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

FORM 10-K

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

(Mark One)
[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended July 31, 2009

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______________ to ______________

Commission file number
000-25225

Cracker Barrel Old Country Store, Inc.

(Exact name of registrant as specified in its charter)

Tennessee (State or other jurisdiction of incorporation or organization)	62-1749513 (I.R.S. Employer Identification Number)
305 Hartmann Drive, P.O. Box 787 Lebanon, Tennessee (Address of principal executive offices)	37088-0787 (Zip code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock (Par Value $.01)	NASDAQ Global Market
Common Stock Purchase Rights (No Par Value)	NASDAQ Global Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☐	Accelerated filer ☑
Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☑

The aggregate market value of voting stock held by nonaffiliates of the registrant, by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter which ended January 30, 2009, was $400,087,137. For purposes of this computation, all directors, executive officers and 10% beneficial owners of the registrant are assumed to be affiliates. This assumption is not a conclusive determination for purposes other than this calculation.

As of September 22, 2009, there were 22,765,153 shares of common stock outstanding.

Documents Incorporated by Reference

Document from which Portions are Incorporated by Reference		Part of Form 10-K into which incorporated
1.	Annual Report to Shareholders for the fiscal year ended July 31, 2009, portions of which are filed as Exhibit 13 to this Annual Report on Form 10-K (the “2009 Annual Report”)	Part 1, Item 3; Part II
2.	Proxy Statement for Annual Meeting of Shareholders to be held December 2, 2009 (the “2009 Proxy Statement”)	Part III

PART I

INTRODUCTION

General

This report contains references to years 2009, 2008, 2007, 2006 and 2005, which represent fiscal years ended July 31, 2009, August 1, 2008, August 3, 2007, July 28, 2006 and July 29, 2005, respectively. All of the discussion in this report should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto. All amounts other than share and certain statistical information (e.g., number of stores) are in thousands unless the context clearly indicates otherwise. References to a year or quarter are to our fiscal year or quarter unless otherwise noted.

Forward Looking Statements/Risk Factors

Except for specific historical information, many of the matters discussed in this Annual Report on Form 10-K, as well as other documents incorporated herein by reference may express or imply projections of revenues or expenditures, plans and objectives for future operations, growth or initiatives, expected future economic performance or the expected outcome or impact of pending or threatened litigation. These and similar statements regarding events or results that Cracker Barrel Old Country Store, Inc. (the “Company”) expects will or may occur in the future, are forward-looking statements that involve risks, uncertainties and other factors which may cause our actual results and performance to differ materially from those expressed or implied by those statements. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these risks, uncertainties and other factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “trends,” “assumptions,” “target,” “guidance,” “outlook,” “opportunity,” “future,” “plans,” “goals,” “objectives,” “expectations,” “near-term,” “long-term,” “projection,” “may,” “will,” “would,” “could,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “potential,” “regular,” “should,” “projects,” “forecasts” or “continue” (or the negative or other derivatives of each of these terms) or similar terminology. We believe the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in or implied by the forward-looking statements. Factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to, those listed in Part I, Item 1A of this report below, all of which are incorporated herein by reference, as well as other factors discussed throughout this report, including, without limitation, the factors described under “Critical Accounting Estimates” in that portion of the 2009 Annual Report that is incorporated by reference into Part II, Item 7 below or, from time to time, in our filings with the Securities and Exchange Commission (“SEC”), press releases and other communications.

Readers are cautioned not to place undue reliance on forward-looking statements made in this report, since the statements speak only as of the report’s date. We have no obligation, and do not intend, to publicly update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any future public disclosures that we may make on subjects related to those discussed in this report.

ITEM 1. BUSINESS

OVERVIEW

Cracker Barrel Old Country Store, Inc. (“we,” “us,” “our” or the "Company," which reference, unless the context requires otherwise, also includes our direct and indirect wholly-owned subsidiaries), is headquartered in Lebanon, Tennessee. We are principally engaged in the operation and development of the Cracker Barrel Old Country Store® restaurant and retail concept (“Cracker Barrel”). We were organized under the laws of the state of Tennessee in August 1998 (as a successor to one of our affiliated companies) and maintain an Internet website at crackerbarrel.com. Effective December 8, 2008, the Company changed its name from “CBRL Group, Inc.” to “Cracker Barrel Old Country Store, Inc.” We make available free of charge on or through our Internet website our periodic and other reports filed or furnished to the SEC pursuant to the Securities and Exchange Act of 1934 (the “Exchange Act”) as soon as reasonably practicable after we file such material with, or furnish it to, the SEC.

OPERATIONS

As of September 22, 2009, we operated 591 full-service restaurants and gift shops in 41 states. Our stores are intended to appeal to both the traveler and the local customer and consistently have been a consumer favorite. During 2009, for the 19th consecutive year, Cracker Barrel was named the “Best Family Dining Restaurant” in the Restaurants & Institutions magazine “Choice in Chains” annual consumer survey. For the 8th consecutive year, Cracker Barrel was named “The Most RV Friendly Sit-Down Restaurant in America” by The Good Sam Club.

Store Format: The format of our stores consists of a trademarked rustic, old country-store design with a separate retail area offering a wide variety of decorative and functional items featuring rocking chairs, holiday and seasonal gifts and toys, apparel, cookware and foods, including various old fashioned candies and jellies. All stores are freestanding buildings. Store interiors are subdivided into a dining room consisting of approximately 27% of the total interior store space, and a retail shop consisting of approximately 22% of such space, with the balance primarily consisting of kitchen, storage and training areas. All stores have stone fireplaces. All are decorated with antique-style furnishings and other authentic and nostalgic items, reminiscent of and similar to those found and sold in the past in traditional old country stores. The front porch of each store features rows of the signature Cracker Barrel rocking chairs that can be used by guests waiting for a table and are sold by the retail shop. The kitchens contain modern food preparation and storage equipment allowing for flexibility in menu variety and development.

Products: Our restaurant operations, which generated approximately 79% of our total revenue in 2009, offer home-style country cooking featuring our own recipes that emphasize authenticity and quality. Except for Christmas day, when they are closed, and Christmas Eve when they close at 2:00 p.m., Cracker Barrel restaurants serve breakfast, lunch and dinner daily between the hours of 6:00 a.m. and 10:00 p.m. (closing at 11:00 p.m. on Fridays and Saturdays). Menu items are moderately priced. The restaurants do not serve alcoholic beverages. Breakfast items can be ordered at any time throughout the day and include juices, eggs, pancakes, bacon, country ham, sausage, grits, and a variety of biscuit specialties, such as gravy and biscuits and country ham and biscuits. Prices for a breakfast meal range from $2.89 to $8.99, and the breakfast day-part (until 11:00 a.m.) accounted for approximately 23% of restaurant sales in 2009. Lunch and dinner items include country ham, chicken and dumplings, chicken fried chicken, meatloaf, country fried steak, pork chops, fish, steak, roast beef, vegetable plates, salads, sandwiches, soups and specialty items such as pinto beans and turnip greens. Lunches and dinners range in price from $3.99 to $12.99. Lunch (11:00 a.m. to 4:00 p.m.) and dinner (4:00 p.m. to close) day-parts reflected approximately 38% and 39% of restaurant sales, respectively, in 2009. We may from time to time feature new items as off-menu specials or in test menus at certain locations to evaluate possible ways to enhance customer interest and identify potential future additions to the menu. Our menu has daily dinner features that showcase a popular dinner entrée for each day of the week. There is some variation in menu pricing and content in different regions of the country for both breakfast and lunch/dinner. The average check per guest for 2009 was $8.84, which represents a 2.9% increase over the prior year.

We also offer items for sale in the retail store that are also featured on, or related to, the restaurant menu, such as pies, cornbread, coffee, syrups and pancake mixes. The retail operations, which generated approximately 21% of our total revenue in 2009, offer a wide variety of decorative and functional items such as rocking chairs, seasonal gifts, apparel, toys, music CD’s, cookware, old-fashioned-looking ceramics, figurines, a book-on-audio sale-and-exchange program and various other gift items, as well as various candies, preserves and other food items. Five categories (apparel, food, seasonal, home and toys) accounted for the largest shares of our retail sales at approximately 20%, 18%, 16%, 16% and 13%, respectively, in 2009. The typical Cracker Barrel retail shop features approximately 3,300 stock keeping units ("SKU's"). Many of the food items are sold under the "Cracker Barrel Old Country Store" brand name. We believe that we achieve high retail sales per square foot of retail selling space (approximately $401 in 2009) as compared to mall stores both by offering appealing merchandise and by having a significant source of retail customers from the high volume of restaurant customers - an average of approximately 7,000 per week in a typical store in 2009. The substantial majority of sales in the retail area are estimated to be to customers who also are guests in the restaurant.

Product Development and Merchandising: We maintain a product development department, which develops new and improved menu items in response either to shifts in customer preferences or to create customer interest. Seasonal promotions are used regularly in the restaurants and retail shops. Our merchandising department attempts to select merchandise for the retail shop that reinforces the nostalgic theme of the restaurant. In 2009, we continued to build our exclusive music library. The newest albums include some of country music's greatest performers such as Dolly Parton, Kenny Rogers, Montgomery Gentry and Bill Gaither. By regularly adding new musical offerings, we continue to strengthen the connection between the culture of country music and the Cracker Barrel brand. Furthermore, in 2009, we began participating in SoundScan, a Nielsen monitoring service for the music industry which provides data for the Billboard charts. Participation in this program was highlighted by two Top Ten country albums by Dolly Parton and Montgomery Gentry.

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

To assure that individual stores are operated at a high level of quality, we focus on the selection and training of store managers. The store management recruiting and training program begins with an evaluation and screening process. In addition to multiple interviews and verification of background and experience, we conduct testing designed to identify those applicants most likely to be best suited to manage store operations. Those candidates who successfully pass this screening process are then required to complete an 11-week training program consisting of seven weeks of in-store training and four weeks of training at our corporate facilities. This program allows new managers the opportunity to become familiar with our operations, culture, management objectives, controls and evaluation criteria before assuming management responsibility. We provide our managers and hourly employees with ongoing training through various development courses taught through a blended learning approach, including hands-on, classroom, written and Internet-based training. Each store is equipped with training computers for the Internet-based computer-assisted instruction programs. Additionally, each store typically has an employee training coordinator who oversees training of the store's hourly employees.

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

Four food categories (dairy (including eggs), beef, poultry and pork) accounted for the largest shares of our food purchasing expense at approximately 14%, 12%, 11% and 10%, respectively, in 2009, but each category includes several individual items. The single food item within these categories that accounted for the largest share of our food purchasing expense was chicken tenderloin at approximately 6% of food purchases in 2009. We purchase our chicken tenderloin through two vendors. Dairy is purchased through numerous vendors including local vendors. Eggs are purchased through two vendors. We purchase our beef, poultry and pork each through eight vendors. Should any food items from a particular vendor become unavailable, we believe that these food items could be obtained, or alternative products substituted, in sufficient quantities from other sources at competitive prices.

We purchase the majority of retail items (approximately 81% in 2009) directly from domestic and international vendors and warehouse them at a retail distribution center in Lebanon. The distribution center is an approximately 370,000 square foot warehouse facility with 36 foot ceilings and 170 bays and includes an additional approximate 14,000 square feet of office and maintenance space. The distribution center fulfills retail item orders generated by our automated replenishment system and generally ships the retail orders once a week to the individual stores by a third-party dedicated freight line. Certain retail items, not centrally purchased and warehoused at the distribution center, are drop-shipped directly by our vendors to our stores. Approximately 42% of our 2009 retail purchases were directly from vendors in the People's Republic of China. We have relationships with foreign buying agencies to source purchased product, monitor quality control and supplement product development.

In the fourth quarter of 2009, we completed a sale-leaseback transaction of our retail distribution center located in Lebanon. Under the transaction, the land, buildings and improvements at the retail distribution center were sold for pre-tax net proceeds of $12,184. Equipment was not included. The retail distribution center has been leased back for an initial term of 15 years. The lease includes specified renewal options for up to 20 additional years. Net rent expense during the initial term of the lease will be approximately $1,142 annually, and the assets sold and leased back previously had depreciation expense of approximately $331 annually. Net proceeds from the sale, along with excess cash from operations and the sale-leaseback of 15 of our stores (see "Unit Development" section below), were used to reduce outstanding borrowings under our $1,250,000 credit facility (the "Credit Facility").

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

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

<u>Marketing</u>: Outdoor advertising (i.e., billboards and state department of transportation signs) is the primary advertising medium utilized to reach our guests. Outdoor advertising accounted for approximately 63% of advertising expenditures in 2009, with our having approximately 1,500 billboards at year-end. In recent years we have utilized other types of media, such as radio and print, in our core markets to maintain customer awareness, and outside of our core markets to increase brand awareness and to build guest loyalty. In 2008 and 2009, we conducted television advertising in certain markets. We define core markets based on average weekly sales, geographic location, and longevity and brand awareness in the market. In 2010, we plan to spend approximately 2.0% of our revenues on advertising. Outdoor advertising is expected to represent approximately 58% of advertising expenditures in 2010.

UNIT DEVELOPMENT

We opened 11 new stores in 2009. We plan to open 7 new stores during 2010, three of which were open as of September 22, 2009.

Our stores are located primarily along interstate highways; however, as of September 22, 2009, 91 of our stores are located near "tourist destinations" or are considered “off-interstate” stores. In 2010, we intend to open one of our new stores along interstate highways as compared to four in 2009. We believe we should pursue development of both interstate locations and off-interstate locations to capitalize on the strength of our brand associated with travelers on the interstate highway system and to increase sales through TV and/or radio advertising by having more units in media markets in which satisfactory interstate locations either may not be available or not available on reasonable terms. We have identified approximately 400 - 500 trade areas for potential future development with characteristics that appear to be consistent with those believed to be necessary to support successful units.

Of the 591 stores open as of September 22, 2009, we own the land and buildings for 399, while the other 192 properties are either ground leases or ground and building leases. Our current store prototype is approximately 10,000 square feet including approximately 2,100 square feet in the retail selling space. The prototype has approximately 200 seats in the restaurant.

EMPLOYEES

As of July 31, 2009, we employed approximately 66,000 people, of whom 550 were in advisory and supervisory capacities, 3,487 were in store management positions and 45 were officers. Many restaurant personnel are employed on a part-time basis. None of our employees are represented by any union and management considers its employee relations to be good.

COMPETITION

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

RAW MATERIALS SOURCES AND AVAILABILITY

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

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

ENVIRONMENTAL MATTERS

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

TRADEMARKS

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

RESEARCH AND DEVELOPMENT

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

SEASONAL ASPECTS

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

WORKING CAPITAL

In the restaurant industry, substantially all sales transactions occur either in cash or by third-party credit card. Like most other restaurant companies, we are able to, and often do operate with a working capital deficit. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while restaurant inventories purchased locally generally are financed through normal trade credit. Because of our retail operations, which have a lower product turnover than the restaurant business, we carry larger inventories than many other companies in the restaurant industry. Retail inventories purchased domestically generally are financed from normal trade credit, while imported retail inventories generally are purchased through wire transfers. These various trade terms are aided by rapid product turnover of the restaurant inventory. Employee compensation and benefits payable generally may be related to weekly, bi-weekly or semi-monthly pay cycles, and many other operating expenses have normal trade terms.

ITEM 1A. RISK FACTORS

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

Recent negative developments in the U.S. and global economies and credit markets have adversely affected our revenues and results and may continue to adversely affect our results in the future.

