	4	4	-	-
Minnesota	4	3	-	-
West Virginia	3	3	-	-
Colorado	3	3	-	-
Iowa	3	3	-	-
Arkansas	2	2	-	-
New Mexico	2	2	-	-
Kansas	2	2	-	-
Oklahoma	2	2	-	-
Maryland	1	1	-	-



New York	1	1	-	-
Arizona	1	1	-	-

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

ITEM 3. LEGAL PROCEEDINGS

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

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

Not applicable.

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

#### Executive Officers of the Registrant

The following table sets forth certain information concerning the executive officers of the Company as of September 30, 1996:

Name	Age	Position with Registrant
Dan W. Evins	61	Chairman of the Board & Chief Executive Officer
Ronald N. Magruder	49	President & Chief Operating Officer
Michael A. Woodhouse	51	Senior Vice President, Finance & Chief Financial Officer
Michael D. Adkins	41	Senior Vice President, Restaurant Operations
Norman J. Hill	53	Senior Vice President, Human Resources
Richard G. Parsons	44	Senior Vice President, Merchandising
Judith K. Donovan	41	Vice President, New Business Development
James D. Fisher	50	Vice President, Marketing
Mattie H. Hankins	56	Vice President & Controller
Debra K. Kidwell	37	Vice President, Retail Purchasing
Donald G. Kravitz	60	Vice President, Property Development
Michael J. Matheny	49	Vice President, Information Services
Jonathan C. Sleik	45	Vice President, Purchasing and Distribution
Mark W. Tanzer	39	Vice President, Product Development

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

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

Prior to his employment with the Company in January 1995, Mr. Fisher was Executive Vice President of Marketing with Baker's Square since 1993. Mr. Fisher was Vice President of Marketing with Shakey's Pizza, Inc. from 1989 to 1993.

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

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

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

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

## PART II

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

Since the initial public offering of the Company's common stock in November 1981, the Company's common stock has been traded on The Nasdaq Stock Market (National Market) with the symbol CBRL. There were 19,011 shareholders of record as of September 30, 1996.

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

Quarter	Fiscal Year 1996 Prices		Fiscal Year 1995 Prices	
	High	Low	High	Low
First	\$21.50	\$17.38	\$27.25	\$20.00
Second	19.25	15.75	22.50	17.50
Third	24.88	17.88	23.75	20.50
Fourth	27.38	19.38	24.63	19.88

In September 1983 the Board of Directors of the Company initiated a policy of declaring dividends on a quarterly basis. Prior to such date the Board followed a policy of declaring annual dividends during the first fiscal quarter. Quarterly dividends of \$.005 per share were paid during all four quarters of fiscal 1995 and 1996. The Company foresees paying comparable cash dividends per share in the future.

The covenants relating to the 9.53% Senior Notes in the original amount of \$30,000,000 impose certain restrictions on the payment of cash dividends and the purchase of treasury stock. Retained earnings not restricted under the covenants were approximately \$331,000,000 at August 2, 1996.

## ITEM 6. SELECTED FINANCIAL DATA

The table "Selected Financial Data" on page 17 of the Company's Annual Report to Shareholders for the year ended August 2, 1996 (the "1996 Annual Report") is incorporated herein by reference.

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

The following portions of the 1996 Annual Report are incorporated herein by reference:

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 18 and 19.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following portions of the 1996 Annual Report are incorporated herein by reference:

Financial Statements and Independent Auditors' Report on pages 20 through 31.

Quarterly Financial Data (Unaudited) on page 30.

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

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to directors of the Company is incorporated herein by reference to the section entitled "Election of Directors" in the Company's definitive proxy statement for its 1996 Annual Meeting of Shareholders (the "1996 Proxy Statement"). The information required by this item with respect to executive officers of the Company is set forth in Part I of this Form 10-K.

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the section entitled "Executive Compensation" in the Company's 1996 Proxy Statement.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the section entitled "Security Ownership of Management" in the Company's 1996 Proxy Statement.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the section entitled "Transactions with Management" in the Company's 1996 Proxy Statement.

## PART IV

## ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

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

1. The following Financial Statements and the Report of Deloitte & Touche LLP on pages 20 through 31 of the 1996 Annual Report are incorporated herein by reference:

Independent Auditors' Report dated September 11, 1996

Balance Sheet as of August 2, 1996 and July 28, 1995

Statement of Income for each of the three fiscal years ended August 2, 1996, July 28, 1995 and July 29, 1994.

Statement of Changes in Stockholders' Equity for each of the three fiscal years ended August 2, 1996, July 28, 1995 and July 29, 1994

Statement of Cash Flows for each of the three fiscal years ended August 2, 1996, July 28, 1995 and July 29, 1994

Notes to Financial Statements

2. The exhibits listed in the accompanying Index to Exhibits on pages 14 & 15 are filed as part of this annual report.

## B. Reports on Form 8-K:

There were no reports filed on Form 8-K during the fourth quarter of the fiscal year ended August 2, 1996.

## SIGNATURES

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

CRACKER BARREL OLD COUNTRY STORE, INC.

By: /s/Dan W. Evins

\_\_\_\_\_  
 Dan W. Evins  
 CEO and Chairman of the Board  
 (Principal Executive Officer)

By: /s/Mattie H. Hankins

\_\_\_\_\_  
 Mattie H. Hankins  
 Vice President & Controller

By: /s/Michael A. Woodhouse

\_\_\_\_\_  
 Michael A. Woodhouse  
 Senior Vice President, Finance  
 (Principal Financial Officer)

Date: October 25, 1996

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

/s/James C. Bradshaw, M.D.

\_\_\_\_\_  
 James C. Bradshaw, M.D., Director

\_\_\_\_\_  
 Charles T. Lowe, Jr., Director

/s/Robert V. Dale

\_\_\_\_\_  
 Robert V. Dale, Director

/s/B.F. Lowery

\_\_\_\_\_  
 B. F. Lowery, Director

/s/Dan W. Evins

\_\_\_\_\_  
 Dan W. Evins, Director

/s/Ronald N. Magruder

\_\_\_\_\_  
 Ronald N. Magruder, Director

/s/Edgar W. Evins

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 Edgar W. Evins, Director

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 Gordon L. Miller, Director

/s/William D. Heydel



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William D. Heydel, Director

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Martha M. Mitchell, Director

/s/Robert C. Hilton

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Robert C. Hilton, Director

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James H. Stewart, Director

/s/Charles E. Jones, Jr.

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Charles E. Jones, Jr., Director

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Jimmie D. White, Director

## INDEX TO EXHIBITS

## Exhibit

- 3(a) Charter (5)
- 3(b) Bylaws (6)
- 4(a) Note Agreement dated as of January 1, 1991, relating to \$30,000,000 of 9.53% Senior Notes (3)
- 10(a) Credit Agreement dated January 28, 1991, between the Company and Wachovia Bank and Trust Company, N.A. (3)
- 10(b) Lease dated August 27, 1981 for lease of Clarksville, Tennessee, and Macon, Georgia, stores between B. F. Lowery, general counsel and a director, and the Company (1)
- 10(c) The Company's Incentive Stock Option Plan of 1982, as amended (2)
- 10(d) The Company's 1987 Stock Option Plan, as amended (5)
- 10(e) The Company's Amended and Restated Stock Option Plan (7)
- 10(f) The Company's Non-Employee Director's Stock Option Plan, as amended (4)
- 10(g) The Company's Executive Employment Agreement (2)
- 10(h) The Company's Non-Qualified Savings Plan, effective 1/1/96, as amended
- 10(i) The Company's Deferred Compensation Plan, effective 1/1/94.
- 10(j) Executive Employment Agreement for Ronald N. Magruder dated 7/5/95 (8)
- 10(k) Executive Employment Agreement for Michael A. Woodhouse dated 11/15/95 (8)
- 13 Pertinent portions, incorporated by reference herein, of the Company's 1996 Annual Report to Shareholders
- 22 Definitive Proxy Materials
- 23 Consent of Deloitte & Touche LLP

- (1) Incorporated by reference to the Company's Registration Statement on Form S-7 under the Securities Act of 1933 (File No. 2-74266).
- (2) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended July 28, 1989 (File No. 0-7536).
- (3) Incorporated by reference to the Company's Registration Statement on Form S-3 under the Securities Act of 1933 (File No. 33-38989).
- (4) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended August 2, 1991 (File No. 0-7536).
- (5) Incorporated by reference to the Company's Registration Statement on Form S-8 under the Securities Act of 1933 (File No. 33-45482).
- (6) Incorporated by reference to the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended July 28, 1995. (File No. 0-7536).
- (7) Incorporated by reference to the Company's 1996 Definitive Proxy materials, attached hereto as Exhibit 22.
- (8) Incorporated by reference to the Executive Employment Agreement section, page 13 of the Company's 1996 Definitive Proxy materials, attached hereto as Exhibit 22.



CRACKER BARREL OLD COUNTRY STORE, INC.

NON-QUALIFIED SAVINGS PLAN

As Established  
Effective January 1, 1996

1

CRACKER BARREL OLD COUNTRY STORE, INC.  
NON-QUALIFIED SAVINGS PLAN

Cracker Barrel Old Country Store, Inc. herein referred to as Employer, does hereby establish a Non-Qualified Savings Plan for the benefit of Eligible Employees of the Employer on the terms and conditions described hereinafter:

ARTICLE 1

PREFACE

SECTION 1.1. EFFECTIVE DATE. The effective date of the Plan is January 1, 1996. Certain Participants in the Cracker Barrel Old Country Store, Inc. Deferred Compensation Plan shall also be eligible under this Plan and may irrevocably elect to transfer such existing balances to this Plan.

SECTION 1.2. PURPOSE OF THE PLAN. This Plan is intended to benefit a select group of management or highly compensated employees of the Employer.

SECTION 1.3. GOVERNING LAW. This Plan shall be regulated, construed and administered under the laws of the State of Tennessee to the extent that such laws are not preempted by the laws of the United States of America.

SECTION 1.4. GENDER AND NUMBER. The masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

## ARTICLE 2

### DEFINITIONS

Except as otherwise provided in this Plan, the definitions in the Cracker Barrel Savings Plan, which are expressly incorporated herein by reference, shall have the same meaning wherever used in this Plan, unless the context clearly indicates otherwise.

SECTION 2.1. BENEFCIARY shall mean the person or persons or legal entity designated as such by a Participant to receive the benefits, if any, payable in the event of the Participant's death. Each Participant may name a Beneficiary on a form provided by the Committee. Such designation may include more than one person with one or more secondary or contingent Beneficiaries and shall be subject to change upon written request of such Participant in the same manner as the original designation.

SECTION 2.2. BOARD shall mean the Board of Directors of Cracker Barrel Old Country Store, Inc. or the Administrative Committee or such other officers of Cracker Barrel Old Country Store, Inc. duly authorized by the Board to act on its behalf with respect to this Plan or the Trust.

SECTION 2.3. COMMITTEE shall mean the Administrative Committee as from time to time appointed by the Board.

SECTION 2.4. COMPENSATION shall mean Compensation as defined in the Qualified Plan, except that it is without regard to the limitations contained in Code Section 401(a)(17).

SECTION 2.5. ELIGIBLE EMPLOYEE shall mean those select management Employees or highly compensated Employees deemed by the Committee to be eligible to participate in this Plan, as listed in Schedule A. The Committee shall have absolute discretion in the participation in the Plan by any individual even if Schedule A contains language to the contrary.

SECTION 2.6. EMPLOYER shall mean Cracker Barrel Old Country Store, Inc.

SECTION 2.7. PARTICIPANT shall mean any Eligible Employee who has agreed to make Supplemental Savings Contributions pursuant to Section 3.1 and any Eligible Employee or former Eligible Employee for whom a Supplemental Account is maintained under the terms of this Plan.

SECTION 2.8. PLAN shall mean the Cracker Barrel Old Country Store, Inc. Non-Qualified Savings Plan, as herein set out or as duly amended.

SECTION 2.9. PLAN YEAR shall mean the calendar year.

SECTION 2.10. QUALIFIED PLAN shall mean the Employee Savings Plan of Cracker Barrel Old Country Store, Inc., as it may be amended from time to time.

SECTION 2.11. SUPPLEMENTAL ACCOUNT (or "account") shall mean the balance posted to the record of each Participant or Beneficiary, consisting of the Participant's contributions and his allocated share of Employer matching contributions pursuant to Section 3.1, and adjustments (including earnings thereon) as of each Valuation Date, less any payments therefrom.

SECTION 2.12. TRUST OR FUND OR TRUST FUND shall mean the grantor Trust established pursuant to the Cracker Barrel Old Country Store, Inc. Non-Qualified Savings Plan Trust Agreement. Such Trust may hold the total contributions made pursuant to the Plan by the Employer and by the Participants, increased by any profits or income thereto and decreased by any loss or expense incurred in the administration of the Trust or payments therefrom under the Plan. Notwithstanding the existence of the Trust, this Plan shall be considered an unfunded plan for purposes of Title I of ERISA.

SECTION 2.13. TRUSTEE shall mean the trustee under the Cracker Barrel Old Country Store, Inc. Non-Qualified Savings Trust.

SECTION 2.14. VALUATION DATE shall mean each day of the year.

SECTION 2.15. YEAR OF SERVICE shall be as defined in the Qualified Plan.

## ARTICLE 3

## SUPPLEMENTAL SAVINGS AND MATCHING CONTRIBUTIONS

SECTION 3.1. SUPPLEMENTAL SAVINGS AND MATCHING CONTRIBUTIONS. Each Eligible Employee may elect to defer from 1% to 50% (in whole percentages) of his Compensation as a Supplemental Savings Contribution. A similar but separate election shall be available with respect to his Bonus. Such election shall apply to Compensation earned after the effective date of the election. Elections shall be made on a form prescribed by the Committee. To be effective with respect to a Plan Year, the election must be made prior to the beginning of such Plan Year; provided, however, that if an Employee is designated by the Board as an Eligible Employee for a Plan Year after the first day of such Plan Year, the Eligible Employee may make an election within 30 days of being so designated with respect to Compensation earned after the date of such election. Once effective, an election shall remain in effect for that Plan Year and with respect to subsequent Plan Years; provided that a Participant may modify or revoke the election effective as of the first day of a subsequent Plan Year by filing a new election with the Committee prior to the first day of such subsequent Plan Year. Elections shall be made at such a time and in such a manner as the Committee shall determine.

The Employer may contribute a Matching Contribution in an amount established by the Board, subject to a maximum percentage of Compensation deferred by a Participant (never to exceed 6%) established by the Committee for each Plan Year. The Employer shall contribute the Participant's Supplemental Savings Contributions to the Trust Fund and shall contribute any Matching Contributions monthly, or as otherwise required by law. The Matching Contributions, together with the Supplemental Savings Contribution, shall be credited to the Participant's Accounts as of each Valuation Date in accordance with Section 3.3.

SECTION 3.2. INVESTMENT ELECTIONS. Pursuant to rules adopted by the Committee, a Participant shall request the manner in which his contributions under the Plan are to be invested. Investment requests shall be in 1% increments between any or all of the following mutual funds:

- (a) Vanguard Prime Money Market Fund
- (b) Vanguard 500 Index Fund
- (c) Vanguard Bond Index Total Fund
- (d) AIM Constellation Fund
- (e) T. Rowe Price International Stock Fund
- (f) Wells Fargo Stagecoach LifePath Funds.

The Committee shall consider the requests made by each Participant, but shall in all events retain the right to make final investment direction among the above mutual funds, or their successors chosen by the Committee.



SECTION 3.3. INVESTMENT INCOME AND ALLOCATIONS. Each Participant's Supplemental Account ("account") shall be made up of subaccounts reflecting his investment elections. As of each Valuation Date, a Participant's Supplemental Account shall be adjusted in the manner and order stated:

- (a) PAYMENTS: There shall be subtracted the total amount of any payments made from the account since the preceding Valuation Date.
- (b) SUPPLEMENTAL SAVINGS CONTRIBUTIONS: There shall be added to the account and to the appropriate subaccount, as directed by the Participant, any Supplemental Savings Contributions made since the preceding Valuation Date.
- (c) NET GAIN OR LOSS: Each subaccount invested in an investment fund will be increased or decreased to reflect a proportionate share of the net increase or net decrease of the fund since the preceding Valuation Date.
- (d) MATCHING CONTRIBUTIONS: There shall be added to the account of each Participant any Employer Matching Contributions made for such Participant, pursuant to Section 3.1.
- (e) TRANSFER OF INVESTMENT: Any change in the investment direction by the Participant shall be put in effect on each Valuation Date after all adjustments above have been made. There shall be added or subtracted any amounts from one investment fund to another. The subaccounts making up the account of the Participants shall reflect such a change.