The U.S. and global economies and the economies in the markets in which we operate, deteriorated throughout late calendar 2008 and into calendar 2009. As a result of these declining economic conditions, we have experienced a reduction in our revenues and earnings, resulting primarily from lower guest traffic and lower spending on our retail products. We believe that this difficult economic environment will continue into calendar 2010 and expect that our revenues and results of operations will continue to be negatively affected as a result. A further slowdown in the economy or other economic conditions affecting disposable consumer income, such as unemployment levels, inflation, business conditions, fuel and other energy costs, consumer debt levels, lack of available credit, consumer confidence, interest rates, tax rates and changes in tax laws, may adversely affect our business by reducing overall consumer spending or by causing customers to shift their spending to our competitors or to products sold by us that are less profitable than other product choices, all of which could result in lower revenues, decreases in inventory turnover, greater markdowns on inventory, and a reduction in profitability due to lower margins.

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

There can be no assurance that the economic conditions that have adversely affected the restaurant industry, and the capital, credit and real estate markets generally or us in particular, will improve in 2010, or thereafter, in which case we could continue to experience declines in revenues and profits, and could face capital and liquidity constraints or other business challenges.

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

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

Discretionary consumer spending, which is critical to our success, is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience declines in sales during economic downturns or during periods of uncertainty, such as we experienced in 2008 and 2009.

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

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

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

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

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

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

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

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

Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, minimum wage legislation, health care legislation and changing demographics. Many of our employees are hourly workers whose wages are affected by increases in the federal or state minimum wage or changes to tip credits. Tip credits are the amounts an employer is permitted to assume an employee receives in tips when the employer calculates the employee’s hourly wage for minimum wage compliance purposes.

Increases in minimum wage levels and changes to the tip credit have been made and continue to be proposed at both federal and state levels. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. If competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline.

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

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

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

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

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

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

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

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

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

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

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

- require a substantial portion of our cash flow from operations for the payment of principal of, and interest on, our indebtedness and reduce our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements or to pay dividends; and

- limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors.

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

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

In addition, a substantial amount of our indebtedness matures in 2011. There is no assurance that we can refinance this indebtedness or, if we do, that any refinancing will be on terms that are at least as favorable as those currently in effect. Our inability to refinance our indebtedness when necessary or to do so upon attractive terms would materially and adversely affect our liquidity and our ongoing results of operations.

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

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

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

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

Historically, our highest sales and profits have occurred during the summer. Winter, excluding the Christmas holidays, has historically been the period of lowest sales and profits although retail revenues historically have been seasonally higher between Thanksgiving and Christmas. Therefore, the results of operations for any quarter or period of less than one year cannot be considered indicative of the operating results for a full fiscal year.

Additionally, extreme weather conditions in the areas where our stores are located can adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rain storms, floods or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and can disrupt deliveries of food and supplies to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our retail inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect our business.

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

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

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

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

- our ability to control construction and development costs of new restaurants;

- our ability to manage the local, state or other regulatory, zoning and licensing processes in a timely manner;

- our ability to appropriately train employees and staff the restaurants;

- consumer acceptance of our restaurants in new markets;

- our ability to manage construction delays related to the opening of any facility; and

- our ability to secure required governmental approvals and permits in a timely manner, or at all.

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

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

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

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

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

Our private brands may not achieve or maintain broad market acceptance which increases the risks we face.

We have substantially increased and intend to continue to increase the number of our private brand items for sale in our retail shops, and the program is a sizable part of our future growth plans. We believe that our success in gaining and maintaining broad market acceptance of our private brands depends on many factors, including pricing, our costs, quality and customer perception. We may not achieve or maintain our expected sales for our private brands. As a result, our business, financial condition and results of operations could be materially and adversely affected.

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

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

Unfavorable publicity could harm our business*.*

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

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

We have assembled a senior management team which has substantial background and experience in the restaurant and retail sectors. Our future growth and success depends substantially on the contributions and abilities of this senior management team and other employees and on our ability to recruit and retain high quality executives and manage our business and our restaurants. We must continue to recruit, retain and motivate management and other employees sufficient to maintain our current business and support our projected growth. A loss of key employees or a significant shortage of high quality restaurant employees could jeopardize our ability to meet our business goals. Additionally, the recent volatility of the stock market for periods of time has resulted in existing equity compensation awards to certain of our executives being of little to no value, which makes us vulnerable to a competitor recruiting our executives. If we are unable to create or maintain a compensation structure that permits us to retain our highest performing executives or recruit additional executives, our business and results of operations could be materially adversely affected.

We are subject to a number of risks relating to federal, state and local regulation of our business that may increase our costs and decrease our profit margins.

The restaurant industry is subject to extensive federal, state and local laws and regulations, including those relating to building and zoning requirements and those relating to the preparation and sale of food as well as certain retail products. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards, federal and state laws governing our relationships with employees (including the Fair Labor Standards Act of 1938 and the Immigration Reform and Control Act of 1986 and applicable requirements concerning minimum wage, overtime, healthcare coverage, family leave, medical privacy, tip credits, working conditions, safety standards and immigration status), federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the Americans With Disabilities Act of 1990. In addition, we are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. We also face risks from new and changing laws and regulations relating to nutritional content, nutritional labeling, product safety and menu labeling. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings. The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Also, the failure to obtain and maintain required licenses, permits and approvals could adversely affect our operating results. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations.

Our current insurance programs may expose us to unexpected costs.

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

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

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

A privacy breach could adversely affect our business.

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

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

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

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

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

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

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

- increases and decreases in average weekly sales, restaurant and retail sales and restaurant profitability;

- the rate at which we open new locations, the timing of new unit openings and the related high initial operating costs;

- changes in advertising and promotional activities and expansion to new markets; and

- impairment of long-lived assets and any loss on restaurant closures or impairments.

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

In addition to the properties mentioned above, we own or lease the following store properties as of September 22, 2009:

State	Owned	Leased	State	Owned	Leased
Tennessee	36	14	Oklahoma	5	2
Florida	41	18	New Jersey	2	4
Georgia	29	13	Maryland	3	2
Texas	29	12	Wisconsin	5	-
North Carolina	23	12	Colorado	3	1
Ohio	22	9	Kansas	3	1
Kentucky	20	10	Massachusetts	-	4
Virginia	18	11	New Mexico	3	1
Alabama	19	9	Utah	4	-
Indiana	21	6	Iowa	3	-
Illinois	20	2	Connecticut	1	1
South Carolina	13	9	Montana	2	-
Pennsylvania	9	12	Nebraska	1	1
Missouri	14	3	Delaware	-	1
Michigan	13	3	Idaho	1	-
Arizona	2	11	Minnesota	1	-
Arkansas	5	6	New Hampshire	1	-
Mississippi	8	3	North Dakota	1	-
West Virginia	3	7	Rhode Island	-	1
Louisiana	7	2	South Dakota	1	-
New York	7	1	Total	399	192

In the fourth quarter of 2009, we completed sale-leaseback transactions which included 15 of our stores. These sale-leaseback transactions resulted in pre-tax net proceeds of $44,076. Equipment was not included. The stores have been leased back for an initial terms of 20 years. The leases include specified renewal options for up to 20 additional years. Net rent expense during the initial term of the store leases will be approximately $4,867 annually, and the assets sold and leased back previously had depreciation expense of approximately $753 annually. Net proceeds from the sale, along with excess cash from operations and the sale-leaseback of our retail distribution center (see “Purchasing and Distribution” in Item 1, Part 1 above), were used to reduce outstanding borrowings under the Credit Facility.

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

ITEM 3. LEGAL PROCEEDINGS

See Note 18 to our Consolidated Financial Statements filed or incorporated by reference into in Part II, Item 8 of this Annual Report on Form 10-K, which also is incorporated herein by this reference.

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

Not applicable.

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

Executive Officers of the Registrant

The following table sets forth certain information concerning our executive officers, as of September 22, 2009:

Name	Age	Position with Registrant
Michael A. Woodhouse	64	Chairman, President & Chief Executive Officer
Doug Barber	52	Executive Vice President & Chief Operating Officer
Sandra B. Cochran	51	Executive Vice President & Chief Financial Officer
Edward A. Greene	53	Senior Vice President, Strategic Initiatives
Robert Harig	59	Senior Vice President, Human Resources
Terry Maxwell	50	Senior Vice President, Retail Operations
N. B. Forrest Shoaf	59	Senior Vice President, Secretary & Chief Legal Officer
Diana S. Wynne	54	Senior Vice President, Corporate Affairs
Patrick A. Scruggs	45	Vice President, Accounting and Tax, & Chief Accounting Officer

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

Mr. Woodhouse has been employed by us in various capacities since 1995. Mr. Woodhouse served as our Senior Vice President of Finance and Chief Financial Officer from January 1999 to July 1999, as Executive Vice President and Chief Operating Officer ("COO") from August 1999 until July 2000, as President and COO from August 2000 until July 2001, and then as President and Chief Executive Officer ("CEO") from August 2001 until November 2004 when he assumed his current positions. Mr. Woodhouse has 25 years of experience in the restaurant industry and 16 years of experience in the retail industry.

Mr. Barber has been employed by us since 2003. He assumed his current position in 2008. Prior to that he was with Metromedia Family Steakhouse in various capacities since 1979 and assumed his last position held with Metromedia Family Steakhouse as President and COO in 1995. Mr. Barber has 30 years of experience in the restaurant industry.

Ms. Cochran began her employment with us as Executive Vice President and Chief Financial Officer in March 2009. Prior to that she was the CEO of Books-A-Million, having assumed that role in 2004 after serving in various capacities there since 1993. Ms. Cochran has 16 years of experience in the retail industry.

Mr. Greene has been employed by us in his current capacity since October 2005. From August 1996 to October 2005, he worked for Restaurant Services, Inc., the independent purchasing cooperative which provides supply chain management services for Burger King Corporation and its franchisees, serving most recently as its Vice President, Food and Packaging Purchasing. Mr. Greene began his career with The Pillsbury Company and has over 31 years of combined experience in the restaurant and food processing industries.

Mr. Harig has been employed by us since 2000. He assumed his current position in 2004. Mr. Harig has over 32 years of experience in the restaurant industry and 9 years in the retail industry.

Mr. Maxwell has been employed by us since 1980. He assumed his current position in 2006. Mr. Maxwell has 29 years of experience in the restaurant and retail industries.

Mr. Shoaf began his employment with us as Senior Vice President, Secretary and General Counsel in April 2005. In addition, he served as our Interim Chief Financial Officer from February 2008 to March 2009. Prior to April 2005, he was Managing Director of Investment Banking for Avondale Partners, LLC. From 1996-2000, he was a Managing Director of J.C. Bradford and from 2000-2002, a Managing Director in the investment banking group of Morgan Keegan, a Memphis, Tennessee based investment banking firm and head of its Nashville Corporate Finance Office. He is a graduate of West Point and Harvard Law School.

Ms. Wynne joined us in January 2006 in her current capacity. Prior to that she was Vice President, Treasury for Blockbuster, Inc. Prior to that she served as Senior Vice President and Treasurer for Metromedia Restaurant Group. Ms. Wynne began her career with Price Waterhouse Coopers and has over 30 years of experience in the restaurant and retail industries.

Mr. Scruggs has been employed by us in various capacities since 1989. He assumed his current position in 2003. Mr. Scruggs has 20 years of experience in the restaurant and retail industries.

PART II

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

Our Common Stock is traded on the NASDAQ Global Market ("Nasdaq") under the symbol CBRL. There were 10,940 shareholders of record as of September 22, 2009.

The table "Market Price and Dividend Information" contained in the 2009 Annual Report (see page 2 of Exhibit 13 to this Annual Report on Form 10-K) is incorporated herein by this reference. See Note 5 to Consolidated Financial Statements contained in the 2009 Annual Report (page 34 of Exhibit 13 to this Annual Report on Form 10-K) with respect to dividend restrictions.

See the table labeled "Securities Authorized for Issuance Under Equity Compensation Plans" to be contained in the 2009 Proxy Statement, incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

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

Unregistered Sales of Equity Securities

All prior sales of equity securities during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended, were reported either in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K and, accordingly, have been omitted from this item of this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

On July 31, 2008, our Board of Directors approved share repurchases of up to $65,000 of our common stock. We did not repurchase any of our common stock during 2009 owing to a suspension of our share repurchase plans during the current economic climate. During 2010, we have been authorized to repurchase shares to offset share dilution that might result from employee option exercises or employee share issuance.

ITEM 6. SELECTED FINANCIAL DATA

The table "Selected Financial Data" contained in the 2009 Annual Report (see page 1 of Exhibit 13 to this Annual Report on Form 10-K) is incorporated herein by this reference.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in the 2009 Annual Report, is incorporated herein by this reference.

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

"Quantitative and Qualitative Disclosures about Market Risk" set forth within "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in the 2009 Annual Report, is incorporated herein by this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements (and related footnotes) and Report of Independent Registered Public Accounting Firm, contained in the 2009 Annual Report, are incorporated herein by this reference.

See Quarterly Financial Data (Unaudited) in Note 19 to the Consolidated Financial Statements (see page 46 of Exhibit 13 to this Annual Report on Form 10-K), which is incorporated herein by this reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive and financial officers, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of July 31, 2009, our disclosure controls and procedures were effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e).

There have been no changes (including corrective actions with regard to significant deficiencies and material weaknesses) during the quarter ended July 31, 2009 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

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

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. We have concluded that our internal control over financial reporting was effective as of July 31, 2009, based on these criteria.

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

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

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

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors of the Company is incorporated herein by this reference to the following sections of the 2009 Proxy Statement: “Board of Directors and Committees,” "Proposal 1: Election of Directors," “Section 16(a) Beneficial Ownership Reporting Compliance” and the question “Has the Board adopted a code of ethics for senior financial officers?” set forth in “Certain Relationships and Related Transactions.” The information required by this Item with respect to executive officers of the Company is set forth in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated into this Item of this Report by this reference to the following sections of the 2009 Proxy Statement: “Executive Compensation” and the question “How were directors compensated in 2009?” set forth in “Board of Directors and Committees.” The “Compensation Committee Report” set forth in “Executive Compensation” is deemed to be “furnished” and is not, and shall not be deemed to be, “filed” for purposes of Section 18 of the Exchange Act.

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

The information required by this Item is incorporated herein by this reference to the sections entitled "Stock Ownership of Certain Beneficial Owners and Management" and “Securities Authorized for Issuance Under Equity Compensation Plans” in the 2009 Proxy Statement.

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

The information required by this Item is incorporated herein by this reference to the sections entitled "Certain Relationships and Related Transactions” and “Who are our independent directors?” in the 2009 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by this reference to the sections entitled “Fees Paid to Auditors” and “Audit Committee Report - What is the Audit Committee’s pre-approval policy and procedure with respect to audit and non-audit services provided by our auditors?” in the 2009 Proxy Statement. No other portion of the section of the 2009 Proxy Statement entitled “Audit Committee Report” is, nor shall it be deemed to be, incorporated by reference into this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. The following Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm of Deloitte & Touche LLP of the 2009 Annual Report are included within Exhibit 13 to this Annual Report on Form 10-K and are incorporated herein by this reference:

   Report of Independent Registered Public Accounting Firm dated September 29, 2009

   Consolidated Balance Sheet as of July 31, 2009 and August 1, 2008

   Consolidated Statement of Income for each of the three fiscal years ended July 31, 2009, August 1, 2008 and August 3, 2007

   Consolidated Statement of Changes in Shareholders' Equity for each of the three fiscal years ended July 31, 2009, August 1, 2008 and August 3, 2007

   Consolidated Statement of Cash Flows for each of the three fiscal years ended July 31, 2009, August 1, 2008 and August 3, 2007

   Notes to Consolidated Financial Statements

2. All schedules have been omitted since they are either not required or not applicable, or the required information is included in the consolidated financial statements or notes thereto.

3. The exhibits listed in the accompanying Index to Exhibits immediately following the signature page to this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 29th day of September, 2009.

CRACKER BARREL OLD COUNTRY STORE, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities on this 29th day of September, 2009.

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

INDEX TO EXHIBITS

Exhibit

3(I), 4(a)	Charter (as amended to date) (1)
3(II), 4(b)	Bylaws (as amended to date) (2)
4(e),10(a)	Credit Agreement dated as of April 27, 2006 among CBRL Group, Inc., the Subsidiary Guarantors named therein, the Lenders party thereto and Wachovia Bank, National Association, as Administrative Agent and Collateral Agent (the “Wachovia Credit Agreement”) (3)
4(f), 10(b)	Amendment No. 1 to the Wachovia Credit Agreement (14)
10(d)	The Company’s 2000 Non-Executive Stock Option Plan (4)
10(e)	The Company's 1989 Non-Employee Director's Stock Option Plan, as amended (5)
10(f)	The Company's Non-Qualified Savings Plan (6)
10(g)	Form of Restricted Stock Award (6)
10(h)	Form of Stock Option Award under the Amended and Restated Stock Option Plan (6)
10(i)	Form of Stock Option Award under the Omnibus Plan (6)
10(j)	Change-in-control Agreement for N.B. Forrest Shoaf dated 5/12/2005 (6)
10(k)	Change-in-control Agreement for Patrick A. Scruggs dated October 13, 1999 (7)
10(l)	Change-in-control Agreement for Terry Maxwell dated 8/14/06 (8)
10(m)	Change-in-control Agreement for Ed Greene dated 6/22/06 (9)
10(n)	Change-in-control Agreement for Diana Wynne dated 6/22/06 (9)
10(o)	Change-in-control Agreement for Rob Harig dated 8/23/06 (14)
10(p)	Change-in-control Agreement for Doug Barber dated 8/23/08 (15)
10(q)	Master Lease dated July 31, 2000 between Country Stores Property I, LLC (“Lessor”) and Cracker Barrel Old Country Store, Inc. (“Lessee”) for lease of 21 Cracker Barrel Old Country Store® sites (10)
10(r)	Master Lease dated July 31, 2000 between Country Stores Property I, LLC (“Lessor”) and Cracker Barrel Old Country Store, Inc. (“Lessee”) for lease of 9 Cracker Barrel Old Country Store® sites*
10(s)	Master Lease dated July 31, 2000 between Country Stores Property II, LLC (“Lessor”) and Cracker Barrel Old Country Store, Inc. (“Lessee”) for lease of 23 Cracker Barrel Old Country Store® sites*
10(t)	Master Lease dated July 31, 2000 between Country Stores Property III, LLC (“Lessor”) and Cracker Barrel Old Country Store, Inc. (“Lessee”) for lease of 12 Cracker Barrel Old Country Store® sites*
10(u)	The Company’s Targeted Retention Plan (11)
10(v)	The Company’s Stock Ownership Achievement Incentive Plan (11)

10(w)	The Company’s 2009 Annual Bonus Plan (12)
10(x)	Retirement Agreement (13)
10(y)	The Company's Deferred Compensation Plan (15)
10(z)	The Company's FY 2009 Long-Term Performance Plan (16)
10(aa)	Executive Employment Agreement dated as of October 30, 2008 between Michael A. Woodhouse and the Company (17)
10(bb)	The Company's Amended and Restated Stock Option Plan (as amended to date) (18)
10(cc)	The Company’s 2002 Omnibus Incentive Compensation Plan (as amended to date) (18)
10(dd)	The Company’s Severance Benefits Policy (as amended to date) (19)
10(ee)	Executive Employment Agreement dated as of March 11, 2009 between Sandra B. Cochran and the Company (19)
10(ff)	Change-in-control Agreement for Sandra B. Cochran dated March 11, 2009 (20)
10(gg)	2010 Annual Bonus Plan (21)
13	Pertinent portions of the Company's 2009 Annual Report to Shareholders that are incorporated by reference into this Annual Report on Form 10-K
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP
31	Rule 13a-14(a)/15d-14(a) Certifications
32	Section 1350 Certifications

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

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

(8) Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K under the Exchange Act, filed August 15, 2006.

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

(10) Incorporated by reference to Exhibit 10.R to the Company’s Annual Report on Form 10-K under the Exchange Act for the fiscal year ended July 28, 2000.

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

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

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

(14) Incorporated by reference to Exhibits 10(b) and 10(v) to the Company’s Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 3, 2007.

(15) Incorporated by reference to Exhibits 10(g) and 10(o) to the Company’s Annual Report on Form 10-K under the Exchange Act for the fiscal year ended August 1, 2008.

(16) Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K under the Exchange Act, filed October 1, 2008

(17) Incorporated by reference to Exhibits 3(I), 4.1 and 10.2 to the Company’s Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended October 31, 2008.

(18) Incorporated by reference to Exhibit 10 to the Company’s Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended January 30, 2009.

(19) Incorporated by reference to Exhibits 10.1 and 10.2 to the Company’s Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended May 1, 2009.

(20) Incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q under the Exchange Act for the quarterly period ended May 1, 2008.

(21) Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K under the Exchange Act, filed on September 1, 2009.

Cracker Barrel Old Country Store, Inc.
Selected Financial Data

(Dollars in thousands except share data)
For each of the fiscal years ended

	July 31, 2009[a][b][c]	August 1, 2008[b][d]	August 3, 2007[b][e][f]	July 28, 2006[b][g]	July 29, 2005[b][h]
Selected Income Statement Data:					
Total revenue	$ 2,367,285	$ 2,384,521	$ 2,351,576	$ 2,219,475	$ 2,190,866
Income from continuing operations	65,957	65,303	75,983	95,501	105,363
(Loss) income from discontinued operations, net of tax	(31)	250	86,082	20,790	21,277
Net income	65,926	65,553	162,065	116,291	126,640
Basic net income per share:					
Income from continuing operations	2.94	2.87	2.75	2.23	2.20
(Loss) income from discontinued operations, net of tax	--	0.01	3.11	0.48	0.45
Net income per share	2.94	2.88	5.86	2.71	2.65
Diluted net income per share:					
Income from continuing operations	2.89	2.79	2.52	2.07	2.05
(Loss) income from discontinued operations, net of tax	--	0.01	2.71	0.43	0.40
Net income per share	2.89	2.80	5.23	2.50	2.45
Dividends paid per share	$ 0.78	$ 0.68	$ 0.55	$ 0.51	$ 0.47
As Percent of Revenues:					
Cost of goods sold	32.3%	32.4%	31.7%	31.8%	32.7%
Labor and related expenses	38.7	38.2	38.0	37.6	37.5
Impairment and store closing charges	0.1	--	--	0.2	--
Other store operating expenses	17.8	17.7	17.4	17.3	16.9
Store operating income	11.1	11.7	12.9	13.1	12.9
General and administrative expenses	5.1	5.4	5.7	5.8	5.2
Operating income	6.0	6.3	7.2	7.3	7.7
Income before income taxes	3.8	3.9	5.0	6.3	7.3
Selected Balance Sheet Data:					
Working capital (deficit)[i]	$ (66,637)	$ (44,080)	$ (74,388)	$ (6,280)	$ (80,060)
Current assets from discontinued operations	--	--	--	401,222	362,656
Total assets	1,245,181	1,313,703	1,265,030	1,681,297	1,533,272
Long-term debt	638,040	779,061	756,306	911,464	212,218
Interest rate swap liability	61,232	39,618	13,680	7,220	--
Other long-term obligations[j]	89,610	83,147	53,819	47,888	38,705
Shareholders' equity	135,622	92,751	104,123	302,282	869,988
Selected Cash Flow Data:					
Purchase of property and equipment, net of insurance recoveries, from continuing operations	$ 67,842	$ 87,849	$ 96,447	$ 89,167	$ 124,624
Share repurchases	--	52,380	405,531	704,160	59,328
Selected Other Data:					
Common shares outstanding at end of year	22,722,685	22,325,341	23,674,175	30,926,906	46,619,803
Cracker Barrel stores open at end of year	588	577	562	543	529

Average Unit Volumes [k]:					
Cracker Barrel restaurant	$ 3,209	$ 3,282	$ 3,339	$ 3,248	$ 3,291
Cracker Barrel retail	841	898	917	876	959
Comparable Store Sales [l]:					
Period to period (decrease) increase in comparable store sales:					
Cracker Barrel restaurant	(1.7)%	0.5%	0.7%	(1.1)%	3.1%
Cracker Barrel retail	(5.9)	(0.3)	3.2	(8.1)	(2.7)
Memo: Number of Cracker Barrel stores in comparable base	550	531	507	482	466

(a) Includes impairment charges of $2,088 before taxes. We completed sale-leaseback transactions involving 15 of our stores and our retail distribution center in the fourth quarter of 2009 (see Note 9 to the Consolidated Financial Statements). Net proceeds from the sale-leaseback transactions together with excess cash flow from operations were used to pay down $142,759 of long-term debt.

(b) Due to the divestiture of Logan's Roadhouse, Inc. ("Logan's") in fiscal 2007, Logan's is presented as a discontinued operation.

(c) On September 18, 2008, our Board of Directors (the "Board") increased the quarterly dividend to $0.20 per share per quarter (an annual equivalent of $0.80 per share) from $0.18 per share per quarter. We paid dividends of $0.20 per share during the second, third and fourth quarters of 2009. Additionally, on September 11, 2009, the Board declared a dividend of $0.20 per share payable on November 5, 2009 to shareholders of record on October 16, 2009.

(d) Includes charges of $877 before taxes for impairment and store closing costs from continuing operations.

(e) Fiscal 2007 consisted of 53 weeks while all other periods presented consisted of 52 weeks. The estimated impact of the additional week was to increase consolidated fiscal 2007 results as follows: total revenue, $46,283; store operating income, 0.1% of total revenue; operating income, 0.2% of total revenue; income from continuing operations, 0.1% of total revenue; and diluted income from continuing operations per share, $0.14.

(f) We completed a 5,434,774 common share tender offer and repurchased 3,339,656 common shares in the open market. We redeemed our zero-coupon convertible notes.

(g) Includes charges of $5,369 before taxes for impairment and store closing costs from continuing operations. We completed a 16,750,000 common share repurchase by means of a tender offer. We adopted SFAS 123R, "Share-Based Payment," on July 30, 2005.

(h) Includes impairment charges of $431 before taxes.

(i) Working capital (deficit) excludes discontinued operations.

(j) The increase in other long-term obligations in fiscal 2008 as compared to prior years is primarily due to the adoption of FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." As required by FIN 48, the liability for uncertain tax positions is included in other long-term obligations beginning in fiscal 2008; in prior years, the liability was included in income taxes payable as a current liability.

(k) Average unit volumes include sales of all stores. Fiscal 2007 includes a 53rd week while all other periods presented consist of 52 weeks.

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

MARKET PRICE AND DIVIDEND INFORMATION

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

	Fiscal Year 2009			Fiscal Year 2008		
	Prices		Dividends	Prices		Dividends
	High	Low	Paid	High	Low	Paid
First	$ 30.35	$ 15.26	$ 0.18	$ 42.74	$ 35.75	$ 0.14
Second	22.29	10.67	0.20	37.97	24.00	0.18
Third	35.18	17.11	0.20	38.87	30.40	0.18
Fourth	34.27	25.39	0.20	38.02	18.93	0.18

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

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

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

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

EXECUTIVE OVERVIEW

Cracker Barrel Old Country Store, Inc. (the "Company," "our" or "we") is a publicly traded (Nasdaq: CBRL) company that, through certain subsidiaries, is engaged in the operation and development of the Cracker Barrel Old Country Store® ("Cracker Barrel") restaurant and retail concept. As of September 22, 2009, the Company operated 591 Cracker Barrel restaurants and gift shops located in 41 states. The restaurants serve breakfast, lunch and dinner. The retail area offers a variety of decorative and functional items specializing in rocking chairs, holiday gifts, toys, apparel and foods. Until December 6, 2006, we also owned the Logan's Roadhouse® ("Logan's") restaurant concept, but we divested Logan's at that time (see Note 16 to our Consolidated Financial Statements). As a result, Logan's is presented as discontinued operations in the Consolidated Financial Statements and the accompanying notes to the Consolidated Financial Statements for all periods presented. Unless otherwise noted, this MD&A relates only to results from continuing operations. Effective December 8, 2008, the Company changed its name from "CBRL Group, Inc." to "Cracker Barrel Old Country Store, Inc."

Restaurant Industry

Cracker Barrel stores operate in the full-service segment of the restaurant industry in the United States. The restaurant business is highly competitive with respect to quality, variety and price of the food products offered. The industry is often affected by changes in the taste and eating habits of the public, local and national economic conditions affecting spending habits and the consumer's ability to spend, population and traffic patterns. There are many segments within the restaurant industry which often overlap and provide competition for widely diverse restaurant concepts. Competition also exists in securing prime real estate locations for new restaurants, in hiring qualified employees, in advertising, in the attractiveness of facilities and with competitors having similar menu offerings or convenience.

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

Key Performance Indicators

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

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

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

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

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

RESULTS OF OPERATIONS

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

	Relationship to Total Revenue			Period to Period (Decrease) Increase	
	2009	2008	2007	2009 vs 2008	2008 vs 2007
Total revenue	100.0%	100.0%	100.0%	(1)%	1%
Cost of goods sold	32.3	32.4	31.7	(1)	4
Gross profit	67.7	67.6	68.3	--	--
Labor and other related expenses	38.7	38.2	38.0	1	2
Impairment and store closing charges	0.1	--	--	138	--
Other store operating expenses	17.8	17.7	17.4	--	3
Store operating income	11.1	11.7	12.9	(6)	(9)
General and administrative	5.1	5.4	5.7	(6)	(7)
Operating income	6.0	6.3	7.2	(6)	(10)
Interest expense	2.2	2.4	2.5	(9)	(3)
Interest income	--	--	0.3	(100)	(98)
Income before income taxes	3.8	3.9	5.0	(4)	(20)
Provision for income taxes	1.0	1.2	1.8	(15)	(30)
Income from continuing operations	2.8	2.7	3.2	1	(14)
(Loss) income from discontinued operations, net of tax	--	--	3.7	(112)	(100)
Net income	2.8	2.7	6.9	1	(60)

Total Revenue

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

	2009	2008	2007
Total Revenue:			
Cracker Barrel restaurant	79.2%	78.5%	78.4%
Cracker Barrel retail	20.8	21.5	21.6
Total revenue	100.0%	100.0%	100.0%

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

	Cracker Barrel Period to Period (Decrease) Increase	
	2009 vs 2008 (550 Stores)	2008 vs 2007 (531 Stores)
Cracker Barrel Restaurant	(1.7)%	0.5%
Cracker Barrel Retail	(5.9)	(0.3)
Cracker Barrel Restaurant & Retail	(2.6)	0.4

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

The decrease in comparable store restaurant sales from 2008 to 2009 was due to a decrease in guest traffic of 4.6% partially offset by an increase in average check of 2.9%, including a 3.3% average menu price increase. The increase in comparable store restaurant sales from 2007 to 2008 was due to an increase in average check of 3.4%, including a 3.6% average menu price increase, partially offset by a decrease in guest traffic of 2.9%.

The comparable store retail sales decreases from 2008 to 2009 and from 2007 to 2008 resulted from a decrease in restaurant guest traffic, which we believe resulted from uncertain consumer sentiment and reduced discretionary spending.