#### ARTICLE 4

##### VESTING, IN-SERVICE WITHDRAWALS, AND DEATH BENEFITS

SECTION 4.1. VESTING. Each Participant shall be at all times fully vested in his Supplemental Savings Contributions, including any income or losses thereon, held in his Supplemental Account. Each Participant shall be vested in any Supplemental Employer Matching Contributions, including any income or losses thereon, held in his Supplemental Account, according to the following schedule:

YEARS OF SERVICE	VESTED PERCENTAGE
1	20%
2	40%
3	60%
4	80%
5 or more	100%

SECTION 4.2. IN-SERVICE WITHDRAWALS. In no event shall a Participant be entitled to Plan benefits prior to the date he terminates employment, except as provided in Section 5.2.

SECTION 4.3. AMOUNT OF DEATH BENEFITS. If a Participant dies prior to the date his benefit payment commences, his Beneficiary shall be entitled to receive his account in a lump sum payment. The value of such account shall be based on the Valuation Date succeeding the date of the Participant's death.

SECTION 4.4. BENEFICIARY. The Participant shall designate a person who shall receive the Participant's benefit under the Plan in the event of the Participant's death. The Committee shall prescribe rules and forms for such Beneficiary designation. In the event the Participant fails to make a Beneficiary designation or in the event the designated Beneficiary predeceased the Participant, a lump sum payment shall be made to the estate of the Participant.

## ARTICLE 5

### DISTRIBUTION OF BENEFITS

SECTION 5.1. RETIREMENT AND TERMINATION OF EMPLOYMENT. The benefits payable pursuant to this Plan may be paid either in a single lump sum or in quarterly installments over a total period of one to ten years, commencing upon the Participant's retirement, resignation or other termination of employment with the Employer. Notwithstanding the above, the minimum amount which can be payable in quarterly installments shall be \$100.00 per quarter. Upon initial enrollment in the Plan and at each ensuing annual deferral election, each Participant shall specify his chosen method of payment (and period if applicable). Such election may be changed by the Participant upon actual retirement, at least 30 days prior to retirement. All such elections shall be subject to the consent of the Committee.

The valuation of such benefits shall be made on each Valuation Date.

SECTION 5.2. HARDSHIP DISTRIBUTIONS. The Committee may authorize the distribution of all or a portion of a Participant's Account prior to the Participant's termination of employment in the event the Participant establishes to the satisfaction of the Committee that distribution of such benefits is necessary to alleviate or avoid severe financial hardship. Severe financial hardship will be deemed to have occurred in the event of the Participant's impending bankruptcy, the Participant's or dependent's long and serious illness, total disability as determined under the Employer's group long-term disability program, or any other event or impending event whereby the Committee determines that the payment of such portion or all of the Participant's Supplemental Account is in accordance with the purposes of the Plan and in the best interests of the Participant. Any Participant who receives a hardship distribution pursuant to this Section 5.2 shall be precluded from making Supplemental Savings Contributions until the first day of the Plan Year following the Plan Year during which the hardship distribution was received.

SECTION 5.3. WITHHOLDING. All benefits paid under the Plan shall be subject to applicable income and other tax withholding.

## ARTICLE 6

### FUNDING AND RIGHTS OF PARTICIPANTS

SECTION 6.1. UNFUNDED. This Plan is designed to be an unfunded, non-qualified plan. The benefits under this Plan shall be payable under the terms of the Trust Agreement. In the event of a conflict between the terms of the Trust Agreement and the Plan, the terms of the Trust Agreement shall govern.

**SECTION 6.2. LIMITATION ON RIGHTS OF PARTICIPANTS AND BENEFICIARIES.**

No Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time that such assets are paid to the Participant or Beneficiary as provided in Article 5. The right of a Participant or Beneficiary to receive a benefit hereunder shall be an unsecured claim against the general assets of the Employer. Distribution, in good faith, of the Participant's complete Supplemental Account balance shall be considered a full and complete discharge of all of the Employer's obligation under this Plan.

**ARTICLE 7****MISCELLANEOUS**

**SECTION 7.1. LIABILITY OF EMPLOYER.** Nothing in this Plan shall constitute the creation of a trust or other fiduciary relationship between the Employer and Eligible Employee, or between the Employer and Beneficiary or any other person. The Employer shall not be considered a trustee by reason of this Plan.

**SECTION 7.2. ASSIGNMENT AND ALIENATION.** No rights under this Plan may be assigned, transferred, alienated, pledged, or encumbered by an Eligible Employee or Beneficiary except by will or by applicable interstate laws or other laws of descent and distribution.

**SECTION 7.3. AMENDMENT OR TERMINATION.** Cracker Barrel Old Country Store, Inc. hereby reserves the right, by action of the Board, to amend or terminate this Plan at any time. Upon termination of the Plan, all vested benefits shall be paid in a lump sum to each Participant. Unvested amounts shall be returned to the Employer.

**SECTION 7.4. NO GUARANTEE OF EMPLOYMENT.** Nothing in this Plan shall be construed as guaranteeing future employment to Eligible Employees. An Eligible Employee continues to be an Employee of the Employer solely at the will of the Employer.

**SECTION 7.5. ADMINISTRATION AND CLAIMS PROCEDURE.** The Committee shall be the Plan Administrator, within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and shall have the authority with respect to this Plan that is co-extensive of that which the plan administrator has with respect to the Qualified Plan, including but not limited to the discretionary authority to construe and interpret the Plan and to control and manage the operation and administration of the Plan; provided, however, that with respect to the discretionary authority set forth in Sections 3.1 and 5.2 hereof, the Committee and Board shall, in exercising such authority, have authority to, among other things, construe and interpret the Plan. The Committee and Board may adopt rules and regulations regarding such administration of the Plan. The Claims Procedure set forth in the Qualified Plan shall apply to claims for benefits under the Plan, provided, however, that for purposes of applying such Claim Procedure, the Committee referred to therein shall be the Committee, except to the extent such claims pertains to the exercise of discretion by the Committee or Board pursuant to Sections 3.1 or 5.2, in which case the "Committee" referenced to shall be the Committee or Board, as the case may be.

**SECTION 7.6. UNCLAIMED BENEFITS.** The Committee may in its discretion either hold any unclaimed benefits under the Plan, or follow applicable law with respect to such unclaimed benefits.

IN WITNESS WHEREOF, the Cracker Barrel Old Country Store, Inc. Non-Qualified Savings Plan is executed on behalf of the Employer, on the second day of February, 1996.

CRACKER BARREL OLD COUNTRY STORE, INC.

/s/Frank J. McAvoy, Jr.

\_\_\_\_\_  
Authorized Officer

/s/Michael A. Woodhouse

\_\_\_\_\_  
Authorized Officer

Attest:

/s/Michael J. Zylstra

\_\_\_\_\_  
Corporate Secretary

Cracker Barrel Old Country Store, Inc.  
Non-Qualified Savings Plan  
Schedule A

In accordance with Section 2.5 of this Plan Document, employees in the following select management and highly compensated positions shall be eligible for the Plan. In all cases, however, the Committee shall have final authority and discretion to determine those positions and employees who will be eligible to participate in the Plan, regardless whether such positions or employees are listed below.

ELIGIBLE POSITIONS

Officers  
Department Directors  
Regional Directors  
District Managers  
General Managers  
Real Estate Managers  
Chief Pilot  
Import Buyer  
Buyer 2  
Facilities Services Manager  
Manager, Field Operations  
Marketing Manager



CRACKER BARREL OLD COUNTRY STORE, INC.  
DEFERRED COMPENSATION PLAN

Effective Date: January 1, 1994

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## CRACKER BARREL OLD COUNTRY STORE, INC.

## DEFERRED COMPENSATION PLAN

## WITNESSETH:

WHEREAS, Cracker Barrel Old Country Store, Inc. (the "Company") has decided to adopt the Cracker Barrel Old Country Store, Inc. Deferred Compensation Plan (the "Plan") to provide retirement and incidental benefits for certain executive employees of the Company;

NOW, THEREFORE, the Plan shall be and is hereby adopted in this form, effective as of January 1, 1994:

## ARTICLE I

## Definitions and Construction

1.1 Definitions. Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

- (1) 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.
- (2) Board: The Board of Directors of the Company.
- (3) Committee: The administrative committee appointed by the Board to administer the Plan.
- (4) Company: Cracker Barrel Old Country Store, Inc.
- (5) 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.
- (6) Effective Date: January 1, 1994.



- (7) 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.
- (8) Member: Any 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.
- (9) Plan: The Cracker Barrel Old Country Store, Inc. Deferred Compensation Plan, as amended from time to time.
- (10) 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.
- (11) Qualified Plan: The Employee Savings Plan of Cracker Barrel Old Country Store, Inc., as amended from time to time.
- (12) 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. Any trust created by the Company and any Trust Assets shall conform to the terms of the model trust contained in IRS Revenue Procedure 92-64.
- (13) Trust Assets: All assets held by the Trustee under the Trust Agreement.
- (14) Trustee: The trustee or trustees qualified and acting under the Trust Agreement at any time.

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 power (i) to construe the Plan and the Trust in good faith, (ii) to determine the eligibility of any employee of the Company or its subsidiaries for participation in the Plan, and (iii) to determine the 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 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 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 Compensation Deferral Election. Any Member may elect 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 and shall be irrevocable for such Plan Year, subject to cessation pursuant to the provisions of Section 3.4 or Article VIII. The reduction in a Member's Compensation pursuant to such election shall be effected by Compensation reductions as of each payroll period within the election period.

3.3 Initial Deferral Elections. Notwithstanding the provisions of Section 3.2 above, Members may make their Compensation deferral elections for the Plan's initial Plan Year within thirty (30) days after the Effective Date.

Such elections, if made during such thirty (30) day period, shall affect only Compensation payable during the Plan's initial Plan Year for services rendered subsequent to the election. Employees or directors who become Members after the Effective Date may make such elections attributable to services to be performed subsequent to the election within thirty (30) days after the date the employee or director first becomes a Member.

3.4 Voluntary Cessation of Deferral Election. Any Member may change or terminate his Compensation deferral election at any time during the Plan Year upon thirty (30) days written notice to the Committee. Such termination shall only be effective prospectively and shall be irrevocable for the remainder of the Plan Year in which it is made.

#### 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. Such additional amount may be dependent upon the Member's having made the maximum elective deferrals under Section 402(g) of the Internal Revenue Code of 1986, as amended, or the maximum elective contributions permitted under the Qualified Plan; provided, however, in no event shall any benefits under this Plan be conditioned, directly or indirectly, on a Member's electing to make or not to make elective contributions under the Qualified Plan. 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.

## 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. Notwithstanding any provision in the Plan to the contrary, 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 Trust Assets are not sufficient to pay any amounts due under the Plan to or on behalf of the Members when such amounts are due, the Company shall pay such amounts directly. 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. Any recipient of benefits hereunder shall have no 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. 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 Trust Agreement 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. Payment of a Member's benefit hereunder shall begin as soon as administratively feasible following the date on which the Member or the Member's designated beneficiary becomes entitled to such benefit pursuant to this Article (the "Distribution Date"). Alternatively, a Member or the Member's designated beneficiary, as the case may be, may elect, within the sixty (60) day period before the Distribution Date, to postpone the commencement of benefits hereunder to a date no later than the Member's or designated beneficiary's required beginning date for distributions under the Qualified Plan.

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 a 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.

Any such election shall be made in writing by the Member or the Member's designated beneficiary, as the case may be, within the sixty (60) day period preceding the Distribution Date on forms approved by the Committee.

#### ARTICLE VIII

##### Distributions Upon Unforeseeable Emergencies

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 lesser of the amount credited to such Member's Account or the amount determined by the Committee as being reasonably necessary to satisfy the emergency need. For purposes of this Article VIII, a distribution upon an unforeseeable emergency shall be authorized in the event of severe financial hardship to the Member resulting from a sudden and unexpected illness or accident of the Member or his dependent, loss of the Member's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Member's control. An unforeseeable emergency will not include the need to send a Member's child to college or the desire to purchase a home. Additionally, the Member must demonstrate that the hardship may not be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Member's assets,

to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under this Plan. In the event that a distribution upon an unforeseeable emergency is approved by the Committee and received by a Member, the Member's Compensation deferral election shall be automatically terminated for the remainder of the Plan Year.

#### 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 Relationship

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, 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 Procedure

In the event that an individual's claim for a benefit under this Plan is denied or modified, the Committee shall provide such individual with a written statement setting forth the specific reasons for such denial or modification in a manner calculated to be understood by the individual. Any such written statement shall reference the pertinent provisions of the Plan upon which the denial or modification is based and shall explain the Plan's claim review procedure. Such individual may, within sixty (60) days of receipt of such written statement, make written request to the Committee for review of its initial decision. Within sixty (60) days following such request for review, the Committee shall, after affording such individual a reasonable opportunity for a full and fair hearing, render its final decision in writing to such individual. No member of the Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to his own willful misconduct or lack of good faith. Members of the Committee shall not participate in any action or determination regarding their own benefits hereunder.

## 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 XII.

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. 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.

IN WITNESS WHEREOF, the undersigned has caused this Plan to be executed this \_\_\_\_\_ day of \_\_\_\_\_, 1993, effective as of January 1, 1994.

CRACKER BARREL OLD COUNTRY  
STORE, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_





Selected Financial Data

	For each of the fiscal years ended (In thousands except per share data)				
	August 2, 1996	July 28, 1995	July 29, 1994	July 30, 1993	July 31, 1992
<b>OPERATING RESULTS</b>					
Net sales	\$943,287	\$783,093	\$640,899	\$517,616	\$400,577
Cost of goods sold	324,905	264,809	215,071	171,709	130,885
Expenses:					
Store operations:					
Labor & other related expenses	314,157	256,253	207,227	167,909	131,771
Other store operating expenses	138,701	114,564	92,694	74,673	57,504
Store closing costs*	14,199	--	--	--	--
General and administrative	50,627	44,746	36,807	30,096	25,186
Total expenses	517,684	415,563	336,728	272,678	214,461
Operating income	100,698	102,721	89,100	73,229	55,231
Interest expense	369	723	2,136	2,885	3,374
Interest income	2,051	3,335	3,604	2,600	2,365
Income before income taxes and change in accounting principle	102,380	105,333	90,568	72,944	54,222
Provision for income taxes	38,865	39,290	33,609	27,292	20,279
Income before change in accounting principle	63,515	66,043	56,959	45,652	33,943
Cumulative effect of change in accounting principle**	--	--	988	--	--
Net income	\$ 63,515	\$ 66,043	\$ 57,947	\$ 45,652	\$ 33,943
<b>SHARE DATA***</b>					
Earnings before change in accounting principle per share	\$1.04	\$1.09	\$.94	\$.78	\$.60
Cumulative effect of change in accounting principle per share**	--	--	.02	--	--
Net earnings per share	1.04	1.09	.96	.78	.60
Dividends per share	\$.02	\$.02	\$.02	\$.02	\$.02
Weighted average shares outstanding	60,813	60,557	60,607	58,789	56,204
<b>FINANCIAL POSITION</b>					
Working capital	\$ 23,289	\$ 43,600	\$ 60,721	\$ 76,115	\$ 32,565
Total assets	676,379	604,515	530,064	469,073	313,460
Property and equipment -net	582,530	479,518	385,960	305,596	236,694
Long-term debt	15,500	19,500	23,500	36,576	41,449
Capital lease obligations	1,468	1,598	1,709	1,802	1,876
Stockholders' equity	566,221	496,083	429,846	366,785	222,110

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

\*\*The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", effective July 31, 1993. (See Note 7 to the Company's Financial Statements).