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

	2009 (550 Stores)	2008 (531 Stores)	2007 (507 Stores)
Cracker Barrel restaurant	$ 3,228	$ 3,293	$ 3,350
Cracker Barrel retail	838	893	914
Total	$ 4,066	$ 4,186	$ 4,264

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

Total revenue, which decreased 0.7% in 2009 and increased 1.4% and 6.0% in 2008 and 2007, respectively, benefited from the opening of 11, 17 and 19 Cracker Barrel stores in 2009, 2008 and 2007, respectively, partially offset by the closing of two Cracker Barrel stores in 2008. Total revenue in 2007 also benefited from an additional week, which resulted in an increase in revenues from continuing operations of $46,283. Excluding the additional week in 2007, total revenue from continuing operations increased 3.4% in 2008 as compared to 2007.

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

	2009	2008	2007
Cracker Barrel Restaurant	$ 61.7	$ 63.1	$ 63.0
Cracker Barrel Retail	16.2	17.3	17.3

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

Gross Profit

Gross profit as a percentage of total revenue was 67.7%, 67.6% and 68.3% in 2009, 2008 and 2007, respectively. A more favorable commodity climate in 2009 allowed us to keep our gross profit relatively flat. The decrease from 2007 to 2008 was primarily due to higher restaurant product costs, primarily reflecting commodity inflation in dairy, eggs, oil, grain products and produce.

Labor and Related Expenses

Labor and other related expenses include all direct and indirect labor and related costs incurred in store operations. Labor and other related expenses as a percentage of total revenue were 38.7%, 38.2% and 38.0% in 2009, 2008, and 2007, respectively. The year-to-year increases from 2008 to 2009 and from 2007 to 2008 resulted primarily from higher healthcare costs. The increase in healthcare costs from 2008 to 2009 was due to higher enrollment and higher utilization with the calendar 2009 plan and termination costs associated with the calendar

2008 plan. The increase in healthcare costs from 2007 to 2008 was due to higher medical and pharmacy claims and lower employee contributions.

Impairment and Store Closing Costs

During 2009, we recorded $2,088 in impairment charges. During 2009, one owned Cracker Barrel store was determined to be impaired, resulting in charges of $933. This store was impaired due to lower cash flow projections. Additionally, during 2009, we recorded a total impairment of $1,155 on office space, property adjacent to the office space and our management trainee housing facility. The decision to impair these properties was due to changes in our planned use of these properties. We did not incur any store closing costs in 2009.

During 2008, we closed one leased Cracker Barrel store and one owned Cracker Barrel store, which resulted in impairment charges of $532 and store closing costs of $345. See Note 2 to the accompanying Consolidated Financial Statements for more details regarding the impairment and store closing costs. We did not record any impairment charges or store closing costs in 2007.

Other Store Operating Expenses

Other store operating expenses, which were relatively constant over the three-year period, include all unit-level operating costs, the major components of which are utilities, operating supplies, repairs and maintenance, depreciation and amortization, advertising, rent and credit card fees.

General and Administrative Expenses

General and administrative expenses as a percentage of total revenue were 5.1%, 5.4% and 5.7% in 2009, 2008 and 2007, respectively. The year-to-year decrease from 2008 to 2009 was due in equal parts to lower manager trainee salaries resulting from lower manager turnover in 2009, lower travel resulting from cost control efforts and the non-recurrence of expenses associated with a manager meeting which was held in 2008.

Without the additional week in 2007, general and administrative expenses would have been 5.8% of total revenue in 2007. The year-to-year decrease from 2007 to 2008 was due to lower incentive compensation accruals, including share-based compensation. The decrease in incentive compensation accruals primarily reflected lower performance against financial objectives in 2008 versus 2007 and the non-recurrence of bonuses of $2,137 related to strategic initiatives (see Note 14 to the accompanying Consolidated Financial Statements for more details regarding the bonuses related to strategic initiatives).

Interest Expense

Interest expense as a percentage of total revenue was 2.2%, 2.4% and 2.5% in 2009, 2008, and 2007, respectively. The year-to-year decrease from 2008 to 2009 was primarily due to lower average interest rates. The year-to-year decrease from 2007 to 2008 was primarily due to lower average debt outstanding.

Provision for Income Taxes

Provision for income taxes as a percent of income before income taxes was 26.8% for 2009, 30.2% for 2008 and 34.8% for 2007. The decrease in the effective tax rate from 2008 to 2009 reflected a net reduction in our liability for uncertain tax positions of $389 this year compared to a net increase in the prior year of $1,782 and higher employer tax credits on an absolute dollar basis and as a percent of pretax income partially offset by higher effective state income tax rates.

The decrease in the effective tax rate from 2007 to 2008 reflected higher employer tax credits as a percent of income before income taxes due to the decrease in income from continuing operations, lower effective state income tax rates and the non-recurrence of certain non-deductible compensation expense of $1,809.

LIQUIDITY AND CAPITAL RESOURCES

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

	2009	2008	2007
Net cash provided by operating activities of continuing operations	$ 164,171	$ 124,510	$ 96,872
Net cash used in investing activities of continuing operations	(9,087)	(82,706)	(87,721)
Net cash used in financing activities of continuing operations	(155,406)	(44,459)	(502,309)
Net cash (used in) provided by operating activities of discontinued operations	(47)	385	(33,818)
Net cash provided by investing activities of discontinued operations	--	--	453,394
Net decrease in cash and cash equivalents	$ (369)	$ (2,270)	$ (73,582)

Our primary sources of liquidity are cash generated from our operations and our borrowing capacity under our $250,000 revolving credit facility (the "Revolving Credit Facility"), which will expire on April 27, 2011. Our internally generated cash, along with cash on hand at August 1, 2008, borrowings under our Revolving Credit Facility, net proceeds from our sale-leaseback transactions and proceeds from exercises of share-based compensation awards, were sufficient to finance all of our growth, dividend payments, working capital needs and other cash payment obligations in 2009.

We believe that cash at July 31, 2009, along with cash generated from our operating activities, and the borrowing capacity under our Revolving Credit Facility, will be sufficient to finance our continued operations, our continued expansion plans, principal payments on our debt and our dividend payments for at least the next twelve months and thereafter for the foreseeable future.

Cash Generated from Operations

Our cash generated from operating activities was $164,171, $124,510 and $96,872 in 2009, 2008 and 2007, respectively. Most of the cash generated from operating activities in 2009 was provided by net income adjusted by depreciation and amortization and share-based compensation and a decrease in retail inventories. The increase in net cash flow provided by operating activities from 2008 to 2009 primarily reflected improvements in the management of our retail inventories and the timing of payments for estimated income taxes partially offset by the timing of payments for interest. The increase in net cash flow provided by operating activities from 2007 to 2008 reflected lower net income from continuing operations in 2008 and the non-recurrence of taxes and expenses related to the sale of Logan's and the redemption of our zero-coupon convertible notes in 2007.

Borrowing Capacity and Debt Covenants

At July 31, 2009, although we did not have any outstanding borrowings under the Revolving Credit Facility, we had $33,892 of standby letters of credit related to securing reserved claims under workers' compensation insurance which reduce our availability under the Revolving Credit Facility. At July 31, 2009, we had $216,108 available under our Revolving Credit Facility. We may refinance our Revolving Credit Facility in 2010.

The Revolving Credit Facility is part of our $1,250,000 credit facility (the "Credit Facility"), which also includes a Term Loan B facility and Delayed-Draw Term Loan facility, each of which has a scheduled maturity date of April 27, 2013. At July 31, 2009, our Term Loan B balance was $600,000 and our Delayed-Draw Term Loan balance was $45,000. During 2009, we made $26,288 and $104,700, respectively, in optional principal prepayments under the Term Loan B facility and the Delayed-Draw Term Loan facility. See "Material Commitments" below and Note 5 to our Consolidated Financial Statements for further information on our long-term debt.

The Credit Facility contains customary financial covenants, which include a requirement that we maintain a maximum consolidated total leverage ratio (ratio of total indebtedness to EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization) of 3.75 at July 31, 2009 and throughout the remaining term of the Credit Facility. The Credit Facility's financial covenants also require that we maintain a minimum consolidated interest coverage ratio (ratio of earnings before interest, taxes, depreciation and amortization to cash interest payable, as defined) of 3.75 at July 31, 2009. The minimum consolidated interest coverage ratio increases to 4.00 for the fourth quarter of 2010 and for the remaining term of the Credit Facility.

At July 31, 2009, our consolidated total leverage ratio and consolidated interest coverage ratio were 3.02 and 7.00, respectively. We presently expect to remain in compliance with the Credit Facility's financial covenants for the remaining term of the facility.

Sale-leaseback Transactions

In the fourth quarter of 2009, we completed sale-leaseback transactions involving 15 of our stores and our retail distribution center. Under these transactions, the land, buildings and improvements at the locations were sold for pre-tax net proceeds of $56,260. The stores and the retail distribution center have been leased back for initial terms of 20 and 15 years, respectively. Net proceeds from the sale-leaseback transactions, along with excess cash from operations, were used to reduce outstanding borrowings under the Credit Facility (See "Borrowing Capacity and Debt Covenants" above). See Note 9 to our Consolidated Financial Statements for further information on our sale-leaseback transactions.

Share Repurchases, Dividends and Proceeds from the Exercise of Options

On July 31, 2008, our Board of Directors approved share repurchases of up to $65,000 of our common stock. The principal criteria for share repurchases are that they be accretive to expected net income per share, are within the limits imposed by our Credit Facility and that they be made only from free cash flow (operating cash flow less capital expenditures and dividends) rather than borrowings. During 2009, we did not make any share repurchases owing to a suspension of our share repurchase plans during the current economic climate. During 2010, however, we have been authorized, and intend, to repurchase shares to offset share dilution that might result from employee option exercises or employee share issuance.

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

During the first quarter of 2009, the Board declared a quarterly dividend of $0.20 per common share (an annual equivalent of $0.80 per share), an increase from the quarterly dividend of $0.18 paid in 2008. We paid dividends of $0.20 per share during the second, third and fourth quarters of 2009. Additionally on September 11, 2009, the Board declared a dividend of $0.20 per share payable on November 5, 2009 to shareholders of record on October 16, 2009.

During 2009, we received proceeds of $4,362 from the exercise of share-based compensation awards and the corresponding issuance of 397,344 shares of our common stock. The tax benefit realized upon exercise of share-based compensation awards was $937.

Working Capital

We had negative working capital of $66,637 at July 31, 2009 versus negative working capital of $44,080 at August 1, 2008. The change in working capital compared with August 1, 2008 primarily reflected a reduction in our retail inventories. In the restaurant industry, substantially all sales are either for cash or third-party credit card. Like many other restaurant companies, we are able to, and often do operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while restaurant inventories purchased locally generally are financed from normal trade credit. Retail inventories purchased domestically generally are financed from normal trade credit, while imported retail inventories generally are purchased through wire transfers. These various trade terms are aided by rapid turnover of the restaurant inventory. Employees generally are paid on weekly, bi-weekly or semi-monthly schedules in arrears for hours worked, and certain expenses such as certain taxes and some benefits are deferred for longer periods of time.

Capital Expenditures

Capital expenditures (purchase of property and equipment) were $67,842, $87,849 and $96,447 in 2009, 2008 and 2007, respectively. Capital expenditures in 2009, 2008 and 2007 are net of proceeds from insurance recoveries of $262, $178 and $91, respectively. Costs of new locations accounted for the majority of these expenditures. The decrease in capital expenditures from 2008 to 2009 is primarily due to a reduction in the number of new locations acquired and under construction as compared to the prior year. We estimate that our capital expenditures during 2010 will be between $70,000 and $75,000. This estimate includes certain costs related to the acquisition of sites and construction of seven new stores to be opened in 2010, as well as for acquisition and construction costs for locations to be opened in 2011, capital expenditures for maintenance programs and operational innovation initiatives. We intend to fund our capital expenditures with cash flows from operations and borrowings under our Revolving Credit Facility, as necessary.

Off-Balance Sheet Arrangements

Other than various operating leases, which are disclosed more fully in "Material Commitments" below and Notes 2 and 18 to our Consolidated Financial Statements, we have no other material off-balance sheet arrangements.

Material Commitments

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

Our contractual cash obligations and commitments as of July 31, 2009, are summarized in the tables below:

	Payments due by Year				
Contractual Obligations (a)	Total	2010	2011-2012	2013-2014	After 2014
Term Loan B (b)	$ 600,000	$ 6,847	$ 13,695	$ 579,458	--
Delayed-Draw Term Loan Facility (b)	45,000	459	918	43,623	--
Note payable (c)	473	110	218	145	--
Operating leases excluding billboards (d)	765,144	36,890	71,269	72,381	$ 584,604
Operating leases for billboards	26,780	18,339	8,369	72	--
Capital leases	89	22	44	23	--
Purchase obligations (e)	257,276	98,521	99,185	52,699	6,871
Other long-term obligations (f)	29,002	--	2,177	444	26,381
Total contractual cash obligations	$ 1,723,764	$ 161,188	$ 195,875	$ 748,845	$ 617,856

	Amount of Commitment Expirations by Year				
	Total	2010	2011-2012	2013-2014	After 2014
Revolving Credit facility (g)	$ 250,000	--	$ 250,000	--	--
Standby letters of credit	33,892	$ 6,930	26,962	--	--
Guarantees (h)	2,919	555	1,705	$ 659	--
Total commitments	$ 286,811	$ 7,485	$ 278,667	$ 659	--

(a) At July 31, 2009, the entire liability for uncertain tax positions (including penalties and interest) is classified as a long-term liability. At this time, we are unable to make a reasonably reliable estimate of the amounts and timing of payments in individual years due to uncertainties in the timing of the effective settlement of tax positions. As such, the liability for uncertain tax positions of $26,137 is not included in the contractual cash obligations and commitments table above.

(b) The balances on the Term Loan B and Delayed-Draw Term Loan, at July 31, 2009, are, respectively, $600,000 and $45,000. Using the minimum principal payment schedules on the Term Loan B and Delayed-Draw Term Loan facilities and projected interest rates, we will have interest payments of $44,203, $86,056 and $30,415 in 2010, 2011-2012 and 2013-2014, respectively. These interest payments are calculated using a 7.07% and 4.12% interest rate, respectively, for the swapped and unswapped portion of our debt. The 7.07% interest rate is the same rate as our fixed rate under our interest rate swap plus our credit spread at July 31, 2009 of 1.50%. The projected interest rate of 4.12% was estimated by using the average of the three-year and five-year swap rates at July 31, 2009 plus our credit spread of 1.50%.

(c) The note payable consists of a five-year note with a vendor in the original principal amount of $507 and represents the financing of prepaid maintenance for telecommunications equipment. The note payable is payable in monthly installments of principal and interest of $9 through October 16, 2013 and bears interest at 2.88%. Principal and interest payments for the note payable are included in the contractual cash obligations and commitments table above.

(d) Includes base lease terms and certain optional renewal periods, for which at the inception of the lease, it is reasonably assured that we will exercise.

(e) Purchase obligations consist of purchase orders for food and retail merchandise; purchase orders for capital expenditures, supplies and other operating needs and other services; and commitments under contracts for maintenance needs and other services. We have excluded contracts that do not contain minimum purchase obligations. We excluded long-term agreements for services and operating needs that can be cancelled within 60 days without penalty. We included long-term agreements and certain retail purchase orders for services and operating needs that can be cancelled with more than 60 days notice without penalty only through the term of the notice. We included long-term agreements for services and operating needs that only can be cancelled in the event of an uncured material breach or with a penalty through the entire term of the contract. Due to the uncertainties of seasonal demands and promotional calendar changes, our best estimate of usage for food, supplies and other operating needs and services is ratably over either the notice period or the remaining life of the contract, as applicable, unless we had better information available at the time related to each contract.

(f) Other long-term obligations include our Non-Qualified Savings Plan ($22,583, with a corresponding long-term asset to fund the liability; see Note 13 to the Consolidated Financial Statements), Deferred Compensation Plan ($3,798), FY2007, FY2008 and FY2009 Long-Term Retention Incentive Plans ($2,158), and FY2009 District Manager Long-Term Performance Plan ($463).

(g) We did not have any outstanding borrowings under our Revolving Credit Facility as of July 31, 2009. We paid $493 in non-use fees (also known as commitment fees) on the Revolving Credit Facility during 2009. Based on having no outstanding borrowings at July 31, 2009 and our current unused commitment fee as defined in the Credit Facility, our unused commitment fees in 2010 would be $545; however, the actual amount will differ based on actual usage of the Revolving Credit Facility in 2010.

(h) Consists solely of guarantees associated with properties that have been assigned. We are not aware of any non-performance under these arrangements that would result in us having to perform in accordance with the terms of those guarantees.

Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk. We have interest rate risk relative to our outstanding borrowings under our Credit Facility. At July 31, 2009, our outstanding borrowings under our Credit Facility totaled $645,000 (see Note 5 to our Consolidated Financial Statements). Loans under the Credit Facility bear interest, at our election, either at the prime rate or LIBOR plus a percentage point spread based on certain specified financial ratios.

Our policy has been to manage interest cost using a mix of fixed and variable rate debt (see Notes 5, 6, 9 and 18 to our Consolidated Financial Statements). To manage this risk in a cost efficient manner, we entered into an interest rate swap on May 4, 2006 in which we agreed to exchange with a counterparty, at specified intervals effective August 3, 2006, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The swapped portion of our outstanding debt is fixed at a rate of 5.57% plus our current credit spread, or 7.07% based on today's credit spread, over the 7-year life of the interest rate swap. See Note 6 to our Consolidated Financial Statements for further discussion of our interest rate swap.

The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of our unswapped outstanding debt as of July 31, 2009, would be approximately $554.

Commodity Price Risk. Many of the food products that we purchase are affected by commodity pricing and are, therefore, subject to price volatility caused by market conditions, weather, production problems, delivery difficulties and other factors which are outside our control and which are generally unpredictable. Four food categories (dairy (including eggs), beef, poultry and pork) account for the largest shares of our food purchases at approximately

14%, 12%, 11% and 10%, respectively. Other categories affected by the commodities markets, such as grains and seafood, may each account for as much as 7% of our food purchases. While we have some of our food items prepared to our specifications, our food items are based on generally available products, and if any existing suppliers fail, or are unable to deliver in quantities required by us, we believe that there are sufficient other quality suppliers in the marketplace that our sources of supply can be replaced as necessary. We also recognize, however, that commodity pricing is extremely volatile and can change unpredictably and over short periods of time. Changes in commodity prices would affect us and our competitors generally, and depending on the terms and duration of supply contracts, sometimes simultaneously. We enter into supply contracts for certain of our products in an effort to minimize volatility of supply and pricing. In many cases, or over the longer term, we believe we will be able to pass through some or much of the increased commodity costs by adjusting our menu pricing. From time to time, competitive circumstances, or judgments about consumer acceptance of price increases, may limit menu price flexibility, and in those circumstances increases in commodity prices can result in lower margins, as happened to us in 2008.

Recent Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. Effective August 2, 2008, the first day of 2009, we adopted SFAS No. 157 on a prospective basis. The adoption of SFAS No. 157 resulted in a $5,809 decrease in our interest rate swap liability related to non-performance risk, in the first quarter of 2009, with the offset reflected in accumulated other comprehensive loss, net of the deferred tax asset, on our consolidated balance sheet. See Note 3 to our Consolidated Financial Statements for additional information on our fair value measurements and Note 6 to our Consolidated Financial Statements for additional information on our interest rate swap.

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS No. 157-2"), which deferred the effective date of SFAS No. 157 as it applies to certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. The deferral applies to such items as nonfinancial long-lived asset groups measured at fair value for an impairment assessment. We elected the deferral for nonfinancial assets and liabilities under FSP FAS No. 157-2. We do not expect the adoption of FSP FAS No. 157-2 in the first quarter of 2010 will have a significant impact on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS No. 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS No. 107-1 and APB No. 28-1"), which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It also amends Accounting Principles Board ("APB") Opinion No. 28-1, "Interim Financial Reporting" to require those disclosures in summarized financial information at interim reporting periods. FSP FAS No. 107-1 and APB No. 28-1 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS No. 107-1 and APB No. 28-1 in the fourth quarter of 2009 had no impact on our consolidated financial statements.

Income Tax Benefits of Dividends on Share-Based Payment Awards

The Emerging Issues Task Force ("EITF") reached a consensus on EITF 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11") in June 2007. The EITF consensus indicates that the tax benefit received on dividends associated with share-based awards that are charged to retained earnings should be recorded in additional paid-in capital and included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based award payments. We adopted EITF 06-11 on August 2, 2008, the first day of 2009. The adoption of EITF 06-11 did not have a significant impact on our consolidated financial statements.

Derivative Disclosures

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"), which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We adopted SFAS No. 161 on a prospective basis in the third quarter of 2009; accordingly, disclosures related to periods prior to the date of adoption have not been presented. The adoption of SFAS No. 161 did not have a significant impact on our consolidated financial statements. See Note 6 to our Consolidated Financial Statements for our derivative disclosures.

GAAP Hierarchy and FASB Accounting Standards Codification

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). SFAS No. 162 was effective on November 15, 2008. The adoption of SFAS No. 162 did not have a significant impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 168"). SFAS No. 168 replaces SFAS No. 162 and establishes the FASB Accounting Standards Codification as the single source of authoritative nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. This standard is effective for financial statements for interim and annual reporting periods ending after September 15, 2009. We do not expect that the adoption of SFAS No. 168 in the first quarter of 2010 will have a significant impact on our consolidated financial statements.

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"), which establishes the requirements for evaluating, recording and disclosing events or transactions occurring after the balance sheet date in an entity's financial statements. SFAS No. 165 is effective for interim and annual financial periods ending after June 15, 2009. The adoption of SFAS No. 165 in the fourth quarter of 2009 did not have a significant impact on our consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

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

Impairment of Long-Lived Assets and Provision for Asset Dispositions

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

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

In 2009, we incurred impairment charges related to one of our Cracker Barrel stores and three corporate properties. In 2008, we incurred impairment charges resulting from the closing of two Cracker Barrel stores. We recorded no impairment losses during 2007. For a more detailed discussion of these costs see the sub-section entitled "Impairment and Store Closing Costs" under the section entitled "Results of Operations" presented earlier in the MD&A.

Insurance Reserves

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

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

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

Inventory Reserves

Cost of goods sold includes the cost of retail merchandise sold at our stores utilizing the retail inventory accounting method. Inventory valuation provisions are included for retail inventory obsolescence and retail inventory shrinkage. Retail inventory is reviewed on a quarterly basis for obsolescence and adjusted as appropriate based on assumptions made by management and judgment regarding inventory aging and future promotional activities. Cost of goods sold includes an estimate of shrinkage that is adjusted upon physical inventory counts. Physical inventory counts are conducted throughout the third and fourth quarters of the fiscal year based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a three-year average of the physical inventories' results on a store-by-store basis. We have not made any material changes in the methodology used to estimate retail inventory obsolescence or shrinkage during 2009 and do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate obsolescence or shrinkage. However, actual obsolescence or shrinkage recorded may produce materially different amounts than we have estimated.

Tax Provision

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

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

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

Share-Based Compensation

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

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

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

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

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

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

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

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

Unredeemed Gift Cards

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

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

Legal Proceedings

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

Management's Report on Internal Control over Financial Reporting

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

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

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. We have concluded that our internal control over financial reporting was effective as of July 31, 2009, based on these criteria.

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

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 31, 2009 and August 1, 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three fiscal years in the period ended July 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cracker Barrel Old Country Store, Inc. and subsidiaries as of July 31, 2009 and August 1, 2008, and the results of their operations and their cash flows for each of the three fiscal years in the period ended July 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of July 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 29, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 29, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended July 31, 2009, and our report dated September 29, 2009, expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 29, 2009

CRACKER BARREL OLD COUNTRY STORE, INC.

CONSOLIDATED BALANCE SHEET

ASSETS	(In thousands except share data) July 31, 2009	August 1, 2008
Current Assets:		
Cash and cash equivalents	$ 11,609	$ 11,978
Property held for sale	--	3,248
Accounts receivable	12,730	13,484
Income taxes receivable	4,078	6,919
Inventories	137,424	155,954
Prepaid expenses and other current assets	9,193	10,981
Deferred income taxes	23,291	18,075
Total current assets	198,325	220,639
Property and Equipment:		
Land	286,161	299,608
Buildings and improvements	686,736	711,030
Buildings under capital leases	3,289	3,289
Restaurant and other equipment	379,459	359,089
Leasehold improvements	200,704	183,729
Construction in progress	16,089	15,071
Total	1,572,438	1,571,816
Less: Accumulated depreciation and amortization of capital leases	570,662	526,576
Property and equipment – net	1,001,776	1,045,240
Other assets	45,080	47,824
Total	$ 1,245,181	$ 1,313,703

See Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 92,168	$ 93,112
Current maturities of long-term debt and other long-term obligations	7,422	8,714
Taxes withheld and accrued	32,081	29,459
Accrued employee compensation	49,994	46,185
Accrued employee benefits	32,633	34,241
Deferred revenues	22,528	22,618
Accrued interest expense	10,379	12,485
Other accrued expenses	17,757	17,905
Total current liabilities	264,962	264,719
Long-term debt	638,040	779,061
Capital lease obligations	60	77
Interest rate swap liability	61,232	39,618
Other long-term obligations	89,610	83,147
Deferred income taxes	55,655	54,330
Commitments and Contingencies (Notes 2 and 18)		
Shareholders' Equity:		
Preferred stock – 100,000,000 shares of $.01 par value authorized; no shares issued	--	--
Common stock – 400,000,000 shares of $.01 par value authorized; 2009 – 22,722,685 shares issued and outstanding; 2008 – 22,325,341 shares issued and outstanding	227	223
Additional paid-in capital	12,972	731
Accumulated other comprehensive loss	(44,822)	(27,653)
Retained earnings	167,245	119,450
Total shareholders' equity	135,622	92,751
Total	$ 1,245,181	$ 1,313,703

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.

CONSOLIDATED STATEMENT OF INCOME

	(In thousands except share data) Fiscal years ended July 31, 2009	August 1, 2008	August 3, 2007
Total revenue	$ 2,367,285	$ 2,384,521	$ 2,351,576
Cost of goods sold	764,909	773,757	744,275
Gross profit	1,602,376	1,610,764	1,607,301
Labor and other related expenses	916,256	909,546	892,839
Impairment and store closing charges	2,088	877	--
Other store operating expenses	421,594	422,293	410,131
Store operating income	262,438	278,048	304,331
General and administrative expenses	120,199	127,273	136,186
Operating income	142,239	150,775	168,145
Interest expense	52,177	57,445	59,438
Interest income	--	185	7,774
Income before income taxes	90,062	93,515	116,481
Provision for income taxes	24,105	28,212	40,498
Income from continuing operations	65,957	65,303	75,983
(Loss) income from discontinued operations, net of tax	(31)	250	86,082
Net income	$ 65,926	$ 65,553	$ 162,065
Basic net income per share:			
Income from continuing operations	$ 2.94	$ 2.87	$ 2.75
(Loss) income from discontinued operations, net of tax	--	0.01	3.11
Net income per share	$ 2.94	$ 2.88	$ 5.86
Diluted net income per share:			
Income from continuing operations	$ 2.89	$ 2.79	$ 2.52
(Loss) income from discontinued operations, net of tax	--	0.01	2.71
Net income per share	$ 2.89	$ 2.80	$ 5.23
Basic weighted average shares outstanding	22,458,971	22,782,608	27,643,098
Diluted weighted average shares outstanding	22,787,633	23,406,044	31,756,582

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balances at July 28, 2006	30,926,906	$ 309	$ 4,257	$ (4,529)	$ 302,245	$ 302,282
Comprehensive Income:						
Net income	--	--	--	--	162,065	162,065
Change in fair value of interest rate swap, net of tax benefit of $2,001 (See Note 6)	--	--	--	(4,459)	--	(4,459)
Total comprehensive income	--	--	--	(4,459)	162,065	157,606
Cash dividends declared - $.56 per share	--	--	--	--	(14,908)	(14,908)
Share-based compensation	--	--	12,717	--	--	12,717
Exercise of share-based awards	1,125,924	11	33,168	--	--	33,179
Tax benefit realized upon exercise of share-based compensation awards	--	--	6,642	--	--	6,642
Issuance of common stock	395,775	4	12,132	--	--	12,136
Purchases and retirement of common stock	(8,774,430)	(87)	(68,916)	--	(336,528)	(405,531)
Balances at August 3, 2007	23,674,175	237	--	(8,988)	112,874	104,123
Comprehensive Income:						
Net income	--	--	--	--	65,553	65,553
Change in fair value of interest rate swap, net of tax benefit of $7,273 (See Note 6)	--	--	--	(18,665)	--	(18,665)
Total comprehensive income	--	--	--	(18,665)	65,553	46,888
Cumulative effect of a change in accounting principle – adoption of FIN 48 (Note 2)	--	--	--	--	2,898	2,898
Cash dividends declared - $.72 per share	--	--	--	--	(16,504)	(16,504)
Share-based compensation	---	--	8,491	--	--	8,491
Exercise of share-based compensation awards	276,166	2	304	--	--	306
Tax deficiency realized upon exercise of share-based compensation awards	--	--	(1,071)	--	--	(1,071)
Purchases and retirement of common stock	(1,625,000)	(16)	(6,993)	--	(45,371)	(52,380)
Balances at August 1, 2008	22,325,341	223	731	(27,653)	119,450	92,751
Comprehensive Income:						
Net income	--	--	--	--	65,926	65,926
Change in fair value of interest rate swap, net of tax benefit of $4,445 (See Note 6)	--	--	--	(17,169)	--	(17,169)
Total comprehensive income	--	--	--	(17,169)	65,926	48,757
Cash dividends declared - $.80 per share	--	--	--	--	(18,131)	(18,131)
Share-based compensation	---	--	6,946	--	--	6,946
Exercise of share-based compensation awards	397,344	4	4,358	--	--	4,362
Tax benefit realized upon exercise of share-based compensation awards	--	--	937	--	--	937
Balances at July 31, 2009	22,722,685	$ 227	$ 12,972	$ (44,822)	$ 167,245	$ 135,622

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	July 31, 2009	August 1, 2008	August 3, 2007
	(In thousands) Fiscal years ended		
Cash flows from operating activities:			
Net income	$ 65,926	$ 65,553	$ 162,065
Loss (income) from discontinued operations, net of tax	31	(250)	(86,082)
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	59,286	57,689	56,908
Loss on disposition of property and equipment	4,421	1,195	53
Impairment	2,088	532	--
Accretion on zero-coupon contingently convertible senior notes and new notes	--	--	5,237
Share-based compensation	6,946	8,491	12,717
Excess tax benefit from share-based compensation	(937)	--	(6,642)
Cash paid for accretion of original issue discount on zero-coupon contingently convertible senior notes and new notes	--	--	(27,218)
Changes in assets and liabilities:			
Accounts receivable	754	(1,725)	(325)
Income taxes receivable	3,794	(6,919)	--
Inventories	18,530	(11,538)	(16,113)
Prepaid expenses and other current assets	1,788	1,648	(8,234)
Other assets	2,009	(3,597)	(2,381)
Accounts payable	(1,021)	52	22,116
Taxes withheld and accrued	2,622	(2,742)	1,296
Income taxes payable	--	990	(6,280)
Accrued employee compensation	3,809	(2,385)	7,988
Accrued employee benefits	(1,608)	(685)	(3,592)
Deferred revenues	(90)	1,456	2,315
Accrued interest expense	(2,106)	12,321	(11,934)
Other accrued expenses	(672)	(1,188)	1,537
Other long-term obligations	(1,953)	5,462	5,931
Deferred income taxes	554	150	(12,490)
Net cash provided by operating activities of continuing operations	164,171	124,510	96,872
Cash flows from investing activities:			
Purchase of property and equipment	(68,104)	(88,027)	(96,538)
Proceeds from insurance recoveries of property and equipment	262	178	91
Proceeds from sale of property and equipment	58,755	5,143	8,726
Net cash used in investing activities of continuing operations	(9,087)	(82,706)	(87,721)

See Notes to Consolidated Financial Statements.