\*\*\*Adjusted to give effect for the three-for-two stock split in the form of a 50% stock dividend distributed to stockholders on March 19, 1993.

Market Price and Dividend Information

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

Quarter	Fiscal Year 1996			Fiscal Year 1995		
	Prices		Dividends	Prices		Dividends
	High	Low	Paid	High	Low	Paid
First	\$21.50	\$17.38	\$.005	\$27.25	\$20.00	\$.005
Second	19.25	15.75	.005	22.50	17.50	.005
Third	24.88	17.88	.005	23.75	20.50	.005
Fourth	27.38	19.38	.005	24.63	19.88	.005

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Management's Discussion and Analysis of Financial Condition  
and Results of Operations

Results of Operations

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

	Relationship to Net Sales			Period to Period Increase(Decrease)	
	1996	1995	1994	1996 vs 1995	1995 vs 1994
Net Sales					
Restaurant	77.8%	77.9%	78.2%	20%	22%
Retail	22.2	22.1	21.8	21	24
	100.0%	100.0%	100.0%	20	22
Cost of goods sold	34.4	33.8	33.6	23	23
Expenses:					
Store operations:					
Labor & other related expenses	33.3	32.7	32.3	23	24
Other store operating expenses	14.7	14.6	14.5	21	24
Store closing costs*	1.5	--	--	--	--
General & administrative	5.4	5.7	5.7	13	22
Operating income	10.7	13.1	13.9	(2)	15
Interest expense	.1	.1	.3	(49)	(67)
Interest income	.2	.4	.6	(39)	(8)
Income before income taxes	10.8	13.5	14.1	(3)	16
Provision for income taxes	4.1	5.0	5.2	(1)	17
Income before change in accounting principle	6.7	8.4	8.9	(4)	16
Cumulative effect of change in accounting principle**	--	--	.2	--	--
Net income	6.7	8.4	9.0	(4)	14

\*Represents one-time charge to close certain stores and other write-offs. (See Note 1).

\*\*The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", effective July 31, 1993. (See Note 7).

Same Store Sales Analysis

	Period to Period Increase	
	1996 vs 1995 (181 Stores)	1995 vs 1994 (152 Stores)
Restaurant	2%	4%
Retail	2	5
Restaurant & retail	2	4

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Same store restaurant sales (which compare sales of stores open throughout the fiscal years under comparison) increased 2% for the comparable 52 weeks of fiscal 1996 versus fiscal 1995. Same store restaurant sales increased 4% in fiscal 1995 versus fiscal 1994. The slowing in same store restaurant sales growth from fiscal 1995 to fiscal 1996 was primarily due to increased competition in the industry.

Same store retail sales increased 2% for the comparable 52-week period in fiscal 1996 versus fiscal 1995 while same store retail sales increased 5% in fiscal 1995 versus fiscal 1994. The slowing in same store retail sales growth from fiscal 1995 to fiscal 1996 was primarily due to the slowing in restaurant sales growth discussed above, the absence of the traditional Christmas browsing book in the stores in fiscal 1996 and the overall weakness in the retail segment during the Christmas season.

In fiscal 1996 total sales (restaurant and retail) in the 181 same stores averaged \$4.01 million for the 53-weeks and \$3.92 million for the comparable 52-weeks. Restaurant sales were 77.9% of total sales in the same 181 stores in fiscal 1996 and 77.8% in fiscal 1995.

Total net sales, which increased 20% and 22% in fiscal 1996 and 1995, respectively, benefited from comparable store sales growth and the opening of 43, 36 and 30 new stores in fiscal 1996, 1995 and 1994, respectively.

Cost of goods sold as a percentage of net sales increased in fiscal 1996 to 34.4% from 33.8% in 1995. This increase was primarily due to a new menu, implemented in May 1995 that raised ideal food cost as the result of a change in menu mix. Additionally, the increase in cost of goods sold was due to operating inefficiencies in the restaurants as a result of extreme winter weather conditions as compared to fiscal 1995 and as a result of substantial

increases in hog complex prices in the Company's fourth fiscal quarter of 1996. Cost of goods sold increased in fiscal 1995 to 33.8% from 33.6% in fiscal 1994. This increase was primarily due to an increase in inventory shrinkage and retail markdowns.

Labor and other related expenses include all direct and indirect labor and related costs incurred in store operations. Labor expenses as a percentage of net sales were 33.3%, 32.7% and 32.3% in fiscal 1996, 1995 and 1994, respectively. The year to year increase in fiscal 1996 versus fiscal 1995 was primarily due to continuing labor cost pressures as the costs to hire and retain employees continued to increase, unemployment rates remained low and competition remained high in the industry. The year to year increase in fiscal 1995 versus fiscal 1994 was also attributable to an increase in the costs to hire and retain employees as a result of the increasing competition and a shrinking labor market.

Other store operating expenses include all unit-level operating costs, the major components of which are operating supplies, repairs and maintenance, advertising expenses, utilities, depreciation and amortization. Other store operating expenses as a percentage of net sales were 14.7%, 14.6% and 14.5% in fiscal 1996, 1995 and 1994, respectively. The year to year increases were attributable to higher depreciation related to building 43, 36 and 30 new stores in fiscal 1996, 1995 and 1994, respectively. The store closing costs in fiscal 1996 were due to the one-time charge (see Note 1) for store closings and other write-offs in the fourth quarter of fiscal 1996.

General and administrative expenses as a percentage of net sales were 5.4%, 5.7% and 5.7% in fiscal 1996, 1995 and 1994, respectively. The reduction in 1996 was accomplished largely due to improved volume. The largest areas of increased spending in absolute dollars in fiscal 1996 were in manager trainee costs and in information services to support the continued growth of the business.

Interest expense decreased to \$.4 million in fiscal 1996 from \$.7 million in fiscal 1995 and from \$2.1 million in fiscal 1994 primarily due to the prepayment of approximately \$6.8 million in unsecured notes payable and \$3.5 million of Industrial Development Revenue Bonds in the second quarter of fiscal 1994, the scheduled principal payments on the 9.53% Senior Notes and increased capitalized interest related to the increase in stores opened from 30 in 1994 to 36 in 1995 to 43 in 1996.

Interest income decreased in fiscal 1996 to \$2.1 million from \$3.3 million in fiscal 1995 and \$3.6 million in fiscal 1994. The primary reason for the decrease in interest income was lower average funds available for investment, which was partially offset by rising interest rates in fiscal 1996 and 1995.

Provision for income taxes as a percent of pretax income was 38.0% for fiscal 1996, 37.3% for fiscal 1995 and 37.1% for fiscal 1994. The primary reasons for the increases in the tax rate were the expiration of the Targeted Jobs Tax Credit Program during fiscal 1995 and increases in state rates. The Company adopted SFAS No. 109, "Accounting for Income Taxes", effective July 31, 1993. (See Note 7).

#### Impact of Recent Accounting Pronouncements not yet Adopted

The Company will adopt SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", in the first quarter of fiscal 1997. The Company is still evaluating the effect of adopting SFAS No. 121, but does not expect the adoption to have a material effect on the Company's financial statements. The Company will adopt SFAS No. 123, "Accounting for Stock-Based Compensation", in the first quarter of fiscal 1997; however, the Company has elected to continue to apply APB No. 25, "Accounting for Stock Issued to Employees", to its stock-based employee compensation; and therefore, SFAS No. 123 will have no effect on the Company's financial statements, however, the Company will be required to meet the disclosure requirements of SFAS No. 123 in its fiscal 1997 Annual Report. (See Note 1).

#### Liquidity and Capital Resources

The Company's cash generated from operating activities was \$103.7 million in fiscal 1996. Most of this cash was provided by net income adjusted by depreciation and amortization. Loss on disposition of property and equipment was partially offset by increases in inventories.

Capital expenditures were \$137.6 million in fiscal 1996. Land purchases and construction of new stores accounted for substantially all of these expenditures, except for \$5.4 million for the expansion of the retail distribution center.

The Company's internally generated cash and short-term and long-term investments were sufficient to finance all of its growth in fiscal 1996.

The Company estimates that its capital expenditures for fiscal 1997 will be approximately \$180 million, substantially all of which will be land purchases and construction of new stores. The Company's cash, short-term and long-term investments, along with internally generated cash from operating

activities should be sufficient to finance its expansion plans through the first half of fiscal 1997. The Company plans to obtain additional financing during the second quarter of fiscal 1997 to fund its continued expansion plans in fiscal 1997 and its expansion plans through fiscal 1998.

## BALANCE SHEET

	(In thousands)	
ASSETS	August 2, 1996	July 28, 1995
<hr/>		
Current Assets:		
Cash and cash equivalents	\$ 28,971	\$ 48,124
Short-term investments	4,735	11,103
Receivables	2,803	3,193
Inventories	61,470	51,515
Prepaid expenses	1,485	912
Deferred income taxes	6,972	5,519
<hr/>		
Total current assets	106,436	120,366
<hr/>		
Property and Equipment:		
Land	165,376	135,082
Buildings and improvements	346,479	274,612
Buildings under capital leases	3,289	3,289
Restaurant and other equipment	151,018	134,633
Leasehold improvements	12,343	10,744
Construction in progress	13,738	18,495
<hr/>		
Total	692,243	576,855
Less: Accumulated depreciation and amortization of capital leases	123,670	97,337
<hr/>		
Property and equipment-net	568,573	479,518
<hr/>		
Long-term Investments	565	4,038
<hr/>		
Other Assets	805	593
<hr/>		
Total	\$676,379	\$604,515
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See notes to financial statements.

	(In thousands except share data)	
LIABILITIES AND STOCKHOLDERS' EQUITY	August 2, 1996	July 28, 1995
<hr/>		
Current Liabilities:		
Accounts payable	\$ 30,565	\$ 29,751
Current maturities of long-term debt	4,000	4,000
Current portion of capital lease obligations	130	110
Taxes withheld and accrued	12,475	10,824
Income taxes payable	4,123	5,588
Accrued employee compensation	15,647	13,682
Accrued employee benefits	9,692	7,102
Other accrued expenses	6,515	5,709
<hr/>		
Total current liabilities	83,147	76,766
<hr/>		
Long-term Debt	15,500	19,500
<hr/>		
Capital Lease Obligations	1,468	1,598
<hr/>		
Deferred Income Taxes	10,043	10,568
<hr/>		
Commitments and Contingencies (Note 9)		
Stockholders' Equity:		
Common stock - 150,000,000 shares of \$.50 par value authorized; shares issued and outstanding: 1996, 60,594,353; 1995, 59,992,047	30,297	29,996
Additional paid-in capital	202,951	195,421
Retained earnings	332,973	270,666
<hr/>		
Total stockholders' equity	566,221	496,083
<hr/>		
Total	\$676,379	\$604,515
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See notes to financial statements.



## STATEMENT OF INCOME

(In thousands except per share data)  
Fiscal years ended

	August 2, 1996	July 28, 1995	July 29, 1994
Net sales	\$943,287	\$783,093	\$640,899
Cost of goods sold	324,905	264,809	215,071
Gross profit on sales	618,382	518,284	425,828
Expenses:			
Store operations:			
Labor & other related expenses	314,157	256,253	207,227
Other store operating expenses	138,701	114,564	92,694
Store closing costs	14,199	--	--
General and administrative	50,627	44,746	36,807
Total expenses	517,684	415,563	336,728
Operating income	100,698	102,721	89,100
Interest expense	369	723	2,136
Interest income	2,051	3,335	3,604
Income before income taxes and change in accounting principle	102,380	105,333	90,568
Provision for income taxes	38,865	39,290	33,609
Income before change in accounting principle	63,515	66,043	56,959
Cumulative effect of change in accounting principle	--	--	988
Net income	\$ 63,515	\$ 66,043	\$ 57,947
Earnings before change in accounting principle per share	\$1.04	\$1.09	\$.94
Cumulative effect of change in accounting principle per share	--	--	.02
Net earnings per share	\$1.04	\$1.09	\$.96

See notes to financial statements.

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	(In thousands except per share data)			
	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balances at July 30, 1993	29,785	187,930	149,070	366,785
Cash dividends - \$.02 per share			(1,195)	(1,195)
Exercise of stock options	165	4,617		4,782
Tax benefit realized upon exercise of stock options		1,527		1,527
Net income			57,947	57,947
Balances at July 29, 1994	29,950	194,074	205,822	429,846
Cash dividends - \$.02 per share			(1,199)	(1,199)
Exercise of stock options	46	969		1,015
Tax benefit realized upon exercise of stock options		378		378
Net income			66,043	66,043
Balances at July 28, 1995	29,996	195,421	270,666	496,083
Cash dividends - \$.02 per share			(1,208)	(1,208)
Exercise of stock options	301	4,865		5,166
Tax benefit realized upon exercise of stock options		2,665		2,665
Net income			63,515	63,515
Balances at August 2, 1996	\$30,297	\$202,951	\$332,973	\$566,221

See notes to financial statements.

## STATEMENT OF CASH FLOWS

	(In thousands)		
	Fiscal years ended		
	August 2, 1996	July 28, 1995	July 29, 1994
<b>Cash flows from operating activities:</b>			
Net income	\$ 63,515	\$ 66,043	\$ 57,947
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	31,433	26,488	20,401
Loss (gain) on disposition of property and equipment	14,689	(66)	(30)
Changes in assets and liabilities:			
Decrease (increase) in receivables	390	(199)	(557)
Increase in inventories	(9,955)	(9,525)	(13,563)
(Increase) decrease in prepaid expenses	(573)	182	(262)
(Increase) decrease in other assets	(212)	(60)	179
Increase in accounts payable	814	3,985	2,629
Increase in taxes withheld and accrued	1,651	3,416	1,195
(Decrease) increase in income taxes payable	(1,465)	548	3,113
Increase in accrued employee compensation	1,965	494	2,214
Increase (decrease) in accrued employee benefits	2,590	(780)	(990)
Increase in other accrued expenses	806	1,428	78
(Decrease) increase in deferred income taxes	(1,978)	418	(52)
<b>Net cash provided by operating activities</b>	<b>103,670</b>	<b>92,372</b>	<b>72,302</b>
<b>Cash flows from investing activities:</b>			
Purchase of short-term and long-term investments	(4,011)	(7,169)	(42,957)
Proceeds from maturities of short-term and long-term investments	13,852	38,994	59,103
Purchase of property and equipment	(137,633)	(121,052)	(101,945)
Proceeds from sale of property and equipment	2,456	1,073	1,209
<b>Net cash used in investing activities</b>	<b>(125,336)</b>	<b>(88,154)</b>	<b>(84,590)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of stock options	5,166	1,015	4,782
Tax benefit realized upon exercise of stock options	2,665	378	1,527
Principal payments under long-term debt and capital lease obligations	(4,110)	(3,594)	(13,477)
Dividends on common stock	(1,208)	(1,199)	(1,195)
<b>Net cash provided by (used in) financing activities</b>	<b>2,513</b>	<b>(3,400)</b>	<b>(8,363)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(19,153)</b>	<b>818</b>	<b>(20,651)</b>
Cash and cash equivalents, beginning of year	48,124	47,306	67,957
<b>Cash and cash equivalents, end of year</b>	<b>\$ 28,971</b>	<b>\$ 48,124</b>	<b>\$ 47,306</b>

Supplemental disclosures of cash flow information:  
Cash paid during the year for:

Interest  
Income taxes

\$ 2,084  
39,642

\$ 2,513  
37,945

\$ 3,558  
28,127

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

(In thousands except share and per share data)

## 1. Summary of Significant Accounting Policies

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

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

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

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

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

	Years
Buildings and improvements	20-45
Buildings under capital leases	20-25
Restaurant and other equipment	5-10
Leasehold improvements	3-35

Accelerated depreciation methods are generally used for income tax purposes.

Interest is capitalized in accordance with SFAS No. 34, "Capitalization of Interest Costs". Capitalized interest was \$2,010, \$2,072 and \$1,534 for fiscal years 1996, 1995 and 1994, 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.