Cash flows from financing activities:			
Proceeds from issuance of long-term debt	620,200	797,650	234,100
Proceeds from exercise of share-based compensation awards	4,362	306	33,179
Principal payments under long-term debt and other long-term obligations	(762,530)	(774,292)	(355,089)
Purchases and retirement of common stock	--	(52,380)	(405,531)
Deferred financing costs	(768)	--	--
Dividends on common stock	(17,607)	(15,743)	(15,610)
Excess tax benefit from share-based compensation	937	--	6,642
Net cash used in financing activities of continuing operations	(155,406)	(44,459)	(502,309)
Cash flows from discontinued operations:			
Net cash (used in) provided by operating activities of discontinued operations	(47)	385	(33,818)
Net cash provided by investing activities of discontinued operations	--	--	453,394
Net cash (used in) provided by discontinued operations	(47)	385	419,576
Net decrease in cash and cash equivalents	(369)	(2,270)	(73,582)
Cash and cash equivalents, beginning of year	11,978	14,248	87,830
Cash and cash equivalents, end of year	$ 11,609	$ 11,978	$ 14,248
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, excluding interest rate swap payments, net of amounts capitalized	$ 32,344	$ 37,180	$ 62,437
Interest rate swap	19,469	5,578	1,035
Accretion of original issue discount of zero-coupon contingently convertible senior notes and new notes	--	--	27,218
Income taxes	23,782	32,030	101,495
Supplemental schedule of non-cash financing activity:			
Conversion of zero-coupon contingently convertible senior notes to common stock	--	--	$ 12,136
Change in fair value of interest rate swap	$ (21,614)	$ (25,938)	(6,460)
Change in deferred tax asset for interest rate swap	4,445	7,273	2,001

See Notes to Consolidated Financial Statements.

1. Description of the Business

Cracker Barrel Old Country Store, Inc. and its affiliates (collectively, in the Notes, the "Company") are principally engaged in the operation and development in the United States of the Cracker Barrel Old Country Store® ("Cracker Barrel") restaurant and retail concept and, until December 6, 2006, the Logan's Roadhouse® ("Logan's") restaurant concept. The Company sold Logan's on December 6, 2006 (see Note 16). As a result, Logan's is classified as discontinued operations for all periods presented in the Consolidated Financial Statements. Effective December 8, 2008, the Company changed its name from "CBRL Group, Inc." to "Cracker Barrel Old Country Store, Inc."

2. Summary Of Significant Accounting Policies

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

Fiscal year – The Company's fiscal year ends on the Friday nearest July 31st and each quarter consists of thirteen weeks unless noted otherwise. The Company's fiscal year ended August 3, 2007 consisted of 53 weeks and the fourth quarter of 2007 consisted of fourteen weeks. References in these Notes to a year or quarter are to the Company's fiscal year or quarter unless noted otherwise.

Principles of consolidation – The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated.

Financial instruments – The fair values of cash and cash equivalents and deferred compensation plan assets (included in other assets) are based on quoted market prices. Accounts receivable and accounts payable at July 31, 2009 and August 1, 2008, approximate their carrying amounts due to their short duration. The fair value of the Company's variable-rate Term Loan B, Delayed-Draw Term Loan, and Revolving Credit facilities, based on quoted market prices, totaled approximately $619,200 and $728,677 on July 31, 2009 and August 1, 2008, respectively. The estimated fair value of the Company's interest rate swap is the present value of the expected cash flows, which is calculated by using the replacement fixed rate in the then-current market, and incorporates the Company's own non-performance risk. See Note 3 for additional information on the Company's fair value measurements.

Cash and cash equivalents – The Company's policy is to consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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

Property held for sale – Property held for sale consists of real estate properties that the Company expects to sell within one year. The assets are reported at the lower of carrying amount or fair value less costs to sell. Based on current market conditions, the Company no longer expects to sell any of its properties previously classified as held for sale within a year. As a result, in the fourth quarter of 2009, the Company removed these properties from the property held for sale classification and recorded the properties as property and equipment in the Consolidated Balance Sheet. At August 1, 2008, property held for sale was $3,248 and consisted of closed Cracker Barrel stores.

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

Cost of goods sold includes the cost of retail merchandise sold at the Cracker Barrel stores utilizing the retail inventory accounting method. It includes an estimate of shrinkage that is adjusted upon physical inventory counts. Physical inventory counts are conducted throughout the third and fourth quarters of the fiscal year based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a three-year average of the physical inventories' results on a store-by-store basis.

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

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

Depreciation expense was $57,706, $56,149 and $55,331 for 2009, 2008 and 2007, respectively. Accelerated depreciation methods are generally used for income tax purposes.

Capitalized interest, excluding discontinued operations, was $445, $682 and $890 for 2009, 2008 and 2007, respectively.

Gain or loss is recognized upon disposal of property and equipment and the asset and related accumulated depreciation and amortization amounts are removed from the accounts.

Maintenance and repairs, including the replacement of minor items, are charged to expense and major additions to property and equipment are capitalized.

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

The Company incurred impairment charges in 2009 and 2008. These impairments were recorded based upon the lower of unit carrying amount or fair value less costs to sell. The fair values were determined based upon estimates provided by outside parties using market comparables. During 2009, the Company incurred impairment charges of $2,088. During 2009, one owned Cracker Barrel store was determined to be impaired, resulting in charges of $933. This store was impaired due to lower cash flow projections. Additionally, during 2009, the Company recorded a total impairment of $1,155 on office space, property adjacent to the office space and the Company's management trainee housing facility. The decision to impair these properties was due to changes in the Company's planned use of these properties.

During 2008, the Company incurred impairment and store closing costs resulting from the closing of Cracker Barrel stores. In 2008, the Company closed one leased Cracker Barrel store and one owned Cracker Barrel store, which resulted in impairment charges of $532 and store closing charges of $345. The decision to close the leased store was due to its age, the expiration of the lease and the proximity of another Cracker Barrel store. The decision to close the owned location was due to its age, expected future capital expenditure requirements and changes in traffic patterns around the store over the years. The store closing costs, which included employee termination benefits and other costs, are included in the impairment and store closing costs line on the Consolidated Statement of Income. At August 1, 2008, no liability was recorded for store closing costs. The financial information related to all restaurants closed in 2008 is not material to the Company's consolidated financial position, results of operations or cash flows, and, therefore, have not been presented as discontinued operations.

Derivative instruments and hedging activities – The Company is exposed to market risk, such as changes in interest rates and commodity prices. The Company uses derivative instruments to mitigate its interest rate risk. In 2006, the Company entered into an interest rate swap which is accounted for as a cash flow hedge (see Note 6).

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

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

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

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

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

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

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

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

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

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

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

Advertising – The Company expenses the costs of producing advertising the first time the advertising takes place. Net advertising expense was $42,371, $42,160 and $40,522 for 2009, 2008 and 2007, respectively. Rent expense from continuing operations under operating leases for billboards was $25,950, $25,177 and $25,204 for 2009, 2008 and 2007, respectively.

The following is a schedule by year of the future minimum rental payments required under operating leases for advertising billboards as of July 31, 2009:

Year		
2010	$	18,339
2011		6,472
2012		1,897
2013		62
2014		10
Total	$	26,780

Share-based compensation – The Company has four share-based compensation plans for employees and non-employee directors, which authorize the granting of stock options, nonvested stock and other types of awards consistent with the purpose of the plans (see Note 12). The number of shares authorized for future issuance under the Company's plans as of July 31, 2009 totals 1,139,878. Stock options granted under these plans are granted with an exercise price equal to the market price of the Company's stock on the date; those option awards generally vest at a cumulative rate of 33% per year beginning on the first anniversary of the grant date and expire ten years from the date of grant.

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

Income taxes – Employer tax credits for FICA taxes paid on employee tip income and other employer tax credits are accounted for by the flow-through method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Effective August 4, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained (or not sustained) upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The cumulative effect of adopting FIN 48 resulted in a net increase of $2,898 to the Company's beginning 2008 retained earnings. See Note 15 for additional information regarding income taxes.

Net income per share – Basic consolidated net income per share is computed by dividing consolidated net income to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted consolidated net income per share reflects the potential dilution that could occur if securities, options or other contracts to issue common stock were exercised or converted into common stock and is based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares related to stock options and nonvested stock and stock awards issued by the Company are calculated using the treasury stock method.

In 2002, the Company issued zero-coupon contingently convertible notes ("Senior Notes"). During 2007, a portion of the Senior Notes was exchanged for a new issue of zero-coupon contingently convertible notes ("New Notes"). The New Notes were substantially the same as the Senior Notes except the New Notes had a net share settlement feature which allowed the Company, upon conversion of a New Note, to settle the accreted principal amount of the debt for cash and issue shares of the Company's common stock for the conversion value in excess of the accreted value. The Senior Notes required the issuance of the Company's common stock upon conversion. The Company's Senior Notes and New Notes were redeemed during 2007. Prior to redemption, the New Notes were included in the calculation of diluted consolidated net income per share if their inclusion was dilutive under the treasury stock method and the Senior Notes were included in the calculation of diluted consolidated net income per share if their inclusion was dilutive under the "if-converted" method. Additionally, diluted consolidated net income per share was calculated excluding the after-tax interest and financing expenses associated with the Senior Notes since these Senior Notes were treated as if converted into common stock. Following the redemption of the Senior Notes and New Notes, outstanding employee and director stock options and nonvested stock and stock awards issued by the Company represent the only dilutive effects on diluted consolidated net income per share. See Note 17.

Subsequent events – Management has evaluated subsequent events through September 29, 2009, which is the date the financial statements were issued.

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

Recent Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. Effective August 2, 2008, the first day of 2009, the Company adopted SFAS No. 157 on a prospective basis. The adoption of SFAS No. 157 resulted in a $5,809 decrease in the

Company's interest rate swap liability related to non-performance risk, in the first quarter of 2009, with the offset reflected in accumulated other comprehensive loss, net of the deferred tax asset, on the Company's consolidated balance sheet. See Note 3 for additional information on the Company's fair value measurements and Note 6 for additional information on the Company's interest rate swap.

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS No. 157-2"), which deferred the effective date of SFAS No. 157 as it applies to certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. The deferral applies to such items as nonfinancial long-lived asset groups measured at fair value for an impairment assessment. We elected the deferral for nonfinancial assets and liabilities under FSP FAS No. 157-2. The Company does not expect the adoption of FSP FAS No. 157-2 in the first quarter of 2010 will have a significant impact on its consolidated financial statements.

In April 2009, the FASB issued FSP FAS No. 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS No. 107-1 and APB No. 28-1"), which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It also amends Accounting Principles Board ("APB") Opinion No. 28-1, "Interim Financial Reporting" to require those disclosures in summarized financial information at interim reporting periods. FSP FAS No. 107-1 and APB No. 28-1 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS No. 107-1 and APB No. 28-1 in the fourth quarter of 2009 had no impact on the Company's consolidated financial statements.

Income Tax Benefits of Dividends on Share-Based Payment Awards

The Emerging Issues Task Force ("EITF") reached a consensus on EITF 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11") in June 2007. The EITF consensus indicates that the tax benefit received on dividends associated with share-based awards that are charged to retained earnings should be recorded in additional paid-in capital and included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based award payments. The Company adopted EITF 06-11 on August 2, 2008, the first day of 2009. The adoption of EITF 06-11 did not have a significant impact on the Company's consolidated financial statements.

Derivative Disclosures

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"), which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS No. 161 on a prospective basis in the third quarter of 2009; accordingly, disclosures related to periods prior to the date of adoption have not been presented. The adoption of SFAS No. 161 did not have a significant impact on the Company's consolidated financial statements. See Note 6 for the Company's derivative disclosures.

GAAP Hierarchy and FASB Accounting Standards Codification

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 was effective on November 15, 2008. The adoption of SFAS No. 162 did not have a significant impact on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 168"). SFAS No. 168 replaces SFAS No. 162 and establishes the FASB Accounting Standards Codification as the single source of authoritative nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission ("SEC"), which are sources of authoritative GAAP for SEC registrants. This standard is effective for financial statements for interim and annual reporting periods ending after September 15, 2009. The Company does not expect that the adoption of SFAS No. 168 in the first quarter of 2010 will have a significant impact on its consolidated financial statements.

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"), which establishes the requirements for evaluating, recording and disclosing events or transactions occurring after the balance sheet date in an entity's financial statements. SFAS No. 165 is effective for interim and annual financial periods ending after June 15, 2009. The adoption of SFAS No. 165 in the fourth quarter of 2009 did not have a significant impact on the Company's consolidated financial statements.

3. Fair Value Measurements

Fair value is defined under SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 – quoted prices (unadjusted) for an identical asset or liability in an active market.

- Level 2 – quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

- Level 3 – unobservable and significant to the fair value measurement of the asset or liability.

The Company's assets and liabilities measured at fair value on a recurring basis subject to the disclosure requirements of SFAS No. 157 at July 31, 2009 were as follows:

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

*Consists of money market fund investments.

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

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

4. Inventories

Inventories were comprised of the following at:

	July 31, 2009	August 1, 2008
Retail	$ 108,412	$ 124,572
Restaurant	16,782	17,439
Supplies	12,230	13,943
Total	$ 137,424	$ 155,954

5. Debt

Long-term debt consisted of the following at:

	July 31, 2009	August 1, 2008
Term Loan B payable on or before April 27, 2013	$ 600,000	$ 633,456
Delayed-Draw Term Loan Facility payable on or before April 27, 2013	45,000	151,103
Revolving Credit Facility payable on or before April 27, 2011	--	3,200
Note payable	444	--
	645,444	787,759
Current maturities	(7,404)	(8,698)
Long-term debt	$ 638,040	$ 779,061

The aggregate maturities of long-term debt subsequent to July 31, 2009 are as follows:

Year	
2010	$ 7,404
2011	7,407
2012	7,410
2013	623,187
2014	36
Total	$ 645,444

Credit Facility

The Company’s credit facility (the “Credit Facility”) consists of the Term Loan B facility and the Delayed-Draw Term Loan facility with a scheduled maturity date of April 27, 2013 and a $250,000 Revolving Credit facility expiring April 27, 2011.

Loan acquisition costs associated with the Term Loan B facility, the Delayed-Draw Term Loan facility and the Revolving Credit facility were capitalized in the amount of $7,122, $2,456, and $1,964, respectively. These costs are amortized over the respective terms of the facilities.

The interest rates for the Term Loan B facility, Delayed-Draw Term Loan facility and the Revolving Credit facility are based on either LIBOR or prime. A spread is added to the interest rates according to a defined schedule based on the Company’s consolidated total leverage ratio as defined in the Credit Facility, 1.50% as of July 31, 2009 and August 1, 2008. As of July 31, 2009 and August 1, 2008, the interest rates on the Term Loan B facility were 2.52% and 4.29%, respectively. As of July 31, 2009, $40,000 of the outstanding balance under the Delayed-Draw Term facility had an interest rate of 3.75% and the remaining $5,000 had an interest rate of 1.79%. As of August 1, 2008, the interest rate on the Delayed-Draw Term Loan B facility was 4.29%. In 2006, the Company entered into an interest rate swap which resulted in the swapped portion of the Company’s outstanding term loans being fixed at 7.07% at July 31, 2009 and August 1, 2008 (see Note 6). At July 31, 2009, the Company did not have any outstanding borrowings under the Revolving Credit Facility. As of August 1, 2008, the interest rate on the Revolving Credit facility was 5.50%. At July 31, 2009, the Company had $33,892 of standby letters of credit, which reduce the Company’s availability under the Revolving Credit facility (see Note 18). At July 31, 2009, the Company had $216,108 available under the Revolving Credit facility.

The Credit Facility contains customary financial covenants, which are specified in the agreement and include maintenance of a maximum consolidated total leverage ratio and a minimum consolidated interest coverage ratio. At July 31, 2009 and August 1, 2008, the Company was in compliance with all debt covenants.

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

Note Payable

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

6. Derivative Instruments and Hedging Activities

The Company uses derivative instruments to mitigate its interest rate risk. The Company does not hold or use derivative instruments for trading purposes. The Company also does not have any derivatives not designated as hedging instruments and has not designated any non-derivatives as hedging instruments.

The Company has interest rate risk relative to its outstanding borrowings under its Credit Facility (see Note 5). Loans under the Credit Facility bear interest, at the Company's election, either at the prime rate or LIBOR plus a percentage point spread based on certain specified financial ratios.

The Company's policy has been to manage interest cost using a mix of fixed and variable rate debt (see Note 5). To manage this risk in a cost efficient manner, the Company entered into an interest rate swap on May 4, 2006 in which it agreed to exchange with a counterparty, at specified intervals effective August 3, 2006, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The interest rate swap was accounted for as a cash flow hedge. The swapped portion of the Company's outstanding debt is fixed at a rate of 5.57% plus the Company's credit spread, or 7.07% based on the Company's credit spread at July 31, 2009 over the 7-year life of the interest rate swap.

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

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

At July 31, 2009, the estimated fair value of the Company's derivative instrument was as follows:

	July 31, 2009		
	Balance Sheet Location		Fair Value
Interest rate swap	Interest rate swap liability	$	61,232
Total		$	61,232

The estimated fair value of the interest rate swap liability at July 31, 2009 increased $21,614 from its estimated fair value of $39,618 at August 1, 2008. The estimated fair value of the Company's interest rate swap liability at July 31, 2009 incorporates the Company's own non-performance risk. The adoption of SFAS No. 157 resulted in a $5,809 decrease in the Company's interest rate swap liability related to non-performance risk in the first quarter of

2009. The adjustment related to the Company's non-performance risk at July 31, 2009 decreased $437 from adoption which resulted in an increase of $437 in the fair value of the interest rate swap liability. The offset to the interest rate swap liability is recorded in accumulated other comprehensive loss ("AOCL"), net of the deferred tax asset, and will be reclassified into earnings over the term of the underlying debt. Any portion of the fair value of the swap determined to be ineffective will be recognized currently in earnings.

Cash flows related to the interest rate swap are included in interest expense and in operating activities. As of July 31, 2009, the estimated pre-tax portion of AOCL that is expected to be reclassified into earnings over the next twelve months is $28,782.

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

	Amount of Loss Recognized in AOCL on Derivative (Effective Portion)	Location of Loss Reclassified from AOCL into Income (Effective Portion)	Amount of Loss Reclassified from AOCL into Income (Effective Portion)
Cash flow hedge:			
Interest rate swap	$ (21,614)	Interest expense	$ 19,469

No ineffectiveness has been recorded in 2009, 2008 and 2007.

7. Share Repurchases

On July 31, 2008, the Company's Board of Directors approved share repurchases of up to $65,000 of the Company's common stock. The principal criteria for share repurchases are that they be accretive to expected net income per share, are within the limits imposed by the Company's Credit Facility and that they be made only from free cash flow (operating cash flow less capital expenditures and dividends) rather than borrowings. During 2009, the Company did not make any share repurchases owing to a suspension of the Company's share repurchase plans during the current economic climate. During 2010, however, we have been authorized, and intend, to repurchase shares to offset share dilution that might result from employee option exercises or employee share issuances.

Pursuant to prior grants of authority, during 2008, the Company repurchased a total of 1,625,000 shares of its common stock in the open market at an aggregate cost of $52,380. Related transaction costs and fees that were recorded as a reduction to shareholders' equity resulted in the shares being repurchased at an average cost of $32.23 per share.

8. Segment Information

Cracker Barrel units represent a single, integrated operation with two related and substantially integrated product lines. The operating expenses of the restaurant and retail product lines of a Cracker Barrel unit are shared and are indistinguishable in many respects. Accordingly, the Company manages its business on the basis of one reportable operating segment. All of the Company's operations are located within the United States. As stated in Note 16, the operations of Logan's are reported as discontinued operations and have been excluded from segment reporting.

Total revenue was comprised of the following at:

	2009	2008	2007
Revenue from continuing operations:			
Restaurant	$ 1,875,688	$ 1,872,152	$ 1,844,804
Retail	491,597	512,369	506,772
Total revenue from continuing operations	$ 2,367,285	$ 2,384,521	$ 2,351,576

9. Sale-Leaseback Transactions

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

On July 31, 2000, Cracker Barrel completed a sale-leaseback transaction involving 65 of its owned stores. Under the transaction, the land, buildings and building improvements at the locations were sold and leased back for an initial term of 21 years. The leases for these 65 stores include specified renewal options for up to 20 additional years and have certain financial covenants related to fixed charge coverage for the leased units. At July 31, 2009 and August 1, 2008, the Company was in compliance with all those covenants.

10. Litigation Settlement

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

11. Gains on Property Disposition

During 2008, the Company sold the one remaining Logan's property that the Company had retained and leased back following the divestiture of Logan's (see Note 16). This property was classified as property held for sale and had a net book value of approximately $1,960. The Company received net proceeds of approximately $3,770, which resulted in a pre-tax gain of approximately $1,810. The gain is recorded in general and administrative expenses from continuing operations in the Consolidated Statement of Income.

During 2007, the Company sold two of the three Logan's properties the Company had retained and leased back following the divestiture of Logan's. The Company received total net proceeds of approximately $6,187 on the two properties, which resulted in a total pre-tax gain of approximately $2,505. The gain is recorded in general and administrative expenses from continuing operations in the Consolidated Statement of Income. Additionally, during 2007, the State of New York condemned a portion of the land on which a Cracker Barrel store was located to build a road. The Company received condemnation proceeds of approximately $760 and recorded a pre-tax gain of approximately $500 in other store operating expenses from continuing operations in the Consolidated Statement of Income.

12. Share-Based Compensation

Stock Compensation Plans

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

Directors Plan

In 1989, the Company's shareholders approved the Cracker Barrel Old Country Store, Inc. 1989 Stock Option Plan for Non-employee Directors ("Directors Plan"). Stock options granted under the Directors Plan had an exercise price equal to the fair market value of the Company's common stock on the date of grant and expire one year from the retirement of the director from the Board. An aggregate of 1,518,750 shares of the Company's common stock was authorized for issuance under the Directors Plan. Owing to the overall plan limit, no shares have been granted since 1994. At July 31, 2009, there were outstanding awards for 244,762 shares under the Directors Plan.

Employee Plan

The Company's 2000 Non-Executive Stock Option Plan ("Employee Plan") covered employees who are not officers or directors of the Company. Stock options granted under the Employee Plan had an exercise price of at least 100% of the fair market value of the Company's common stock based on the date of grant and become exercisable each year at a cumulative rate of 33% per year and expire ten years from the date of grant. An aggregate of 4,750,000 shares of the Company's common stock originally were authorized under the Employee Plan, which expired on July 29, 2005. At July 31, 2009, there were outstanding awards for 354,260 shares under the Employee Plan.

Amended and Restated Stock Option Plan

The Company's Amended and Restated Stock Option Plan (the "Plan") allows the Committee to grant options to purchase an aggregate of 17,525,702 shares of the Company's common stock. At July 31, 2009, there were 599,954 shares of the Company's common stock reserved for future issuance under the Plan. The option price per share under the Plan must be at least 100% of the fair market value of the Company's common stock on the date of grant. Options granted to date under the Plan generally have been exercisable each year at a cumulative rate of 33% per year and expire ten years from the date of grant. At July 31, 2009, there were outstanding awards for 1,314,289 shares under this plan.

Omnibus Plan

The Company's 2002 Omnibus Incentive Compensation Plan (the "Omnibus Plan") allows the Committee to grant awards for an aggregate of 2,500,000 shares of the Company's common stock. The Omnibus Plan authorizes the following types of awards to all eligible participants other than non-employee directors: stock options, stock appreciation rights, stock awards, nonvested stock, performance shares, cash bonuses, qualified performance-based awards or any other type of award consistent with the Omnibus Plan's purpose. The option price per share of all options granted under the Omnibus Plan is required to be at least 100% of the fair market value of the Company's common stock based on the date of grant. Under the Omnibus Plan, non-employee directors are granted annually on the day of the annual shareholders meeting an option to purchase up to 5,000 shares of the Company's common stock, and awards of up to 2,000 shares of nonvested stock or nonvested stock units. Additionally, non-employee directors newly elected or appointed between an annual shareholders meeting (typically in November) and the following July 31 receive an option on the day of election or appointment to acquire up to 5,000 shares of the Company's common stock or awards of up to 2,000 shares of nonvested stock or nonvested stock units. Options granted to date under the Omnibus Plan become exercisable each year at a cumulative rate of 33% per year and expire ten years from the date of grant. At July 31, 2009, there were outstanding awards for 1,287,675 shares under this plan and 539,924 shares of the Company's common stock reserved for future issuance under this plan.

Mid-Term Incentive and Retention Plans

The Committee established the FY2006 and FY2007 Mid-Term Incentive and Retention Plans ("2006 MTIRP" and "2007 MTIRP," respectively) pursuant to the Omnibus Plan, for the purpose of rewarding certain officers. The 2006 MTIRP award was calculated during 2006 based on achievement of qualified financial performance measures, but restricted until vesting occurred on the last day of 2008. At August 1, 2008, the nonvested stock of 55,599 shares under the 2006 MTIRP vested, and cash and dividends earned under the 2006 MTIRP of $205 and $71, respectively, were paid on August 4, 2008.

The 2007 MTIRP award was calculated during 2007 based on achievement of qualified financial performance measures, but restricted until vesting occurs on the last day of 2009. At July 31, 2009, the nonvested stock of 63,098 shares under the 2007 MTIRP vested, and cash and dividends earned under the 2007 MTIRP of $346 and $96, respectively, were paid on August 3, 2009.

Stock Ownership Plan

The Committee established the Stock Ownership Achievement Plan ("Stock Ownership Plan") pursuant to the Omnibus Plan, for the purpose of rewarding certain executive officers of the Company for early achievement of target stock ownership levels in 2005 and in the future. Upon meeting the stock ownership levels at an earlier date than required and upon approval by the Committee, the Company will award unrestricted shares to those certain officers on the first Monday of the next fiscal year. The Stock Ownership Plan reward is expensed over the year during which those certain officers achieve the stock ownership target, beginning when the target is met. On August 3, 2009, August 4, 2008 and August 6, 2007, the Company issued 2,500, 2,100 and 2,500 unrestricted shares of common stock less shares withheld for taxes to the certain executive officers that earned the award in 2009, 2008 and 2007, respectively. The Stock Ownership Plan expired at the end of 2009 and the Committee elected to not renew the Plan. As a result, no additional awards will be made under this plan.

2008 Long-Term Performance Plan

The Committee established the FY2008 Long-Term Performance Plan ("2008 LTPP") pursuant to the Omnibus Plan, for the purpose of rewarding certain officers with shares of the Company's common stock if the Company achieved certain performance targets. During 2008, the 2008 LTPP was rescinded and replaced with discretionary cash bonuses for all non-executive team members, which were paid in September 2008. Instead of receiving discretionary cash bonuses, on August 1, 2008, the executive team members were awarded 196,525 shares of stock less shares withheld for taxes. These shares vested immediately but were subject to restrictions on resale for one to three years resulting in share-based compensation expense of $4,436.

2009 Long-Term Performance Plan

The Committee established the FY2009 Long-Term Performance Plan ("2009 LTPP") pursuant to the Omnibus Plan, for the purpose of rewarding certain officers with shares of the Company's common stock if the Company achieved certain performance targets. Subsequent to the end of 2009, the 2009 LTPP plan was rescinded and replaced with discretionary cash bonuses for all officers, which were paid in September 2009.

Other Share-Based Awards

In the third quarter of 2009, the Company issued to its Executive Vice President and Chief Financial Officer, options to purchase 25,000 shares of the Company's common stock and 25,000 nonvested stock grants. The stock options and 16,666 of the nonvested stock grants vest over three years and 8,334 of the nonvested stock grants vest over a two-year period. At July 31, 2009, the entire 50,000 share award was outstanding. The stock options and stock awards were made as "inducement grants" outside of the Company's plans under NASDAQ rules that allow such awards without shareholder approval.

Stock Options

A summary of the Company's stock option activity as of July 31, 2009, and changes during 2009 is presented in the following table:

(Shares in thousands)

Fixed Options	Shares		Weighted-Average Price	Weighted-Average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding at August 1, 2008	3,011	$	31.09			
Granted	299		26.04			
Exercised	(309)		17.51			
Forfeited/Expired	(106)		31.33			
Outstanding at July 31, 2009	2,895	$	32.01	5.20	$	6,906
Exercisable	2,312	$	31.74	4.37	$	6,063

The weighted-average grant-date fair values of options granted during 2009, 2008 and 2007 were $9.33, $11.99, and $13.10, respectively. The intrinsic value for stock options is defined as the difference between the current market value and the grant price. The total intrinsic values of options exercised during 2009, 2008 and 2007 were $3,725, $785, and $16,298, respectively.

During 2009, cash received from the exercise of share-based compensation awards and the corresponding issuance of 397,344 shares of the Company's common stock was $4,362. The tax benefit upon exercise of share-based compensation awards totaled $937.

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

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

	Year Ended		
	July 31, 2009	August 1, 2008	August 3, 2007
Dividend yield range	2.59%- 5.35%	1.8%- 2.2%	1.2%- 1.4%
Expected volatility	43% - 61%	31% - 34%	30% - 31%
Risk-free interest rate range	0.5%- 5.4%	2.9%- 5.0%	4.4%- 5.2%
Expected term (in years)	6.7 – 6.9	6.3	1.2 - 6.2

Nonvested Stock

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

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

A summary of the Company's nonvested stock activity as of July 31, 2009, and changes during 2009 is presented in the following table:

(Shares in thousands)

Nonvested Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested at August 1, 2008	260	$ 35.91
Granted	216	17.83
Vested	(120)	31.86
Forfeited	--	--
Unvested at July 31, 2009	356	$ 26.28

The total fair value of nonvested stock that vested during 2009, 2008 and 2007 was $3,829, $7,111, and $1,608, respectively.

As of July 31, 2009, there was $7,912 of total unrecognized compensation cost related to unvested share-based compensation arrangements that is expected to be recognized over a weighted-average period of 1.78 years.

Compensation Cost

Compensation cost for share-based payment arrangements was $3,680, $4,673 and $6,360, respectively, for stock options in 2009, 2008 and 2007. Compensation cost for nonvested and restricted stock was $3,266, $3,818 and $6,357, respectively, in 2009, 2008 and 2007. Included in the total for 2007 is share-based compensation expense from continuing operations of $6,294 and $6,837, respectively, for stock options and nonvested stock. Share-based compensation from continuing operations is recorded in general and administrative expenses. The total income tax benefit recognized in the Consolidated Statement of Income for 2009, 2008 and 2007 for share-based compensation arrangements was $937, $2,564 and $4,406, respectively.