Income taxes - The Company adopted SFAS No. 109, "Accounting for Income Taxes", effective July 31, 1993. This Statement superseded Accounting Principles Board Opinion No. 11, "Accounting for Income Taxes", which was the Company's prior method of accounting for income taxes. Targeted jobs tax credits and employer tax credits for FICA taxes paid on tip income are accounted for by the flow-through method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. (See Note 7).

Earnings per share - The computation of earnings per share is based on the weighted average number of outstanding common shares and equivalents (stock options) adjusted for stock splits. The weighted average number of outstanding common shares and equivalents was 60,813,172, 60,556,977 and 60,607,372 for 1996, 1995 and 1994, respectively.

Long-term investments - Long-term investments, primarily consisting of federal government agency securities and commercial paper which the Company intends to hold to maturity, are stated at amortized cost in accordance with SFAS No. 115. (See Note 3).

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

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

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

Recent accounting pronouncements not yet adopted - In March 1995, SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", was issued. SFAS No. 121 requires that upon adoption companies determine under certain circumstances if an asset has been impaired, in which case the asset is written down to a new carrying amount that is less than the remaining cost and a loss is recognized. After adoption companies must review assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. The Company will adopt SFAS No. 121 in the first quarter of fiscal 1997. The Company is still evaluating the effect of adopting SFAS No. 121, but does not expect the adoption to have a material effect on the Company's financial statements. In October 1995, SFAS No. 123, "Accounting for Stock-Based Compensation", was issued. SFAS No. 123 establishes a fair value based method of accounting and reporting for stock compensation plans. SFAS No. 123 encourages but does not require companies to adopt that method in place of the provisions of APB No. 25, "Accounting for Stock Issued to Employees"; however, companies may continue to apply APB No. 25 to its stock-based employee compensation arrangements, but companies are required to comply with the disclosure requirements of SFAS No. 123. The Company will adopt SFAS No. 123 in the first quarter of fiscal 1997; however, the Company has elected to continue to apply APB No. 25 to its stock-based employee compensation, and therefore, SFAS No. 123 will have no effect on the Company's financial statements, however, the Company will be required to meet the disclosure requirements of SFAS No. 123 in its fiscal 1997 Annual Report.

Reclassifications - Certain reclassifications have been made in the fiscal 1995 and 1994 financial statements to conform to the classifications used in fiscal 1996.

## 2. INVENTORIES

Inventories were composed of the following at:

	August 2, 1996	July 28, 1995
Retail	\$50,474	\$42,248
Restaurant	9,472	7,963
Supplies	1,524	1,304
<b>Total</b>	<b>\$61,470</b>	<b>\$51,515</b>

## 3. SHORT-TERM AND LONG-TERM INVESTMENTS

The amortized costs and fair values of held-to-maturity securities at August 2, 1996 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and U.S. Government Agencies	\$2,544	--	\$ 9	\$2,535
Corporate debt securities	499	--	3	496
Other securities	2,257	\$1	--	2,258
<b>Short-term and long-term investments</b>	<b>\$5,300</b>	<b>\$1</b>	<b>\$12</b>	<b>\$5,289</b>

The amortized costs and fair values of held-to-maturity securities at July 28, 1995 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and U.S. Government Agencies	\$11,168	--	\$129	\$11,039
Obligations of states and political subdivisions	807	\$1	--	808
Corporate debt securities	3,166	1	23	3,144
<b>Short-term and long-term</b>				

investments

\$15,141

\$2

\$152

\$14,991

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The following table shows the maturity distribution of the Company's investment securities at August 2, 1996:

Maturity (Fiscal Years)	Amortized Cost	Fair Value
1997	\$4,735	\$4,728
1998-2001	565	561
Short-term and long-term investments	\$5,300	\$5,289

#### 4. DEBT

Long-term debt consisted of the following at:

	August 2, 1996	July 28, 1995
9.53% Senior Notes Payable in annual installments of varying amounts from January 15, 1994 to January 15, 2002, with a final installment of \$2,000 due January 15, 2003	\$19,500	\$23,500
Less current maturities	4,000	4,000
Long-term debt	\$15,500	\$19,500

The note agreements relating to the 9.53% Senior Notes placed in January, 1991 in the original amount of \$30,000 include, among other provisions, requirements that the Company maintain minimum tangible net worth of \$70,000. The agreements also contain certain other restrictions related to the payment of cash dividends and the purchase of treasury stock. Retained earnings not restricted under the provisions of the agreements were approximately \$331,000 at August 2, 1996.

Based on discounted cash flows of future payment streams, assuming rates equivalent to the Company's incremental borrowing rate on similar liabilities, the fair value of the 9.53% Senior Notes approximates carrying value as of August 2, 1996.

The Company has a revolving credit agreement with a maximum principal amount of \$15,000 as of August 2, 1996. No amounts were outstanding under the agreement at August 2, 1996 or July 28, 1995.

The aggregate maturities of long-term debt subsequent to August 2, 1996 are as follows:

#### Fiscal year

1997	\$ 4,000
1998	3,500
1999	2,500
2000	2,500
2001	3,000
Later years	4,000
Total	\$19,500

#### 5. COMMON STOCK

The Board of Directors granted certain executive officers hired in fiscal 1996 a total of 32,000 restricted shares which vest over five years. The Company's compensation expense for these restricted shares in fiscal 1996 was \$144.

#### 6. STOCK OPTION PLANS

The Company has two stock option plans for key employees (which includes store-level management and the highest level of hourly employees in the stores) and one for non-employee directors. A total of 14,025,702 shares have been reserved for the key employees plans. The Company has granted options for 10,993,280 shares at purchase prices ranging from \$.58 to \$27.67 per share. The options expire ten years from the date of the grant and are exercisable each year on a cumulative basis at the rate of 33% of the total number of shares covered by the option.



The following is a schedule by years of the activity of the key employees plans:

	Shares	Exercise Price (Range) per Share
<hr/>		
Outstanding at July 30, 1993 (1,845,387 shares exercisable)	2,829,173	\$ 1.51 - \$27.67
Granted	825,825	25.75
Exercised	330,848	5.38 - 27.67
Expired	168,813	16.61 - 27.67
<hr/>		
Outstanding at July 29, 1994 (2,342,912 shares exercisable)	3,155,337	1.51 - 27.67
Granted	955,500	25.25
Exercised	90,731	1.51 - 16.61
Expired	251,880	16.61 - 27.67
<hr/>		
Outstanding at July 28, 1995 (3,003,673 shares exercisable)	3,768,226	1.51 - 27.67
Granted	1,448,600	17.50 - 20.63
Exercised	551,682	1.51 - 25.75
Expired	335,683	16.61 - 27.67
<hr/>		
Outstanding at August 2, 1996 (2,736,000 shares exercisable)	4,329,461	\$ 1.69 - \$27.67
<hr/>		

A total of 1,518,750 shares have been reserved for the Non-employee Directors Plan. The Company has granted options for 1,518,746 shares at purchase prices ranging from \$5.09 to \$29.50 per share. The options are exercisable six months from the date of grant.

The following is a schedule by years of the activity of the Non-employee Directors Plan:

	Shares	Exercise Price (Range) per Share
<hr/>		
Outstanding at July 30, 1993 (607,488 shares exercisable)	607,488	\$ 5.09 - \$29.50
Granted	278,432	25.38
Exercised	--	--
<hr/>		
Outstanding at July 29, 1994 (885,920 shares exercisable)	885,920	5.09 - 29.50
Granted	177,210	25.00
Exercised	--	--
<hr/>		
Outstanding at July 28, 1995 (1,063,130 shares exercisable)	1,063,130	5.09 - 29.50
Granted	--	--
Exercised	50,624	5.09 - 7.48
<hr/>		
Outstanding at August 2, 1996 (1,012,506 shares exercisable)	1,012,506	\$ 5.09 - \$29.50
<hr/>		

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

## 7. INCOME TAXES

The Company adopted SFAS No. 109, "Accounting for Income Taxes", effective July 31, 1993. This Statement supersedes Accounting Principles Board Opinion No. 11, "Accounting for Income Taxes", which was the Company's prior method of accounting for income taxes. The cumulative effect of adopting SFAS No. 109 in the Company's financial statements decreased income taxes by \$988 (\$.02 per share) for fiscal 1994. The adjustment primarily represents the impact of adjusting deferred taxes to new rates as opposed to the higher tax rates in effect when the deferred taxes originated. The adoption of SFAS No. 109 had no impact on the Company's effective tax rate.

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 2, 1996	July 28, 1995
<hr/>		
Deferred tax assets:		
Financial accruals without economic performance	\$ 6,304	\$ 4,998
Other	2,364	2,114
<hr/>		
Deferred tax assets	8,668	7,112
<hr/>		
Deferred tax liabilities:		
Excess tax depreciation over book	10,756	11,169
Other	983	992
<hr/>		
Deferred tax liabilities	11,739	12,161
Net deferred tax liability	\$ 3,071	\$ 5,049
<hr/>		

The Company provided no valuation allowance against deferred tax assets recorded as of August 2, 1996 and July 28, 1995, as the "more-likely-than-not" valuation method determined all deferred assets to be fully realizable in future taxable periods.

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

	1996	1995	1994
<hr/>			
Current:			
Federal	\$34,965	\$31,284	\$29,253
State	5,878	7,588	5,142
Deferred	(1,978)	418	(786)
<hr/>			
Total income tax provision	\$38,865	\$39,290	\$33,609
<hr/>			

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

	1996	1995	1994
<hr/>			
Provision computed at federal statutory income tax rate	\$35,833	\$36,867	\$31,699
State and local income taxes, net of federal benefit	4,126	4,199	3,255
Employer tax credits for FICA taxes paid on tip income	(1,328)	(1,194)	(571)
Jobs credit	(33)	(787)	(487)
Other-net	266	205	(287)
<hr/>			
Total income tax provision	\$38,865	\$39,290	\$33,609
<hr/>			

#### 8. SEGMENT INFORMATION

The Company operates stores which provide a combination of restaurant and retail services to the motoring public. This combination of services is considered to be one industry segment.

#### 9. LEASES

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

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the minimum lease payments as of August 2, 1996:

## Fiscal year

1997	\$ 360
1998	368
1999	371
2000	371
2001	321
Later years	907
<hr/>	
Total minimum lease payments	2,698
Less amount representing interest	1,100
<hr/>	
Present value of minimum lease payments	1,598
Less current portion	130
<hr/>	
Long-term portion of capital lease obligations	\$1,468
=====	

The following is a schedule by years of the future minimum rental payments required under noncancelable operating leases as of August 2, 1996:

## Fiscal year

1997	\$ 8,603
1998	5,768
1999	3,485
2000	1,003
2001	911
Later years	6,470
<hr/>	
Total	\$26,240
=====	

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

	Minimum	Contingent	Total
1996	\$12,134	\$764	\$12,898
1995	9,717	685	10,402
1994	7,800	634	8,434

## 10. EMPLOYEE SAVINGS PLAN

The Company has an employee savings plan, which provides for retirement benefits for eligible employees. The plan is funded by elective employee contributions up to 16% of their compensation and the Company matches 25% of employee contributions for each participant up to 6% of the employee's compensation. The Company contributed \$864, \$714 and \$540 in fiscal 1996, 1995 and 1994, respectively.

## 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for fiscal 1996 and 1995 are summarized as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<hr/>				
1996				
Net sales	\$221,011	\$219,484	\$220,579	\$282,213
Gross profit on sales	147,404	138,855	146,566	185,557
Income before income taxes*	27,086	20,217	26,212	28,865
Net income*	16,794	12,535	16,251	17,935
Net earnings per share*	.28	.21	.27	.29
<hr/>				
1995				
Net sales	\$184,948	\$188,623	\$188,306	\$221,216
Gross profit on sales	123,558	120,474	127,475	146,777
Income before income taxes	24,800	19,591	23,939	37,003
Net income	15,599	12,323	15,057	23,064
Net earnings per share	.26	.20	.25	.38

\*Fiscal 1996 includes \$14,199 in pre-tax costs (\$8,806 after tax or \$.15 per share) related to a one-time charge for store closings and other write-offs. (See Note 1).

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Cracker Barrel Old Country Store, Inc. (the "Company") as of August 2, 1996 and July 28, 1995, and the related statements of income, changes in stockholders' equity, and cash flows for each of the three fiscal years in the period ended August 2, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at August 2, 1996 and July 28, 1995, and the results of its operations and its cash flows for each of the three fiscal years in the period ended August 2, 1996 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP  
Nashville, Tennessee

September 11, 1996



CRACKER BARREL OLD COUNTRY STORE, INC.  
305 Hartmann Drive  
Lebanon, Tennessee 37087

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Notice of Annual Meeting of Shareholders  
to be held on Tuesday, November 26, 1996  
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Notice is hereby given that the Annual Meeting of Shareholders of Cracker Barrel Old Country Store, Inc. (hereinafter called the "Company"), will be held at the offices of the Company located on Hartmann Drive, Lebanon, Tennessee, on Tuesday, November 26, 1996 at 10:00 a.m., local time, for the following purposes:

- (1) To elect 13 directors to serve until the next Annual Meeting and until their successors are duly elected and qualified;
- (2) To consider and vote upon the adoption of the Cracker Barrel Old Country Store Amended and Restated Stock Option Plan, to replace the Company's 1987 Stock Option Plan which will expire on June 25, 1997;
- (3) To approve the selection of Deloitte & Touche LLP as the Company's independent auditors for the 1997 fiscal year;
- (4) To consider and take action on a shareholder proposal requesting that the Compensation and Stock Option Committees link executive compensation to social issue;
- (5) To consider and take action on a shareholder proposal requesting that the Board of Directors prepare a report ascertaining the costs incurred by the Company due to the alleged "continuing controversy" regarding its policies towards gay men and lesbians;
- (6) To transact such other business as may properly be brought before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on September 30, 1996, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

Your attention is directed to the Proxy Statement accompanying this notice for a more complete statement regarding matters to be acted upon at the meeting.

By Order of the Board of Directors  
Michael J. Zylstra, Secretary

Lebanon, Tennessee  
October 25, 1996

YOUR REPRESENTATION AT THE MEETING IS IMPORTANT. TO ENSURE YOUR REPRESENTATION, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD. SHOULD YOU DESIRE TO REVOKE YOUR PROXY, YOU MAY DO SO AS PROVIDED IN THE ACCOMPANYING PROXY STATEMENT, AT ANY TIME BEFORE IT IS VOTED.

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CRACKER BARREL OLD COUNTRY STORE, INC.  
305 Hartmann Drive  
Lebanon, Tennessee 37087

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PROXY STATEMENT  
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The accompanying proxy is solicited by and on behalf of the Board of Directors of Cracker Barrel Old Country Store, Inc. (the "Company"), for use at the Annual Meeting of Shareholders to be held on November 26, 1996, and any adjournment thereof, notice of which is attached hereto.

This Proxy Statement and the Annual Report of the Company for the fiscal year ended August 2, 1996, have been mailed on or about October 25, 1996, to all shareholders of record on September 30, 1996.

The purpose of the Annual Meeting is to elect thirteen directors; to consider and vote upon the adoption of the Cracker Barrel Old Country Store Amended and Restated Stock Option Plan, to replace the Company's 1987 Stock Option Plan which will expire on June 25, 1997; to approve the selection of Deloitte & Touche LLP as the Company's independent auditors for the next fiscal year; to vote on a shareholder proposal requesting that the Compensation and Stock Option Committees link executive compensation to social issues; and to vote on a shareholder proposal requesting that the Board of Directors prepare a report ascertaining the costs incurred by the Company due to the alleged "continuing controversy" regarding its policies towards gay men and lesbians.

A shareholder of record who signs and returns a proxy in the accompanying form may revoke the same at any time before the authority granted thereby is exercised by attending the Annual Meeting and electing to vote in person, by filing with the Secretary of the Company a written revocation or by duly executing a proxy bearing a later date. Unless so revoked, the shares represented by the proxy will be voted at the Annual Meeting. Where a choice is specified on the proxy, the shares represented thereby will be voted in accordance with such specifications. If no specification is made, such shares will be voted for the election of all director nominees, the adoption of the Amended and Restated Stock Option Plan and the approval of Deloitte & Touche LLP as the Company's independent auditors for the 1997 fiscal year. If no specification is made, such shares will be voted against the two proposals by shareholders.

Directors shall be elected by a plurality of the votes cast in the election by the holders of Common Stock represented and entitled to vote at the Annual Meeting, at which a quorum is present. Assuming the existence of a quorum, all other proposals submitted to the shareholders shall be approved if the votes cast favoring the proposal exceed the votes cast opposing it. Abstentions will be counted as present for purposes of determining the

existence of a quorum and for determining the total number of votes cast. Abstentions are disregarded in determining if a director receives a plurality of the votes cast or whether votes cast for a proposal exceed votes cast against it. Broker non-votes are disregarded for the purpose of determining the total number of votes cast with respect to a proposal.

The Board of Directors knows of no other matters which are to be brought to a vote at the Annual Meeting. However if any other matter does come before the meeting, the persons appointed in the proxy or their substitutes will vote in accordance with their best judgment on such matters.

The Board of Directors has fixed the close of business on September 30, 1996, as the record date for the Annual Meeting. The Company's only class of securities is its Common Stock, \$.50 par value per share. On September 30, 1996 the Company had outstanding 60,612,953 shares of Common Stock. Only shareholders of record at the close of business on that date will be entitled to vote at the Annual Meeting. Shareholders will be entitled to one vote for each share so held, which may be given in person or by proxy authorized in writing.

The cost of solicitation of proxies will be borne by the Company, including expenses in connection with preparing, assembling and mailing this Proxy Statement. Such solicitation will be made by mail, and may also be made by the Company's officers or employees personally or by telephone or telegram. No officers or employees of the Company will receive additional compensation for soliciting proxies. The Company may reimburse brokers, custodians and nominees for their expenses in sending proxies and proxy material to beneficial owners. The Company retains Corporate Communications, Inc., 523 Third Avenue South, Nashville, Tennessee to assist in the management of the Company's investor relations and other shareholder communications issues, for a fee of approximately \$2,000 per month, plus reimbursement of out-of-pocket expenses. As part of its duties, Corporate Communications, Inc. may assist in the solicitation of proxies. See "Transactions with Management" below.

The Company will continue its practice of holding the votes of all shareholders in confidence from Company directors, officers and employees except (i) to allow the independent inspectors of election to certify the results of the vote; (ii) as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company; (iii) in case of a contested proxy solicitation; or (iv) in the event that a shareholder makes a written comment on the proxy card or otherwise communicates his/her vote to management. The Company will also continue, as it has in the past, to employ an independent tabulator to receive and tabulate the proxies, and independent inspectors of election to certify the results.



## PROPOSAL 1. ELECTION OF DIRECTORS

The Company's Bylaws provide that the Company's Board of Directors shall consist of not more than fifteen persons. The Board of Directors has resolved that the Board shall currently consist of thirteen persons. Proxies cannot be voted for a greater number of persons. The terms of all present directors will expire upon the election of new directors at the Annual Meeting. The Board of Directors proposes the election of the nominees listed below to serve until the next Annual Meeting and until their successors are duly elected and qualified. Unless contrary instructions are received, it is intended that the shares represented by proxies solicited by the Board of Directors will be voted in favor of the election as directors of all the nominees named below. If for any reason any nominee is unable to serve, the persons named in the proxy have advised that they will vote for such substitute nominee(s) as the Board of Directors of the Company may propose. The Board of Directors has no reason to expect that any nominee will fail to

be a candidate at the meeting, and therefore, does not at this time have any substitute nominees under consideration. Each nominee has consented to act as a director, if elected. The information relating to the thirteen nominees set forth below has been furnished to the Company by the individuals named. All of the nominees are presently directors of the Company and were elected at the Annual Meeting held on November 28, 1995.

The Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at the Annual Meeting. The Board of Directors recommends that shareholders vote "FOR" the nominees listed below. Proxies, unless indicated to the contrary, will be voted "FOR" the listed nominees.

Name, Age, Position with the Company	First Became a Director	Business Experience During the Past Five Years
James C. Bradshaw, 65 Director	1970	Practicing physician, Lebanon, Tennessee
Robert V. Dale, 60 Director	1986	President of Windy Hill Pet Food Company, Nashville, Tennessee since March 1995; Partner in PFB Partnership, Nashville, Tennessee from August 1994 to March 1995; President of Martha White Foods, Inc., Nashville, Tennessee from October 1985 to August 1994
Dan W. Evins, 61 Director, Chairman and Chief Executive Officer(1)	1970	Chairman and Chief Executive Officer of the Company; President of the Company until August 1995; Member of Board of Directors of Clayton Homes, Inc.
Edgar W. Evins, 64 Director(1)	1970	Retired in June 1987; President, DeKalb County Bank and Trust Company, Alexandria, Tennessee from 1958 until June 1987

William D. Heydel, 67 Director	1970	Retired in 1987; for the previous five years, Tennessee manager of American Family Life Assurance Company, Nashville, Tennessee
Robert C. Hilton, 59 Director	1981	Chairman, President and CEO of Home Technology Healthcare, Inc. Nashville, Tennessee since October 1991
Charles E. Jones, Jr., 51 Director	1981	President, Corporate Communications, Inc., a financial public relations firm, Nashville, Tennessee
Charles T. Lowe, Jr., 64 Director	1970	Retired in 1993; previously President of Travel World, Inc., a travel agency, Lebanon, Tennessee
B. F. Lowery, 59 Director	1971	Attorney; President and Chairman, LoJac Companies, asphalt paving, highway construction and building materials supplier and contractor, Lebanon, Tennessee
Ronald N. Magruder, 49 Director, President and Chief Operating Officer	1995	President and Chief Operating Officer of the Company since August 1995; Vice-Chairman of Darden Restaurants from December 1994 to August 1995; Executive Vice President, General Mills Restaurants and President of Olive Garden from 1987 to 1994.
Gordon L. Miller, 62 Director	1974	Dentist, Lebanon, Tennessee
Martha M. Mitchell, 56 Director	1993	Senior Vice President (since January 1987) and Partner (since January 1993) of Fleishman-Hillard, a public relations firm, St. Louis, Missouri
Jimmie D. White, 55 Director	1993	Retired on December 11, 1995; Senior Vice President - Finance and Chief Financial Officer of the Company from 1985 to 1995

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(1) Dan W. Evins and Edgar W. Evins are brothers.

The Company's Stock Option Committee is currently composed of Charles E. Jones, Jr., Robert C. Hilton and Martha M. Mitchell. This committee, which met once during the fiscal year ended August 2, 1996, is responsible for the administration of the Company's Incentive Stock Option Plan of 1982, its 1987 Stock Option Plan and its Amended and Restated Stock Option Plan.

The Company's Audit Committee is currently composed of Robert C. Hilton, James C. Bradshaw, Robert V. Dale and James H. Stewart. This committee, which met three times during the fiscal year ended August 2, 1996, reviews the Company's internal accounting controls and systems, the results of the Company's annual audit and the Company's accounting policies and any change therein.

The Company's Compensation Committee is composed of Robert V. Dale, Edgar W. Evins, William D. Heydel, Robert C. Hilton, Charles E. Jones, Jr. and B. F. Lowery. This committee, which met once during the fiscal year ended August 2, 1996, reviews and recommends to the Board of Directors the salaries, bonuses and other cash compensation of the executive officers of the Company.

During the fiscal year ended August 2, 1996, the Board of Directors held four meetings and the Executive Committee held eight meetings. No incumbent director attended fewer than 75 percent of the Board meetings in 1996. The Company's Executive Committee has all the duties and powers of the Board of Directors, subject to the general direction, approval and control of the Board. The Executive Committee is currently composed of Robert V. Dale, Dan W. Evins, Edgar W. Evins, William D. Heydel, Robert C. Hilton, Charles E. Jones, Jr., B. F. Lowery, and Ronald N. Magruder. The Executive Committee also reviews director nominees and makes recommendations to the Board of Directors prior to each annual meeting of shareholders. The Executive Committee will consider nominees recommended in writing by shareholders who submit such nominations to the Company prior to the deadline for shareholder proposals as further described under "Proposals of Shareholders" herein.

The Company pays to each of its outside directors an annual retainer of \$14,000 and \$900 as a director's fee for each board meeting attended. Outside directors who are members of the Company's Executive Committee receive a fee of \$900 for each such committee meeting attended. Fees of \$800 for the Company's Audit Committee, Compensation Committee and Stock Option Committee are paid to committee members for each such committee meeting attended. The chairmen of these committees receive an additional fee of \$400 for each committee meeting attended. All outside directors are reimbursed by the Company for out-of-pocket expenses incurred in connection with attendance at meetings. No fees are paid to directors who are also employees of the Company.

## SECURITY OWNERSHIP OF MANAGEMENT

The following information pertains to the Common Stock of the Company beneficially owned, directly or indirectly, by all directors and nominees and by all directors and officers as a group, as of September 30, 1996. Unless otherwise noted, the named persons have sole voting and investment power with respect to the shares indicated.

Beneficial Owners	Amount and Nature of Beneficial Ownership(1)	Percent Of Class
James C. Bradshaw	545,719(2)	*
Robert V. Dale	104,728	*
Dan W. Evins	630,000	1.0%
Edgar W. Evins	69,157(3)	*
William D. Heydel	543,327(2)	*
Robert C. Hilton	99,299	*
Charles E. Jones, Jr.	102,761	*
Charles T. Lowe, Jr.	923,372(4)	1.5%
B. F. Lowery	240,125	*
Ronald N. Magruder	191,067	*
Gordon L. Miller	267,167	*
Martha M. Mitchell	41,872	*
James H. Stewart	66,734	*
Jimmie D. White	31,965	*
 All Officers and Directors as a group (26 persons)	 4,593,792	 7.0%

\*Less than one percent

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(1) Includes the following shares which are not currently outstanding but which the named holders are entitled to receive within 60 days upon exercise of options:

James C. Bradshaw	142,670
Robert V. Dale	92,046
Dan W. Evins	230,000
Edgar W. Evins	66,734
William D. Heydel	142,670
Robert C. Hilton	92,046
Charles E. Jones, Jr.	92,046
Charles T. Lowe, Jr.	66,734
B. F. Lowery	142,670
Ronald N. Magruder	166,667
Gordon L. Miller	66,734
Martha M. Mitchell	41,422
James H. Stewart	66,734
Jimmie D. White	--
 All Officers and Directors as a group	 2,043,407

The shares described in this note are deemed to be outstanding for the purpose of computing the percentage of outstanding Common Stock owned by each named individual and by the group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

- (2) Includes shares owned jointly with wife, with whom voting and investment power is shared: Dr. Bradshaw 403,049 and Mr. Heydel 400,657.
- (3) Includes 223 shares owned by Mr. Evins' wife in her SEP, for which voting and investment power is shared.
- (4) Voting and investment power with respect to 43,491 shares is shared by Mr. Lowe and his wife, the owner of these shares.

REPORT OF THE COMPENSATION COMMITTEE AND THE  
STOCK OPTION COMMITTEE OF THE BOARD OF DIRECTORS  
ON EXECUTIVE COMPENSATION

The Company's compensation policies for its executive officers are administered by two committees of the Board of Directors - the Compensation Committee and the Stock Option Committee. All members of these committees are outside, non-employee directors.

The primary components of executive compensation are base salary, bonus and longer-term incentives such as stock options. The Compensation Committee recommends to the Board of Directors the salaries and bonus plan for the executive officers. The Stock Option Committee administers the stock option plans pursuant to which employee stock options are granted.

#### Base Salary

In setting the fiscal 1996 base salary for each executive officer the Compensation Committee reviewed the then-current salary for each of the officers in relation to average salaries within the industry for comparable areas of responsibility from a report prepared for the Company by independent executive compensation consultants. In addition, they considered the contribution made by each executive officer during fiscal 1995, as reported by the Chief Executive Officer, as well as salary recommendations from management for the executive officers other than the Chairman and Chief Executive Officer, Dan W. Evins. The Compensation Committee employed procedures similar to those used for each of the other executive officers to determine the fiscal 1996 salary for Dan W. Evins.

#### Bonus

The Compensation Committee has established that the financial performance of the Company should be a significant factor in rewarding its executive officers. Therefore, in July of each year, the Compensation

Committee reviews the expected financial performance of the Company for the then-ending fiscal year and the internal budget established for the next fiscal year in setting the criteria for executive officer bonuses.

The basic plan compensates executive officers on the basis of the amount of increase in the Company's pretax income over the previous fiscal year. If pretax income is equal to or less than that of the previous fiscal year, no bonuses are paid to any of the executive officers.

For fiscal 1996, as in recent years, the plan provided for a bonus pool of 12% of the amount by which the current fiscal year's pretax income exceeded that of the previous fiscal year, plus an additional 2% of any amount in excess of the internally budgeted pretax income. The bonus pool was distributed by determining each officer's pro rata share of an aggregate bonus participation amount arrived at by multiplying each officer's salary by the bonus participation percent set by the Compensation Committee (60% for Mr. Evins, 48% for Mr. Magruder, 36% for senior officers, 24% for all other executive officers, and 16% for assistant officers). Bonuses earned for fiscal 1996, as a percent of total salary and bonuses, were 44% for Mr. Evins, 39% for Mr. Magruder, 37% for Senior Officers, 24% for all other executive officers and 17% for assistant officers.

In fiscal year 1996, bonuses were distributed to the Company's officers in spite of a significant nonrecurring charge to earnings due to the closure of certain of the Company's stores, an event more fully described in the Company's 1996 Annual Report to Shareholders. The Board of Directors approved these bonuses, believing that to do so would be in the best interests of the Company, given that the bonus system is designed to encourage employees to perform at their highest level.

#### Stock Options

In contrast to salary and bonus awards, which are generally for past work performance, stock options are based on future performance of stock price appreciation. They are granted at an exercise price which is equal to the closing market price of the Company's Common Stock on the day before the date of grant, and therefore have no value until the stock price increases.

The Stock Option Committee has generally granted nonqualified stock options annually. In recent years, the Committee has extended option grants down into the organization as far as the top hourly level positions in the stores. See "Stock Option Plans" below.

## Stock Performance Graph

The following graph sets forth the yearly percentage change in the cumulative total shareholder return on the Company's Common Stock during the preceding five fiscal years ended August 2, 1996 compared with the Standard & Poor's 400 MidCap Index and a Total Return Index comprised of all NASDAQ companies with the same two digit SIC (Standard Industrial Classification) code as the Company.

	1991	1992	1993	1994	1995	1996
Cracker Barrel Old Country Store, Inc.	100	148	172	154	139	141
NASDAQ	100	127	148	135	152	142
S&P 400 MIDCAP	100	117	137	142	177	190

(1) Assumes that the value of the investment in the Company's Common Stock and each Index was \$100 on August 2, 1991, and that all dividends were reinvested.

## Summary Compensation Table

The following table sets forth information concerning the compensation of the Chief Executive Officer and the four other most highly compensated executive officers who served in such capacities as of August 2, 1996.

Name	Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation			Other Annual Comp.(2)
			Salary(1)	Bonus	Securities Underlying Options Granted	Restricted Stock Awards(1)		
Dan W. Evins	Chairman of the Board and Chief Executive Officer	1996	\$385,000	\$299,330	40,000	--	\$30,754	
		1995	385,000	661,495	40,000	--	28,541	
		1994	360,000	879,900	40,000	--	29,223	
Ronald N. Magruder	President and Chief Operating Officer	1996	344,697	217,694	285,000	\$656,000	1,740	
		1995	--	--	--	--	--	
		1994	--	--	--	--	--	
Reginald M. Mudd	Senior Vice President/ Corner Market	1996	210,000	97,962	25,000	--	7,266	
		1995	210,000	216,489	25,000	--	8,962	
		1994	165,083	222,014	25,000	--	8,753	
Michael A. Woodhouse	Senior Vice President/ Finance and Chief Financial Officer	1996	141,667	110,000	25,000	93,750	10,310	
		1995	--	--	--	--	--	
		1994	--	--	--	--	--	
Richard G. Parsons	Senior Vice President/ Merchandising	1996	155,000	48,204	12,000	--	7,522	
		1995	155,000	106,526	12,000	--	7,596	
		1994	134,000	131,021	12,000	--	8,506	

(1) On August 7, 1995, the effective date of Mr. Magruder's employment with the Company, he received a restricted stock award of thirty-two thousand (32,000) shares worth \$656,000 based on the value of the Company's Common Stock on July 5, 1995. The shares vest at a rate of 20% per annum, and based on the value of the Company's Common Stock at the end of fiscal 1996, were worth \$704,000. On December 11, 1995, the effective date of Mr. Woodhouse's employment with the Company, he received a restricted stock award of five thousand (5,000) shares worth \$93,750 based on the value of the Company's Common Stock on December 8, 1995. These shares vest at a rate of 20% per annum, and based on the value of the Company's Common Stock at the end of fiscal 1996, were worth \$110,000. No dividends will be paid on these restrictive shares until such time as the shares actually vest.