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

During 2007, the Company also recognized additional compensation expense of $1,731 for retirement eligible employees under its MTIRP plans. Compensation expense is recognized to the date on which retirement eligibility is achieved, if shorter than the vesting period.

13. Employee Savings Plans

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried and hourly employees who have completed one year of service and have attained the age of twenty-one. Plan I allows eligible employees to defer receipt of up to 16% of their compensation, as defined in the plan.

The Company also sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan. Contributions under both Plan I and Plan II may be invested in various investment funds at the employee's discretion. Such contributions, including the Company matching contribution described below, may not be invested in the Company's common stock. In 2009, 2008 and 2007, the Company matched 25% of employee contributions for each participant in either Plan I or Plan II up to a total of 6% of the employee's compensation. Employee contributions vest immediately while Company contributions vest 20% annually beginning on the participant's first anniversary of employment and are vested 100% on the participant's fifth anniversary of employment. In 2009, 2008 and 2007, the Company contributed approximately $2,052, $1,801 and $1,552, respectively, under Plan I and approximately $285, $356 and $323, respectively, under Plan II, for continuing operations. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets for Plan II of $22,583 is included in other assets and the liability to Plan II participants of $22,583 is included in other long-term obligations. Company contributions under Plan I and Plan II related to continuing operations are recorded as either labor and other related expenses or general and administrative expenses.

14. Compensatory Plans and Arrangements

In connection with the Company's 2006 strategic initiatives, the Committee approved, pursuant to the Company's 2002 Omnibus Incentive Compensation Plan (see Note 12), the "2006 Success Plan" for certain officers of the Company. The maximum amount payable under the 2006 Success Plan was $6,647 by the Company and $1,168 by Logan's. On June 6, 2007, the Company paid $6,647 under this plan. During 2007, the Company recorded expense of $2,137 for this plan as general and administrative expenses from continuing operations and recorded $2,136 related to the Company's officers and $206 related to Logan's officers as discontinued operations.

15. Income Taxes

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

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

	July 31, 2009	August 1, 2008
Deferred tax assets:		
Financial accruals without economic performance	$ 63,480	$ 57,155
Other	7,629	5,985
Deferred tax assets	$ 71,109	$ 63,140
Deferred tax liabilities		
Excess tax depreciation over book	$ 78,607	$ 75,213
Other	24,866	24,182
Deferred tax liabilities	103,473	99,395
Net deferred tax liability	$ 32,364	$ 36,255

The Company provided no valuation allowance against deferred tax assets recorded as of July 31, 2009 and August 1, 2008, as the "more-likely-than-not" valuation method determined all deferred assets to be fully realizable in future taxable periods. The components of the provision for income taxes from continuing operations for each of the three years were as follows:

	2009	2008	2007
Current:			
Federal	$ 20,307	$ 23,536	$ 46,883
State	3,320	1,789	7,824
Deferred:			
Federal	(1,157)	1,565	(14,250)
State	1,635	1,322	41
Total income tax provision	$ 24,105	$ 28,212	$ 40,498

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

	2009	2008	2007
Provision computed at federal statutory income tax rate	$ 31,521	$ 32,730	$ 40,768
State and local income taxes, net of federal benefit	1,697	2,992	6,143
Employer tax credits for FICA taxes paid on employee tip income	(6,383)	(5,846)	(5,449)
Federal reserve adjustments	--	--	168
Other employer tax credits	(3,740)	(2,994)	(3,915)
Section 162(m) non-deductible compensation	44	--	1,809
Other-net	966	1,330	974
Total income tax provision	$ 24,105	$ 28,212	$ 40,498

As of July 31, 2009, the Company's liability for uncertain tax positions was $26,137 ($17,364, net of related federal tax benefits of $8,773). As of August 1, 2008, the Company's liability for uncertain tax positions was $26,602 ($17,753, net of related federal tax benefits of $8,849). At July 31, 2009 and August 1, 2008, the amount of uncertain tax positions that, if recognized, would affect the effective tax rate is $17,364 and $17,753, respectively.

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

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

The Company recognizes, net of tax, interest and estimated penalties related to uncertain tax positions in its provision for income taxes. At July 31, 2009 and August 1, 2008, the Company recognized approximately $302 and $780, respectively, in interest and penalties related to uncertain tax positions in its provision for income taxes. At July 31, 2009 and August 1, 2008, the Company's liability for uncertain tax positions included $3,092 and $2,790, respectively, net of tax for potential interest and penalties.

In many cases, the Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. Based on the outcome of these examinations or as a result of the expiration of the statutes of limitations for specific taxing jurisdictions, the related uncertain tax positions taken regarding previously filed tax returns could decrease from those recorded as liabilities for uncertain tax positions in the Company's financial statements at July 31, 2009 by approximately $5,000 to $6,000 within the next twelve months.

At July 31, 2009, the Company was subject to income tax examinations for its U.S. federal income taxes after 2005 and for state and local income taxes generally after 2005.

16. Discontinued Operations

On December 6, 2006, the Company completed the sale of Logan's, for total consideration of approximately $485,000. A portion of the consideration was funded by a real estate sale-leaseback transaction, which required the Company to retain three Logan's restaurant locations at that time. The Company leased these three properties to Logan's under terms and conditions consistent with the sale-leaseback transaction. Two of these properties were sold in 2007 and the remaining property was sold in 2008 (see Note 11).

The Company has reported in discontinued operations certain expenses related to the divestiture of Logan's in 2009, 2008 and 2007 and the results of operations of Logan's through December 5, 2006, which consist of the following:

	July 31, 2009	August 1, 2008	August 3, 2007
Revenues	$ --	$ --	$ 154,529
(Loss) income before tax benefit (provision for income taxes) from discontinued operations	(47)	(229)	7,450
Income tax benefit (provision for income taxes)	16	80	(2,279)
(Loss) income from discontinued operations, net of tax, before gain on sale of Logan's	(31)	(149)	5,171
Gain on sale of Logan's, net of tax of $215 and $8,592, respectively	--	399	80,911
(Loss) income from discontinued operations, net of tax	$ (31)	$ 250	$ 86,082

In 2009, the Company incurred $47 in expenses related to certain tax indemnifications related to Logan's (see Note 18). In 2008, the Company recorded an adjustment in accordance with the Logan's sale agreement related to taxes, resulting in additional proceeds from the sale of Logan's of $614.

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

	July 31, 2009	August 1, 2008	August 3, 2007
Income tax benefit (provision for income taxes) computed at federal statutory income tax rate	$ 16	$ (135)	$ (11,955)
State and local income taxes, net of federal benefit	--	--	621
Employer tax credits for FICA taxes paid on employee tip income	--	--	478
Other-net	--	--	(15)
Total income tax benefit (provision for income taxes) from discontinued operations	$ 16	$ (135)	$ (10,871)

17. Net Income Per Share and Weighted Average Shares

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

	July 31, 2009	August 1, 2008	August 3, 2007
Income from continuing operations per share numerator:			
Income from continuing operations	$ 65,957	$ 65,303	$ 75,983
Add: Interest and loan acquisition costs associated with Senior Notes, net of related tax effects (see Note 2)	--	--	3,977
Income from continuing operations available to common shareholders	$ 65,957	$ 65,303	$ 79,960
(Loss) income from discontinued operations, net of tax, per share numerator	$ (31)	$ 250	$ 86,082
Net income per share numerator:			
Income from operations	$ 65,926	$ 65,553	$ 162,065
Add: Interest and loan acquisition costs associated with Senior Notes, net of related tax effects (see Note 2)	--	--	3,977
Income from operations available to common shareholders	$ 65,926	$ 65,553	$ 166,042
Income from continuing operations, (loss) income from discontinued operations, net of tax, and net income per share denominator:			
Basic weighted average shares outstanding	22,458,971	22,782,608	27,643,098
Add potential dilution:			
Senior and New Notes (see Note 2)	--	--	3,479,087
Stock options and nonvested stock and stock awards	328,662	623,436	634,397
Diluted weighted average shares Outstanding	22,787,633	23,406,044	31,756,582

18. Commitments and Contingencies

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

The Company is contingently liable pursuant to standby letters of credit as credit guarantees related to insurers. As of July 31, 2009, the Company had $33,892 of standby letters of credit related to securing reserved claims under workers’ compensation insurance. All standby letters of credit are renewable annually and reduce the Company’s availability under its Revolving Credit facility (see Note 5).

The Company is secondarily liable for lease payments under the terms of an operating lease that has been assigned to a third party. The lease has a remaining life of approximately 4.2 years with annual lease payments of approximately $361 for a total guarantee of $1,502. The Company’s performance is required only if the assignee fails to perform its obligations as lessee. At this time, the Company has no reason to believe that the assignee will not perform and, therefore, no provision has been made in the Consolidated Balance Sheet for amounts to be paid in case of non-performance by the assignee.

Upon the sale of Logan’s, the Company reaffirmed its guarantee of the lease payments for two Logan’s restaurants. At July 31, 2009, the operating leases had remaining lives of 2.4 and 10.7 years with annual payments of approximately $94 and $101, respectively, for a total guarantee of $1,417. The Company's performance is required only if Logan's fails to perform its obligations as lessee. At this time, the Company has no reason to believe Logan's will not perform, and therefore, no provision has been made in the Consolidated Balance Sheet for amounts to be paid as a result of non-performance by Logan's.

The Company enters into certain indemnification agreements in favor of third parties in the ordinary course of business. The Company believes that the probability of incurring an actual liability under such indemnification agreements is sufficiently remote so that no liability has been recorded. In connection with the divestiture of Logan's and Logan's sale-leaseback transaction (see Note 16), the Company entered into various agreements to indemnify third parties against certain tax obligations, for any breaches of representations and warranties in the applicable transaction documents and for certain costs and expenses that may arise out of specified real estate matters, including potential relocation and legal costs. With the exception of certain tax indemnifications, the Company believes that the probability of being required to make any indemnification payments to Logan's is remote. Therefore, at July 31, 2009 and August 1, 2008, respectively, the Company has recorded a liability of $72 and $377 in the Consolidated Balance Sheet for these potential tax indemnifications, but no provision has been recorded for potential non-tax indemnifications.

The Company maintains insurance coverage for various aspects of its business and operations. The Company has elected, however, to retain all or a portion of losses that occur through the use of various deductibles, limits and retentions under its insurance programs. This situation may subject the Company to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts. See Note 2 for a further discussion of insurance and insurance reserves.

As of July 31, 2009, the Company operated 190 Cracker Barrel stores in leased facilities and also leased certain land and advertising billboards (see Notes 2 and 9). These leases have been classified as either capital or operating leases. The interest rates for capital leases vary from 5% to 10%. Amortization of capital leases is included with depreciation expense. A majority of the Company's lease agreements provide for renewal options and some of these options contain escalation clauses. Additionally, certain store leases provide for percentage lease payments based upon sales volume in excess of specified minimum levels.

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the minimum lease payments as of July 31, 2009:

Year		
2010	$	22
2011		22
2012		22
2013		23
Total minimum lease payments		89
Less amount representing interest		11
Present value of minimum lease payments		78
Less current portion		18
Long-term portion of capital lease obligations	$	60

The following is a schedule by year of the future minimum rental payments to be received under the Company's sublease, as of July 31, 2009.

Year		
2010	$	62
2011		66
2012		67
2013		67
2014		67
Later years		233
Total	$	562

The following is a schedule by year of the future minimum rental payments required under operating leases, excluding leases for advertising billboards (see Note 2), as of July 31, 2009. Included in the amounts below are optional renewal periods, for which at the inception of the lease, it is reasonably assured that the Company will exercise these options (see Note 2).

Year	
2010	$ 36,890
2011	35,601
2012	35,668
2013	35,980
2014	36,401
Later years	584,604
Total	$ 765,144

Rent expense under operating leases, excluding leases for advertising billboards (see Note 2), is recognized on a straight-line, or average, basis and includes any pre-opening periods during construction for which the Company is legally obligated under the terms of the lease, and any optional renewal periods, for which at the inception of the lease, it is reasonably assured that the Company will exercise those renewal options. This lease period is consistent with the period over which leasehold improvements are amortized. Rent expense from continuing operations for each of the three years was:

	Minimum	Contingent	Total
2009	$ 33,929	$ 535	$ 34,464
2008	32,024	669	32,693
2007	29,691	618	30,309

19. Quarterly Financial Data (Unaudited)

Quarterly financial data for 2009 and 2008 are summarized as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2009				
Total revenue	$ 573,932	$ 630,182	$ 567,568	$ 595,603
Gross profit	392,575	407,689	391,241	410,871
Income before income taxes	18,525	25,992	16,276	29,269
Income from continuing operations	12,832	18,362	11,948	22,815
(Loss) income from discontinued operations, net of tax	--	--	4	(35)
Net income	12,832	18,362	11,952	22,780
Income from continuing operations per share - basic	$ 0.57	$ 0.82	$ 0.53	$ 1.01
(Loss) income from discontinued operations, net of tax, per share – basic	$ --	$ --	$ --	$ --
Net income per share – basic	$ 0.57	$ 0.82	$ 0.53	$ 1.01
Income from continuing operations per share – diluted	$ 0.57	$ 0.81	$ 0.52	$ 0.99
(Loss) income from discontinued operations, net of tax, per share – diluted	$ --	$ --	$ --	$ --
Net income per share – diluted	$ 0.57	$ 0.81	$ 0.52	$ 0.99
2008				
Total revenue	$ 581,165	$ 634,453	$ 567,138	$ 601,765
Gross profit	400,937	410,718	386,550	412,559
Income before income taxes	21,170	31,095	13,527	27,723
Income from continuing operations	13,983	20,234	10,479	20,607
(Loss) income from discontinued operations, net of tax	(94)	(17)	(35)	396
Net income	13,889	20,217	10,444	21,003
Income from continuing operations per share - basic	$ 0.59	$ 0.87	$ 0.47	$ 0.93
(Loss) income from discontinued operations, net of tax, per share – basic	$ --	$ --	$ --	$ 0.02
Net income per share – basic	$ 0.59	$ 0.87	$ 0.47	$ 0.95
Income from continuing operations per share – diluted	$ 0.57	$ 0.85	$ 0.46	$ 0.91
(Loss) income from discontinued operations, net of tax, per share – diluted	$ --	$ --	$ --	$ 0.02
Net income per share – diluted	$ 0.57	$ 0.85	$ 0.46	$ 0.93

EXHIBIT 21

Subsidiaries of the Registrant

The following is a list of the significant subsidiaries of the Registrant as of July 31, 2009, all of which are wholly-owned:

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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 2-86602, 33-15775, 33-37567, 33-45482, 333-01465, 333-63442, 333-71384, 333-81063 and 333-111364 on Form S-8 of our reports dated September 29, 2009 relating to the consolidated financial statements of Cracker Barrel Old Country Store, Inc., and the effectiveness of Cracker Barrel Old Country Store, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc. for the year ended July 31, 2009.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 29, 2009

EXHIBIT 31.1

CERTIFICATION

I, Michael A. Woodhouse, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 29, 2009

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

EXHIBIT 31.2

CERTIFICATION

I, Sandra B. Cochran, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 29, 2009

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

Exhibit 32.1

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

In connection with the Annual Report of Cracker Barrel Old Country Store, Inc. (the “Issuer”) on Form 10-K for the fiscal year ended July 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael A. Woodhouse, Chairman, President and Chief Executive Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: September 29, 2009

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

Exhibit 32.2

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

In connection with the Annual Report of Cracker Barrel Old Country Store, Inc. (the "Issuer") on Form 10-K for the fiscal year ended July 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sandra B. Cochran, Executive Vice President and Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: September 29, 2009

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