(2) Includes premiums paid on Life and Disability insurance for coverage above that is available to all salaried employees and the Company's contributions to 401(k) Employee Savings Plan.



## Options Granted During Fiscal Year Ended August 2, 1996

The following table sets forth all options to acquire shares of the Company's Common Stock granted to the named executive officers during the fiscal year ended August 2, 1996.

Individual Grants (1)						
Name	# Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price \$/Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
					5%	10%
Dan W. Evins	40,000	2.8%	\$19.125	12-07-05	\$ 481,104	\$1,219,213
Ronald N. Magruder	250,000 35,000	17.3% 2.4%	20.625 19.125	08-07-05 12-07-05	3,242,738 420,966	8,217,735 1,066,811
Reginald M. Mudd	25,000	1.7%	19.125	12-07-05	300,690	762,008
Michael A. Woodhouse	25,000	1.7%	18.750	12-11-05	294,794	747,067
Richard M. Parsons	12,000	0.8%	19.125	12-07-05	144,331	365,764

- (1) The exercise price of the options granted is equal to the closing market price of the Company's Common Stock on the day before the date of grant. Options are exercisable as to not more than one-third of the total number of shares under the option during each twelve-month period following one year from the date of grant for all options granted during the fiscal year ended August 2, 1996, except the option for 250,000 shares granted to Ronald N. Magruder on August 7, 1995, which is exercisable as to not more than one-third of the total number of shares under the option during each twelve-month period immediately following the date of the grant. To the extent any optionee does not exercise an option as to all shares for which the option was exercisable during any twelve-month period, the balance of the unexercised option shall accumulate and the option will be exercisable with respect to such shares. Options expire ten years from the date of the grant.
- (2) The potential realizable value amounts shown illustrate the values that might be realized upon exercise immediately prior to the expiration of the term of these options, using 5 percent and 10 percent appreciation rates, as required by the Securities and Exchange Commission, compounded annually. These values are not intended to forecast possible future appreciation, if any, of the Company's stock price. Additionally, these values do not take into consideration the provisions of the options providing for nontransferability, vesting over a period of years or termination of the options following termination of employment.

## Option Exercises and Fiscal Year End Values

There were no options exercised during the fiscal year ended August 2, 1996 by the named executive officers. The following table sets forth the number and value of unexercised options held by such executive officers at fiscal year end.

	Number of Unexercised Options at FY-End		Value of Unexercised In-the-Money Options at FY-End (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Dan W. Evins	216,667	53,333	\$ 485,000	\$115,000
Ronald N. Magruder	83,333	201,667	114,583	329,792
Reginald M. Mudd	167,667	33,333	1,407,750	71,875
Michael A. Woodhouse	0	25,000	0	81,250
Richard M. Parsons	180,780	16,000	2,076,226	34,500

(1) The last trade of the Company's Common Stock as reported by NASDAQ on August 2, 1996 was \$22.00 and was used in calculating the value of unexercised options.

## Executive Employment Agreements

An employment agreement has been granted to Dan W. Evins (Chairman of the Board and Chief Executive Officer) which, upon the occurrence of certain events, authorize a severance payment approximately equal to three times his annual salary rate in effect on the date of termination.

Under the agreement, Mr. Evins may terminate his employment and receive the three-year severance payment if there is a "change in control of the Company" (as defined in the Agreement), accompanied by: (1) a decrease in the Executive's base salary or bonus percentage; or (2) a reduction in the importance of the Executive's job responsibilities; or (3) a geographical relocation of the Executive without his consent. The three-year severance payment shall also be made to the Executive if the Company breaches the terms of the Agreement. Additionally, the Agreement describes the Executive's rights to compensation should his employment be terminated or suspended due to death, disability, poor performance or wrongful activities. Although not intended primarily as a standard employment contract, the Agreement does provide for payment to the Executive of a specified annual salary which shall not be decreased, and which may be increased from time to time. This agreement does not preclude the Executive from participating in any other Company benefit plans or arrangements.

Effective August 7, 1995, the Company employed Mr. Ron Magruder as its Chief Operating Officer. On the date he signed his offer of employment, July 5, 1995, he was awarded an option under the 1987 Stock Option Plan for two

hundred fifty thousand (250,000) shares of Company Common Stock at the market closing price on the previous day. These options vest at a rate of one-third each year and expire ten (10) years from the date of grant. Further, to make up for Mr. Magruder's lost interests in non-vested options in the stock of his former employer, the company provided him thirty-two thousand (32,000) shares of restricted Common Stock which vests at twenty percent (20%) each year. If Mr. Magruder's employment is involuntarily terminated for performance rather than for cause, the Company will provide him a severance package consisting of one year's base salary and estimated bonus, as well as six hundred thousand dollars (\$600,000), which decreases by twenty percent (20%) per year from the date of employment. Mr. Magruder was also provided with funds to pay for his relocation to Tennessee, which accrued in the amount of \$24,212 in fiscal 1996.

Effective December 11, 1995, the Company employed Mr. Michael Woodhouse as Senior Vice President of Finance and Chief Financial Officer. He was guaranteed a first year's minimum bonus of fifty percent (50%) of his two hundred twenty thousand (\$220,000) base salary. Any additional bonus available to him over that amount would assume his start date was the first day of the Company's fiscal year. Mr. Woodhouse was granted an option under the 1987 Stock Option Plan for twenty-five thousand (25,000) shares of Company Common Stock on his start date, with the option vesting at a rate of one-third each year following one year from the grant date and expiring ten (10) years after the date of grant. If Mr. Woodhouse is involuntarily terminated within his first year of employment for any reason other than misconduct, the Company will pay him severance equal to his annual base salary, to be paid at regular pay periods for one year. Further, to help make up Mr. Woodhouse's loss on non-vested options obtained from his former employer, the Company agreed to grant him five thousand (5,000) shares of restricted Common Stock which will vest at a rate of twenty percent (20%) per year. Additionally, the Company provided Mr. Woodhouse funds to pay for his relocation to Tennessee, which accrued in the amount of \$17,134 in fiscal 1996.

#### Stock Option Plans

On February 25, 1982, the Company's Board of Directors adopted an incentive stock option plan, which was subsequently approved by the shareholders of the Company on November 23, 1982. The 1982 Plan authorized the Stock Option Committee to issue options to certain key employees for 2,475,095 shares of the Company's Common Stock which were all granted prior to adoption of the 1987 Plan. In 1986, Congress adopted the Tax Reform Act of 1986, and in response to the 1986 Code amendments, the Company's Board of Directors voted to discontinue the 1982 Plan and adopt in its place the 1987 Stock Option Plan. The shareholders adopted the 1987 Plan at the 1987 annual meeting of shareholders.

The 1987 Plan, like the 1982 Plan is administered by the Stock Option Committee (the "Committee"). Members of the Committee are appointed by the Board and consist of members of the Board. The Committee is authorized to determine, at time periods within its discretion and subject to the direction of the Board, which key employees shall be granted options, the number of shares covered by the options granted to each, and within applicable limits, the terms and provisions relating to the exercise of such options.

The Committee is currently authorized to grant options to purchase an aggregate of 11,550,607 shares of the Company's Common Stock under the 1987 Plan. Options may be granted only to key executive personnel and other employees who hold responsible positions with the Company. The Committee may impose on the option, or the exercise thereof, such restrictions as it deems reasonable and which are within the restrictions authorized by the 1987 Plan.

The option price per share under the 1987 Plan must be at least 100% of the fair market value of a share of the Company's Common Stock on the day next preceding the day the option is granted and options must be exercised not later than ten years after the date on which granted.

During Fiscal 1996, the aggregate number of shares subject to options granted was 1,448,600 including 511,000 shares granted to the Company's executive officers as a group, including the individuals named in the Summary Compensation Table. These options were granted at various prices ranging from \$17.50 to \$20.625 per share. These options were granted pursuant to the 1987 Plan and are exercisable as to not more than one-third of the total number of shares under the option during each twelve-month period following one year from the date of the granting of the option except for the 250,000 shares granted to Mr. Magruder which are exercisable as to not more than one-third of the total number of shares under the option during each twelve-month period immediately following the date of the grant. To the extent, however, any optionee does not exercise an option as to all shares for which the option was exercisable during any twelve-month period, the balance of unexercised options shall accumulate and the option will be exercisable with respect to such shares. The aggregate number of shares exercised during Fiscal 1996 was 551,682, including 484,041 exercised by the Company's executive officers as a group. The net value of shares (market value less option exercise price) or cash realized upon exercise of options was \$6,402,584 in the aggregate, including \$5,899,070 relating to options exercised by the Company's executive officers as a group.

In 1989, the directors and shareholders of the Company adopted the 1989 Stock Option Plan for Non-Employee Directors (the "1989 Plan"). The total number of shares of Common Stock issuable upon the exercise of all options granted under the 1989 Plan will not exceed in the aggregate 1,518,750 shares. Under the 1989 Plan, all non-employee directors of the Company automatically receive an annual stock option grant for 25,312 shares of the Company's Common Stock. However, there are no more shares available to be granted due to the overall 1989 Plan limit.

1989 Plan stock options become exercisable six (6) months after the date of grant. The stock options are granted at an exercise price equal to the fair market value of the underlying stock on the date of grant and have no expiration date. Mr. Dale exercised 50,624 shares in Fiscal 1996 under the Plan. The net value from his options exercised (market value less option exercise price) was \$862,639.

#### Employee Savings Plans

401(k) Employee Savings Plan - The Company has an Employee Savings Plan (the "Plan") which provides for retirement benefits for employees. The Plan is qualified under Section 401(k) of the Internal Revenue Code. Generally, all employees of the Company who have completed one year of service with the Company, who have worked in excess of 1,000 hours with the Company and who have reached the age of twenty-one (21), are eligible to participate in the Plan. Eligible employees may elect to participate in the Plan as of the beginning of each calendar quarter. Each eligible employee who chooses to participate in the Plan may elect to have up to sixteen percent (16%) (not to exceed \$9,500 in calendar 1996) of their compensation contributed to the Plan. The Company matches twenty-five percent (25%) of employee contributions for each participant up to 6% of the employee's compensation. In addition to the above limits, employee contributions and the Company match for highly compensated participants are limited by a special annual nondiscrimination test imposed under Section 401(k) of the Internal Revenue Code. This test uses the percentages of compensation contributed by and matched for rank and file participants to limit the contributions of and Company match for highly compensated participants.

Participants in the Plan have a fully vested interest in their Plan contributions. A participant's interest in Company contributions begins to vest one (1) year from the date of employment and continues to vest at the rate of twenty percent (20%) per year until fully vested.

Generally participants may not withdraw either their contributions or their vested interest in Company matching contributions prior to retirement or termination of their employment with the Company. Limited hardship withdrawals are tightly controlled by the provisions of the Plan and the Internal Revenue Code.

Deferred Compensation Plan - Effective January 1, 1994, the Company's Board of Directors adopted a Deferred Compensation Plan to provide retirement and incidental benefits for certain executive employees and outside directors of the Company. At the beginning of each calendar year, participants in this plan may make an election to defer a portion of their compensation. Interest is credited to each participant's account quarterly at a rate equal to the ten-year Treasury Bill rate in effect as of the beginning of the quarter, plus 1.5%. The total interest credited to all participants' accounts during fiscal 1996 was \$29,318.

Non-Qualified Savings Plan - On December 21, 1995, the Company's Board of Directors adopted a Non-Qualified Savings Plan (the "Savings Plan") which became effective January 1, 1996. The Savings Plan is intended primarily to encourage savings on the part of a small group of management and highly compensated Company employees that typically receive refunds from the

Company's 401(k) Employee Savings Plan due to the special annual nondiscrimination test imposed under Section 401(k) of the Internal Revenue Code. In the discretion of the Company's Compensation Committee, other Company employees may participate in the Savings Plan as well. Fundamentally, the Savings Plan allows participants to annually defer from 1% to 50% of their salary and bonus. Employee contributions are placed in a Company Trust and invested in a selection of mutual funds. The Company may in its discretion match employee contributions for each participant up to 6% of the employee's salary and bonus. Currently there is no Company matching contribution. Employees are at all times fully vested in their savings contributions, but only become vested in any Company match in increments of 20% per year.

#### OTHER TRANSACTIONS AND RELATIONSHIPS

The Company leases its stores in Clarksville, Tennessee and Macon, Georgia from B. F. Lowery, a director of the Company. Under the terms of an August 1981 agreement, Mr. Lowery purchased the land, constructed the restaurant buildings and facilities to the Company's specifications and leased the stores to the Company for a fifteen-year term. The annual rental for the Macon store is the greater of (i) 12% of the total initial cost of the land, buildings and improvements or (ii) 5% of the total restaurant sales plus 3% of the gift shop sales. The annual rental for the Clarksville store is the greater of (i) 12% of the total initial cost of the land, building and improvements or (ii) 5% of the total restaurant sales plus 3% of the gift shop sales, provided the total of such percentages exceeds \$65,000. Taxes, insurance and maintenance are paid by the Company. The Company has options to extend the Clarksville and Macon leases for up to 20 years. During the fiscal year ended August 2, 1996, the Company paid a total of \$326,708 in lease payments to Mr. Lowery. During the fiscal year ended August 2, 1996, the Company also paid \$75,000 as a retainer to Mr. Lowery for corporate legal services.

The Company uses the services of Corporate Communications, Inc., a financial public relations firm in Nashville, Tennessee, of which Charles E. Jones, Jr., a director of the Company, is president and the major shareholder. During the past fiscal year, the Company paid \$24,000 to Corporate Communications for services and \$422,475 for reimbursement of direct expenses including preparation, distribution and design of the Company's annual report, proxy materials, and quarterly reports.

The foregoing transactions were negotiated by the Company on an arms-length basis, and management believes that such transactions are fair and reasonable and on terms no less favorable than those which could be obtained from unaffiliated parties.

PROPOSAL 2. APPROVAL AND ADOPTION OF AMENDMENTS TO  
AND A RESTATEMENT OF THE COMPANY'S  
1987 STOCK OPTION PLAN

AMENDED PLAN SUMMARY

The Company's existing 1987 Stock Option Plan (the "1987 Plan"), approved by the Company's shareholders on November 24, 1987, will expire on June 25, 1997. The Company's Board of Directors proposes that the 1987 Plan be amended and that it be retitled the Cracker Barrel Old Country Store, Inc. Amended and Restated Stock Option Plan (the "New Plan"). The Board of Directors approved the adoption of the New Plan on August 29, 1996. The primary changes embodied in the New Plan will be: (1) to allow flexibility to extend the duration of certain options under the New Plan; (2) to modify the option terms of certain retired, terminated, disabled or deceased optionees; (3) to make only non-qualified options available for grant under the New Plan; (4) to allow for the possibility of transferability and assignability of options under the New Plan; and (5) to ensure continued compliance with Section 16 of the Securities Exchange Act of 1934, particularly Rule 16b-3, in light of recent amendments to the rules promulgated by the Securities and Exchange Commission. With the exception of the aforementioned items, the New Plan will be substantially the same as the 1987 Plan. The following is a fuller description of the proposed revisions to the 1987 Plan. The full text of the New Plan as it is proposed for amendment and restatement is included in this Proxy Statement as Exhibit A, and this summary is qualified in its entirety by reference to Exhibit A.

All options previously granted to employees under the 1987 Plan which remain outstanding as of the adoption of the New Plan shall be subject to all terms and conditions of the New Plan. If the terms and conditions of any stock option agreements granted prior to the adoption of the New Plan are different from the New Plan, the terms and conditions contained in such option agreements shall remain effective. The total number of shares of the Company's Common Stock covered by the New Plan is 14,025,702 shares. Eligibility requirements remain unchanged under the New Plan and provisions contained in the 1987 Plan concerning acceleration of options upon certain capital adjustments or reorganizations and changes in company control will remain substantially unchanged.

Duration of Options: The 1987 Plan as now in effect also provides that each option agreement delivered to an optionee will specify the period for which an option is granted, but in no event may the option period exceed ten years. The New Plan allows the Stock Option Committee the discretion to determine the option period without limitation on the length of the period. Accordingly, options under the New Plan may be granted for periods in excess of ten years.

Termination, Disability, Death and Retirement: The New Plan contains certain new option terms, which will become effective if the Plan is adopted, pertaining to the exercise of options by optionees whose employment with the Company has terminated. With respect to the exercise of options upon the death or disability of an optionee, the 1987 Plan and the New Plan both provide that if an optionee dies while in the employ of the Company or within 90 days after termination of employment with the Company or a Subsidiary or such optionee become disabled, the option, to the extent exercisable, can be exercised for a period of one year after the date of death, but in no event later than the expiration date of the option. In the event of termination of employment for reasons other than death or disability, optionees under the 1987 Plan were permitted to exercise options, to the extent optionees were entitled to do so at the date of termination, for a period of 90 days after the date of termination, but in no event later than the option expiration date. The New Plan distinguishes between the termination of employment for Just Cause, as defined in the Plan, and otherwise. If termination of employment is not for Just Cause, the optionees' entitlement to exercise the option remains as set forth in the 1987 Plan, which allows the optionee 90 days to exercise all options such optionee was entitled to exercise at the date of termination. However, options granted pursuant to the New Plan are not subject to accelerated vesting. Termination of an optionee for Just Cause results in the immediate termination of such optionee's options. The Plan also adds a new term specifically providing for the exercise of option upon retirement from the Company. The 1987 Plan makes no specific provision for the exercise of options upon retirement. Under the New plan, "retirement" is defined to mean the termination by an employee of his or her employment relationship with the company once the employee reaches the age of 55 and has 7 or more years of tenure with the Company. Upon retirement, optionees have the right to exercise their options at any time during the remaining life of the option, to the extent they were entitled to do so at the date of the termination, but in no event later than the expiration date of the option.

Tax Consequences - Non-Qualified Options: At present, the 1987 Plan provides for the grant of either nonqualified options or incentive stock options (as those terms are defined for the purposes of the Internal Revenue Code of 1986, as amended) to employees at the discretion of the Stock Option Committee. All options granted under the New Plan will thus be nonqualified options for tax purposes. In this regard, gain taxable as ordinary income to the optionee is generally deemed to be recognized at the date of exercise of a nonqualified option with the amount of gain on each share being the difference between the market price on the date of exercise and the option price. This amount is generally treated as a tax deductible expense to the Company at the time of exercise. Any appreciation in the value of the stock after the date of exercise is considered as long or short-term capital gain, depending on the length of time the stock is held by the optionee prior to the time of its sale.

Transferability of Options: The transferability term of the options has been revised under the New Plan. Under the 1987 Plan, options are not assignable or transferable by the optionee, except by will or by the laws of descent and distribution; and during the lifetime of the optionee, an option may only be exercised by the holder of an option. The New Plan provides, in addition to the optionees' ability to transfer options by will or by descent



and distribution, that the Committee has the discretion to determine whether options may be assigned or transferred.

Exercise Price: The exercise price of all options granted under the Plan will continue to be 100% of fair market value of the Company's Common Stock on the date of grant. On September 30, 1996, the closing price of the Company's Common Stock as reported by NASDAQ was \$22.75 per share.

The following table provides information as to options granted by the Board of Directors pursuant to the Amended and Restated Stock Option Plan since its adoption on August 29, 1996 through the Company's record date of September 30, 1996. The dollar value is based on the closing price of the Company's Common Stock as reported by NASDAQ on September 30, 1996 of \$22.75 per share less the exercise price per share.

Amended and Restated Stock Option Plan

Name and Position	Total Dollar Value (1)	Total Number of Shares (2)
Dan E. Evins - Chairman and Chief Executive Officer	--	40,000
Ronald N. Magruder - President and Chief Operating Officer	--	35,000
Reginald M. Mudd - Senior Vice President/Corner Market	--	--
Michael A. Woodhouse - Senior Vice President/Finance and Chief Financial Officer	--	25,000
Richard G. Parsons - Senior Vice President/Merchandising	--	20,000
As of September 30, 1996 All Executive Officers as a Group (13 Persons)	--	232,000
All Employees Not Executive Officers as a Group (5,913 Persons)	--	1,057,900

(1) Total dollar value calculation assumes all options granted are 100% vested. Members of the Company's Board of Directors who are not employees of the Company are not eligible to receive option grants under this plan. These options have no value since the closing price on September 30, 1996 was lower than the exercise price.

(2) Options are exercisable as to not more than one-third of the total number of shares under the option during each twelve-month period following one year from the time of grant. Therefore, no shares are currently vested under these grants.

The proposal to approve and adopt the Cracker Barrel Old Country Store, Inc. Amended and Restated Stock Option Plan is contained in the following resolution which will be submitted to the shareholders for adoption at the

Annual Meeting in accordance with the requirements of the 1987 Plan, Nasdaq-NMS and Rule 16b-3 of the Securities and Exchange Commission:

RESOLVED, that the Cracker Barrel Old Country Store, Inc. 1987 Stock Option Plan be, and it hereby is, amended to be the Cracker Barrel Old Country Store, Inc. Amended and Restated Stock Option Plan and to further read in its entirety as set forth in Exhibit A to the Proxy Statement relating to this Annual Meeting on Shareholders.

For adoption of this proposal, the votes cast favoring the proposal must exceed the votes cast opposing it. The Board of Directors recommends that shareholders vote "FOR" the proposal. Proxies, unless indicated to the contrary, will be voted "FOR" the proposal.

#### PROPOSAL 3. APPROVAL OF APPOINTMENT OF AUDITORS

The Board of Directors has appointed Deloitte & Touche LLP as independent auditors of the Company for the 1997 fiscal year, subject to shareholder approval. Deloitte & Touche LLP have served as the Company's independent auditors since the fiscal year ended July 31, 1973. A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting with the opportunity to make a statement, if such representative so desires, and will be available to respond to appropriate questions.

For adoption of this proposal, the votes cast favoring the proposal must exceed the votes cast opposing it. The Board of Directors recommends that shareholders vote "FOR" the proposal. Proxies, unless indicated to the contrary, will be voted "FOR" the proposal.

#### PROPOSAL 4. SHAREHOLDER PROPOSAL

The Sisters of Mercy Consolidated Asset Management Program, 20 Washington Square North, New York, NY, has stated that it is the beneficial owner of 2,000 shares of the Common Stock of the Company, The New York City Employees' Retirement System, Office of Comptroller, Municipal Building, New York, NY, has stated that it is the beneficial owner of 1,000 shares of the Common Stock of the Company, and The First Unitarian Universalist Church of Ann Arbor, 1917 Washtenaw, Ann Arbor, MI, has stated that it is the beneficial owner of 150 shares of the Common Stock of the Company, and has informed the Company that it intends to present the following proposal at the meeting:

WHEREAS, recruitment of employees from the widest possible talent pool available can help promote efficiency in corporate operations,

WHEREAS, hiring policies based on non-job related criteria can lead to less efficient operations, and

WHEREAS, lower efficiency in corporate operations can in turn lead to a loss in shareholder value,

RESOLVED, that Shareholders hereby request that the compensation and stock option committees in determining levels of executive compensation, consider corporate progress toward developing management policies to recruit workers from the broadest possible talent pool, without regard to race, color, creed, gender, age, or sexual orientation.

For adoption of this proposal, the votes cast favoring it must exceed the votes cast opposing it. The Board of Directors recommends a vote "AGAINST" this proposal for the reasons cited below. Proxies, unless indicated to the contrary, will be voted "AGAINST" the proposal.

#### The Company's Position

The Company's compensation policies for its executive officers are administered by two committees of the Board of Directors - the Compensation Committee and the Stock Option Committee. To help ensure impartiality, the members of these committees are outside, non-employee directors. In addition, a survey prepared by Alexander and Alexander, Inc. is used to review the Company's executive salaries and bonuses in relation to those of other selected companies in the restaurant and food service industry. The Board of Directors believes that these means of setting executive compensation address overall job performance and serve to enhance company profitability and shareholder value. While an executive's ability to recruit the most capable workers, from whatever sector of society, is certainly an asset which may be considered in the compensation evaluation process, the Board does not feel that social issues should be specifically singled out for separate consideration in setting executive compensation.

The Board of Directors for these reasons, recommends a vote "AGAINST" this shareholder proposal.

#### PROPOSAL 5. SHAREHOLDER PROPOSAL

Mr. Carl R. Owens, P.O. Box 8233, Atlanta, Georgia, states that he is the owner of at least \$1,000 worth of the Common Stock of the Company, and has informed the Company that he intends to present the following proposal at the meeting:

Whereas, Cracker Barrel Old Country Store, Inc., has been involved in serious controversy over the last four years relating to its policies towards gay men and lesbians and

Whereas, this controversy has led to negative publicity, boycotts, demonstrations, and legal actions, and

Whereas, the Company stated in legal papers that aspects of this controversy have caused "substantial damages" to the Company,

Therefore, be it resolved that the shareholders request that the Board appoint a committee to ascertain the costs to the Company caused by this continuing controversy, and that a report on that cost be prepared and made

available to shareholders no later than June 1, 1997. This report shall be prepared at a reasonable cost and should contain no proprietary information.

#### Supporting Statement

The continuing dispute over the Company's policies towards the gay and lesbian communities is a serious distraction and drains on management time. We feel that the time has come for the Board to thoroughly re-examine the Company's policies in this area with a view towards change leading to the protection of human rights for all. Please vote your proxy FOR these concerns.

For adoption of this proposal, the votes cast favoring it must exceed the votes cast opposing it. The Board of Directors recommends a vote "AGAINST" this proposal for the reasons cited below. Proxies, unless indicated to the contrary, will be voted "AGAINST" the proposal.

#### The Company's Position

In each of the past three years, Mr. Owens has submitted a proposal requesting that the Board of Directors of the Company reflect the races, genders and sexual orientations of the Stockholders of the Company. His proposals have been soundly defeated each year.

This year Mr. Owens' proposal again requests that a committee of the Company's Board of Directors prepare a report ascertaining costs associated with the Company's alleged "continuing controversy" concerning gay and lesbian issues. The events surrounding the "continuing controversy" to which Mr. Owens apparently refers, happened in January 1991. As Cracker Barrel has publicly stated on many occasions, it is an equal opportunity employer, and it adheres to the letter and spirit of the law regarding non-discrimination in the workplace.

Your management is convinced that Mr. Owens is more interested in gay and lesbian concerns as social issues than in any economic effect his concerns may have on your Company, and that he is using the Company's proxy as a forum to promote his ideas.

The Board of Director's believes that Mr. Owens' proposal itself would create unnecessary expense for the Company and that neither management nor stockholders would gain any meaningful information from the preparation of the report he proposes. Thus, the Board of Directors believes no further consideration of Mr. Owens' proposal is warranted.

The Board of Directors, for these reasons, recommends a vote "AGAINST" this shareholder proposal.

## PROPOSALS OF SHAREHOLDERS

Shareholders intending to submit proposals for presentation at the 1997 Annual Meeting of Shareholders of the Company and inclusion in the Proxy Statement and form of proxy for such meeting should forward their proposals to Dan W. Evins, Chief Executive Officer, Cracker Barrel Old Country Store, Inc., P.O. Box 787, Hartmann Drive, Lebanon, Tennessee 37088-0787. Proposals must be in writing and must be received by the Company prior to June 27, 1997. Proposals should be sent to the Company by certified mail, return receipt requested.

## ANNUAL REPORT AND FINANCIAL INFORMATION

A copy of the Company's Annual Report to Shareholders for fiscal 1996 is being mailed to each shareholder herewith. A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K AND A LIST OF ALL EXHIBITS THERETO WILL BE SUPPLIED WITHOUT CHARGE TO ANY SHAREHOLDER UPON WRITTEN REQUEST TO THE COMPANY, ATTENTION: CORPORATE SECRETARY, AT THE COMPANY'S PRINCIPAL EXECUTIVE OFFICES, 305 HARTMANN DRIVE, LEBANON, TENNESSEE 37087. EXHIBITS TO THE FORM 10-K ARE AVAILABLE FOR A REASONABLE FEE.

## EXHIBIT "A"

## CRACKER BARREL OLD COUNTRY STORE, INC.

## AMENDED AND RESTATED STOCK OPTION PLAN

1. Name and Purpose. The purpose of this Plan, which shall be known as the "Cracker Barrel Old Country Store, Inc. Amended and Restated Stock Option Plan" is to amend and restate the Cracker Barrel Old Country Store, Inc. 1987 Stock Option Plan to bring that plan and all options heretofore granted or hereafter granted into full compliance with the conditions set forth in Regulation Section 240.16b-3 of the rules promulgated under the Securities Exchange Act of 1934 as amended effective August 15, 1996 and to provide a means whereby Cracker Barrel Old Country Store, Inc. (the "Company") may, through the grant of Options to purchase Common Stock of the Company and of any Subsidiary, attract and retain qualified individuals (including officers and directors who are also employees) and motivate such employees to exert their best efforts on behalf of the Company and any Subsidiary.

2. Definitions. For purposes of this Plan, the following terms when capitalized shall have the meaning designated herein unless a different meaning is plainly required by the context. Where applicable, the masculine pronoun shall mean or include the feminine and the singular shall include the plural:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Common Stock" shall mean Common Stock of the Company having a par value of 50/100 (\$.50) dollars.

(c) "Disability" shall mean disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code.

(d) "Effective Date" shall mean the date on which this Plan, in its present form, shall become effective, as provided in Paragraph 16 below.

(e) "Fair Market Value" of the Common Stock of the Company shall be the last reported sale price of such Common Stock as reported by The Nasdaq National Market ("Nasdaq") on the day preceding the day of the grant of the Option, and if such date is not a trading day, then the last reported sale price of the last trading day immediately preceding the day of the grant of the Option.

(f) "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Option" shall mean a stock option granted pursuant to the Plan.

(h) "Optionee" shall mean any employee who receives Options granted under this Plan as well as the holder of any Options granted under this Plan prior to the Effective Date.

(i) "Parent" shall mean a parent corporation as defined in Section 425(e) and (g) of the Internal Revenue Code.

(j) "Plan" shall mean the Cracker Barrel Old Country Store, Inc. Amended and Restated Stock Option Plan.

(k) "Retirement" shall mean an employee who terminates his employment relationship with the Company at such time when such employee's age is at least 55 years, and the employee has 7 years tenure with the Company or longer. Retirement specifically excludes severance agreements with the Company or termination for Just Cause.

(l) "Shareholders" shall mean the holders of the outstanding shares of the Company's Common Stock.

(m) "Subsidiary" shall mean an affiliated employer during any period that 50% or more of its common stock or, in the case of a partnership, 50% or more of the capital interest thereof is owned directly or indirectly by the Company or during any period that it is a member with the Company in a controlled group of corporations or is otherwise under common control with the Company within the meaning of Section 414(b) and (c) of the Internal Revenue Code.

(n) "Just Cause" shall mean matters which, in the judgment of the Committee, constitute any one or more of the following:

(i) Intoxication while on duty.

(ii) Theft or dishonesty in the conduct of the Company's business.

(iii) Willful neglect or negligence in the management of the Company's business.

(iv) Conviction of a crime involving moral turpitude.

### 3. Administration.

(a) The Plan shall be administered by a committee (the "Committee") appointed by the Board of Directors of the Company (the "Board"). The Committee shall consist of two or more non-employee directors. Eligibility requirements for members of the Committee shall comply with Rule 16(b)-3 promulgated pursuant to the Securities Exchange Act of 1934, as amended, or any successor rule or regulation. No person, other than members of the Committee, shall have any discretion concerning decisions regarding the Plan.

(b) The Company shall grant to employees chosen by the Committee to participate in the Plan Options under, and in accordance with, the provisions of the Plan. Each Option granted shall be evidenced by a stock option agreement in such form and containing such provisions not inconsistent with this Plan.

(c) Without limiting the generality of the foregoing, the Committee shall have full and final authority in its discretion to interpret provisions of the Plan, to determine from time to time the individuals in the eligible group to whom the Options shall be granted and the number of shares to be covered by each proposed Option; to determine the purchase price of the shares covered by each Option and the time or times at which Options shall be granted; to interpret the Plan; to make, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the instruments by which Options shall be evidenced; and to make all other determinations necessary or advisable for the administration of the Plan.

4. Eligibility. The persons eligible to participate in the Plan as recipients of Options shall include the employees of the Company or of any Subsidiary of the Company (hereinafter called "employees") The word "employees" does not include Directors of the Company as such, but does include Directors of the Company who are otherwise employed by the Company. Nothing contained in this Plan, nor in any Option granted pursuant to the Plan, shall confer upon any employee any right to continue in the employ of the Company or any Subsidiary nor limit in any way the right of the Company or any Subsidiary to terminate his employment at any time.

## 5. Shares Subject to the Plan.

(a) The shares to be granted and delivered by the Company upon exercise of options granted under this Plan are shares of Common Stock, which may be either authorized but unissued shares or treasury shares, in the discretion of the Committee.

(b) The aggregate number of shares of the Common Stock which may be granted under this Plan shall not exceed 14,025,702 shares; subject, however, to the adjustment provided in Paragraph 9 hereof in the event of stock splits, stock dividends, exchanges of shares, or the like occurring after the Effective Date. No stock option may be granted under this Plan which could cause such maximum limit to be exceeded.

(c) Shares covered by an option which is no longer exercisable with respect to such shares shall again be available for grant of Options under this Plan.

6. Terms of Options. The Options granted under this Plan shall contain the following terms and conditions:

(a) Option Price. The Option price per share of Common Stock shall be equal to the Fair Market Value of the Company's Common Stock on the date of the issuance of such Option.

(b) Time and Issuance of Options. From time to time the Committee shall select from among those who are then eligible, the individuals to whom Options shall be granted and shall determine the number of shares to be covered by each Option. Each individual thus selected shall, at such time as the Committee shall determine, be granted an Option with respect to the number of shares of Common Stock thus determined. The recommendation or selection of an employee as a participant in any grant of Options under the Plan shall not be deemed to entitle the employee to such Option prior to the time when it shall be granted by the Committee; and the granting of any Option under the Plan shall not be deemed either to entitle such employee to, or to disqualify such employee from, any participation in any other grant of Options under the Plan. In making any determination as to individuals to whom Options shall be granted and as to the number of shares to be covered by such Options, the Committee shall take into account the duties of the respective individuals, their present and potential contributions to the success of the Company, and such other factors as the Committee shall deem relevant in accomplishing the purposes of the Plan.

(c) Period Within Which Option May be Exercised. Each Option granted under the Plan shall specify the period for which the Option thereunder is granted and shall provide that the Option shall expire at the end of such period.

(d) Transferability. The Committee shall determine whether Options granted under this Plan may be assigned or transferred by the Optionee and, if an option is transferable, the Committee shall be authorized to restrict transferability to certain persons or classes of persons. In the event of death of an Optionee, Options shall be transferable by will or by the laws of descent and distribution.

(e) Amendment of the Option. Material amendments to an outstanding Option require approval by the Committee and must be agreed upon by the Optionee.

(f) Termination of Service. In the event an Optionee's employment with the Company is terminated, then the Optionee shall have the following time periods within which to exercise unexercised options or portions thereof held by such Optionee in the following described circumstances:

(i) Exercise in the Event of Death or Disability. If an Optionee shall die (i) while an employee of the Company or of a Subsidiary or (ii) within 90 days after termination of his employment with the Company or a Subsidiary, other than for termination for Just Cause, his Option may be exercised, to the extent that the Optionee shall have been entitled to do so



at the date of his termination of employment, by the person or persons to whom the Optionee's rights under the Option pass by will or applicable law, or if no such person has such right, by his executors or administrators, at any time, or from time to time, for a period of one year after the date of the Optionee's death, but in no event later than the expiration date. In the event an Optionee's employment with the Company is terminated as a result of Disability, the Optionee may exercise options, to the extent the Optionee was entitled to do so at the date of his termination of employment for a period of one year, but in no event later than the expiration date of the Option.

(ii) Exercise in the Event of Termination of Employment. If an Optionee's employment by the Company or a Subsidiary shall terminate for any reason other than Disability, Retirement, death or Just Cause, he may exercise his Option, to the extent that he may be entitled to do so at the date of the termination of his employment, at any time, or from time to time, for a period of 90 days after the date of termination, but in no event later than the expiration date of the Option. Whether authorized leave of absence for military or governmental service shall constitute termination of employment for purposes of this Plan shall be determined by the Committee. In the event an Optionee's employment with the Company or any Subsidiary is terminated for Just Cause, the Option shall be terminated as of the date of the employee's termination and will no longer be exercisable.

(iii) Exercise in the Event of Retirement. If an Optionee ceases to be an employee by reason of Retirement, the former employee may exercise Options, to the extent the Optionee was entitled to do so at the date of termination at any time during the remaining life of the Option, but in no event later than the expiration date of the Option.

(g) Rights as a Shareholder. The Optionee shall have no rights as a shareholder with respect to any shares covered by his Option until the issuance of a stock certificate to him for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of such stock certificate, except as provided in Section 9.

(h) Partial Exercise. Unless otherwise provided in the option agreement, any exercise of an Option granted under this Plan may be made in whole or in part.

7. Exercise of Options. The Committee expressly reserves the right to determine the manner in which Options may be exercised pursuant to this Plan. The Committee, in its discretion, may determine the manner of exercising Options as of the date of the Option grant and inform Optionees in the written agreement required under this Plan. The manner of exercising Options may vary from grant to grant, within the discretion of the Committee.

An Option granted under this Plan may be exercised by written notice to the Company, signed by the Optionee, or by such other person as is entitled to exercise such Option. The notice of exercise shall be delivered to the Company at its principal office, shall state the number of shares with respect to which the Option is being exercised, and shall be accompanied by payment in full of the Option price for such shares in cash or certified check to the Company. Upon the exercise of an Option and full payment thereof, the Company shall deliver or cause to be delivered, as soon as practicable, to the Optionee exercising his Option a certificate or certificates for the number of shares of stock with respect to which the Option is so exercised. The shares of stock shall be registered in the name of the exercising Optionee or in such name jointly with him as he may direct in the written notice of exercise referred to in this paragraph. It shall be a condition to the obligation of the Company to issue or transfer shares of stock upon exercise of an Option by delivery of shares that the Optionee pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold Federal, state or local income or other taxes incurred by reason of the exercise of such Option or the transfer of shares thereupon. If the amount requested is not paid, the Company may refuse to issue or transfer shares of stock upon exercise of the Option. All shares purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

8. Previously Granted Options. As of the Effective Date, Options to purchase a total of 9,871,529 shares have been granted to approximately 5,700 employees and directors hereunder. Such Options shall remain outstanding and

effective after the Effective Date and shall be subject to all terms and conditions of this Plan as herein amended and restated with respect to such outstanding Options and such terms and conditions as may be set forth in the relevant stock option agreements. If the terms and conditions of any stock option agreements granted prior to the Effective Date are different from this Plan, the terms and conditions contained in such option agreements shall remain effective. Hereafter, the Plan and the relevant stock option agreements granted hereunder shall govern all option grants.

9. Adjustments to Reflect Capital Changes. The following adjustments shall be made to reflect changes in the capitalization of the Company:

(a) Recapitalization. The number and kind of shares subject to outstanding Options, the exercise price for such shares, and the number and kind of shares available for Options subsequently granted under the Plan shall be appropriately adjusted to reflect any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other change in capitalization with a similar substantive effect upon the Plan or the Options outstanding under the Plan. The Committee shall have the power to determine the amount of the adjustment to be made in each case.

(b) Certain Reorganizations. After any reorganization, merger or consolidation in which the Company is not the surviving corporation, each Optionee shall, at no additional cost, be entitled to exercise all of his Options, whether vested or not, and upon any exercise of an Option to receive (subject to any required action by shareholders), in lieu of the number of shares of the Common Stock exercisable pursuant to such Option, the number and class of shares of stock or other securities to which such Optionee would have been entitled pursuant to the terms of the reorganization, merger or consolidation had such Optionee been the holder of record of a number of shares of stock equal to the total number of shares covered by such Option. Comparable rights shall accrue to each Optionee in the event of successive reorganizations, mergers or consolidations of the character described above.

(c) Acceleration. In the event of change of control as defined herein, any outstanding Options shall be immediately exercisable (without regard to any limitation imposed by the Plan or the Board at the time the Option was granted, which permits all or any part of the Option to be exercised only after the lapse of time), and will remain exercisable until the expiration date of the Options.

(i) A "change of control" shall be deemed to have occurred if:

(1) without prior approval of the Board, any "person" becomes a 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 securities; or

(2) without prior approval of the Board, as a result of, or in connection with, or within two years following, a tender or exchange offer for the voting stock of the Company, a merger or other business combination to which the Company is a party, the sale or other disposition of all or substantially all of the assets of the Company, a reorganization of the Company, or a proxy contest in connection with the election of members of the Board, the persons who were directors of the Company immediately prior to any of such transactions cease to constitute a majority of the Board or of the board of directors of any successor to the Company (except for resignations due to death, Disability or normal Retirement).

(ii) A person shall be deemed the "beneficial owner" of any securities:

(1) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or

(2) which such person or any of its Affiliates or Associates has, directly or indirectly, (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or

(3) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any securities.

(iii) A "person" shall mean any individual, firm, company, partnership, other entity or group.

(iv) The terms "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect on the date the Plan is approved by the shareholders of the Company and becomes effective.

10. Amendment and Termination of Plan. The Board may from time to time, with respect to any Common Stock on which Options have not been granted, suspend or discontinue the Plan or amend it in any respect whatsoever.

This Plan is intended to comply with all applicable requirements of Rule 16b-3 or its successors under the 1934 Act, insofar as participants subject to Section 16 of that Act are concerned. To the extent any provision of the Plan does not so comply, the provision shall, to the extent permitted by law and deemed advisable by the Committee, be deemed null and void with respect to such participants.

11. Indemnification of Committee. In addition to such other rights of indemnification as they may have as members of the Board or as members of the Committee, the members of the Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan, or any Option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon finding of bad faith. Upon the institution of any such action, suit or proceeding, a Committee member shall notify the Company in writing, giving the Company an opportunity, at its own expense, to handle and defend the same before such Committee member undertakes to handle it on his own behalf.

12. Right to Receive Options. Neither the adoption of the Plan nor any action of the Committee shall be deemed to give any person any right to be granted an Option, or any other right hereunder, unless and until the Committee shall have granted such person an Option, and then his rights shall be only such as are prescribed in the instrument evidencing such Option.

13. Company Responsibility. All expenses of this Plan, including the cost of maintaining records, shall be borne by the Company. The Company shall have no responsibility or liability (other than under applicable securities laws) for any act or thing done or left undone with respect to the

price, time, quantity, or other conditions and circumstances of the purchase of shares under the terms of the Plan, so long as the Company acts in good faith.

14. Securities Laws. The Board shall take all necessary or appropriate actions to ensure that all option issuances and all exercises thereof under this Plan are in full compliance with all Federal and state securities laws.

15. No Obligation to Exercise Option. The granting of an Option shall impose no obligation upon the Optionee to exercise such option.

16. Ratification of Shareholders. The Effective Date of the Plan shall be the date this Plan is adopted by the Board, subject to the subsequent ratification of the Board's adoption of this Plan by the vote of the holders of a majority of the outstanding shares of Common Stock of the Company at a meeting of such shareholders held within 12 months after such Effective Date.

## CRACKER BARREL OLD COUNTRY STORE, INC.

Proxy solicited by and on behalf of the Board of Directors for the Annual Meeting of Shareholders to be held on Tuesday, November 26, 1996.

The undersigned hereby appoints Dan W. Evins and Michael J. Zylstra and each of them, as proxies, with full power of substitution, to vote all shares of the undersigned as shown below on this proxy at the Annual Meeting of Shareholders of Cracker Barrel Old Country Store, Inc. to be held at the Company's offices located on Hartmann Drive, Lebanon, Tennessee, on Tuesday, November 26, 1996, at 10:00 a.m., local time, and any adjournment thereof.

Your shares will be voted in accordance with your instructions. If no choice is specified, shares will be voted FOR the nominees in the election of directors, FOR the proposed amendment to the Company's 1987 Stock Option Plan, FOR the selection of Deloitte & Touche LLP, AGAINST the linking of executive compensation to social issues and AGAINST the report on costs related to gay and lesbian issues.

(Please date and sign this proxy on the reverse side.)

Unless you attend and vote in person, you MUST sign and return your proxy in order to have your shares voted at the meeting.

Please mark your votes as indicated in this example. \X\

The Board of Directors recommends a vote "FOR" proposals (1), (2) and (3).

(1) ELECTION OF DIRECTORS:

\ \ FOR all nominees listed (except as indicated to the contrary below)

\ \ WITHHOLD AUTHORITY (ABSTAIN) to vote for all nominees listed

NOMINEES: J. Bradshaw, R. Dale, D.W. Evins, E. W. Evins, W. Heydel, R. Hilton, C. Jones, Jr., C. Lowe, Jr., B. Lowery, R. Magruder, G. Miller, M. Mitchell, and J. White

(Instruction: To WITHHOLD AUTHORITY (ABSTAIN) to vote for any nominee, print that nominee's name in the space provided below.)

(2) To consider and vote upon the adoption of the Cracker Barrel Old Country Store Amended and Restated Stock Option Plan, to replace the Company's 1987 Stock Option Plan which will expire on June 25, 1997.

\ \ FOR            \ \ AGAINST            \ \ ABSTAIN

(3) To approve the selection of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year 1997.

\ \ FOR            \ \ AGAINST            \ \ ABSTAIN

The Board of Directors recommends a vote "AGAINST" proposals (4) and (5).

(4) To vote on a shareholder proposal requesting that the Compensation and Stock Option committees link executive compensation to social issues.

\ \ FOR            \ \ AGAINST            \ \ ABSTAIN

(5) To vote on a shareholder proposal requesting that the Board of Directors prepare a report ascertaining the costs incurred by the Company due to the alleged "continuing controversy" regarding its policies toward gay men and lesbians.

\ \ FOR            \ \ AGAINST            \ \ ABSTAIN

(6) In their discretion, to transact such other business as may properly be brought before the meeting or any adjournment thereof.

Date \_\_\_\_\_ , 1996.

PLEASE SIGN HERE AND RETURN PROMPTLY

Please sign exactly as your name appears at left. If registered in the names of two or more persons, each should sign. Executors, administrators, trustees, guardians, attorneys, and corporate officers should show their full titles.

If you have changed your address, please PRINT your new address on this line.



INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-86602, 33-15775, 33-37567 and 33-45482 of Cracker Barrel Old Country Store, Inc. on Forms S-8 and Registration Statement No. 33-59582 on Form S-3 of our report dated September 11, 1996, incorporated by reference in the Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc. for the year ended August 2, 1996.

Deloitte & Touche LLP  
Nashville, Tennessee

October 25, 1996



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENT OF CRACKER BARREL FOR THE YEAR ENDED AUGUST 2, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

YEAR		
	AUG-2-1996	
	JUL-29-1995	
	AUG-2-1996	28,971
		4,735
		2,803
		0
		61,470
	106,436	692,243
		123,670
		676,379
	83,147	
		15,500
	0	
		0
		30,297
		535,924
676,379		
		943,287
	943,287	
		324,905
		467,057
	50,627	
		0
	369	
	102,380	
		38,865
63,515		
		0
		0
		0
		63,515
		1.04
		1.04