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SARDAR BIGLARI, CHAIRMAN & CEO

April 19, 2012

Dear Fellow Shareholders:

I have important information to impart to you, as a stockholder of Cracker Barrel. We too are stockholders and own 17% of the Company.

When Cracker Barrel held its annual meeting on December 20, 2011, we owned 10% of the Company and were attempting to change 9% of the Board's composition. We entered the undertaking knowing that when a company like Cracker Barrel is not imploding, its Board can make promises, usually conditional ones — all in an attempt to win the ensuing proxy contest. That strategy would work if our interests were short term. But I have said that our interest in Cracker Barrel is protracted and long-term. Thus, we do not measure our results by one round of a proxy contest.

When we purchased Cracker Barrel stock, we did not do so to earn a paltry return. Yet after meeting with Chairman Woodhouse and other board members, we were convinced we would not see big returns until more substantive leadership changes became imminent. Anyone with in-depth restaurant knowledge, such as several former Cracker Barrel executives possess, knows that for years the Company's fundamentals have been declining. Our goal has been to join the Board in order to help avert the trend towards decline and, more significantly, to magnify the value of the Company.

One salient reason for the Company's troubles, we are convinced, is the continuance of Michael Woodhouse as Executive Chairman in charge of one of the restaurant chain's highest priorities, namely "menu strategy." Furthermore, in our view, he has been most responsible for putting the Company in a deplorable condition of distended bloat. Incidentally, it was only after we appeared on the scene did any overt action to reduce costs emerge. Strong leadership does not require a catalyst. Needless to say, the time horizon for Mr. Woodhouse and others is far shorter than ours. In fact, Mr. Woodhouse recently cashed out all of his 343,277 vested options.

Undoubtedly, there is a "frog in the boiling water problem" — a slow, steady decline in customer traffic leading to deterioration in per-store profit. Customer metrics reveal that in the prior seven years fewer patrons have been visiting each store, on average. New stores are being opened, but they tend to shroud the decrease in unit profit because overall profits remain steady. Unless traffic picks up materially, the underlying business will continue to decay. In the final analysis, Mr. Woodhouse has failed in his attempts to grow traffic profitably. It is clear to us Mr. Woodhouse must go. Even with his departure, just one step in the correct direction, progress would be incomplete because lack of performance dictates that Cracker Barrel requires leadership on the Board possessing real ownership and industry experience to help right the business.

We own 17% of the Company, and as such we should be welcomed onto the Board. After all, shareholders are the true owners of the Company. Therefore, it would appear commonsensical that the Company's largest owner has a right to hold leadership positions on the Board for the benefit of all owners. We believe that only with such board-level changes will stockholders accrue substantial and sustainable value. In the second round, we intend to raise the stakes: We no longer seek only one Board seat. We demand that Michael Woodhouse, Charles Jones, Robert Dale, and Jack Lowery go off the Board. Because of Cracker Barrel's Board retirement age of 75, prescribed by its own Corporate Governance Guidelines, Messrs. Dale and Lowery should be excluded in the coming year. However, we will also seek the removal of Messrs. Woodhouse and Jones, who, in our eyes, have displayed lackluster performances far too long. As the largest owner of the Company we are deeply committed to remove Woodhouse and Jones — all for the benefit of Cracker Barrel shareholders.

We have vast experience in analyzing, investing, owning, and running restaurant chains. We *know* that Cracker Barrel's business fundamentals have been declining. It is our belief that Chairman Woodhouse should be held largely responsible for the Company's lack of achievement. To us Mr. Woodhouse's actions have been enervating and ineffectual. Because the value of our current investment is over \$210 million in Cracker Barrel, we cannot just wait and hope for matters to improve; hope is not a winning strategy.

Time is clearly ripe for shareholders to demand that management institute clear performance goals. The way management has been playing the expectation game, once its results are in, only then does it supply the rationale why performance was satisfactory — *ex post facto*. Fellow shareholders should hold realistically optimistic, but not low, expectations. In our view, traffic should grow annually by a minimum of 3%, and we believe a target of 5% is reasonable after seven plus years of declines. We deem anything less as failure. Of course, it is profit that counts; based on our experience, the main means to bolster profit without significant capital reinvestment is by judiciously increasing traffic. Shareholders should not allow Cracker Barrel management to justify its weak numbers by comparing itself to a cherry-picked group (or an index whose composition is undisclosed) comprised of poorly performing restaurant chains. After all, Cracker Barrel is a brand that ought to thrive in the *current* economic environment; no longer will we tolerate management's continuing attempt to absolve itself from its own results, glibly announcing the outcome as resulting from the "challenging environment." This phrase has become a rather weak argument as many restaurant chains have been substantially increasing traffic and same-store sales. In fact, Biglari Holdings' wholly-owned subsidiary Steak n Shake is on its *fourth* year of increases in traffic and same-store sales.

We have the most to lose from Board blunders and vacuous promises. Furthermore, the significant size of our investment in Cracker Barrel represents a significant portion of our net worth. As a consequence, we will not stop our pursuit of improvement in the performance of the Company. Many Cracker Barrel employees, directors, and shareholders will come and go — but we intend, constantly, to preserve significant ownership in the Company. Since September, 2011, I have written Cracker Barrel shareholders three letters that pinpoint real problems, provide a clear strategic roadmap to address them, and present fresh perspectives on how best to engender value — everything in the interest of Cracker Barrel shareholders. All the information is available on our website at enhancecrackerbarrel.com. This website will continue to be the method that we will use to communicate with all shareholders.

I now give you the principal message of my letter:

I am convinced that there is a great deal of upside in Cracker Barrel's stock. To unlock its inherent value, I am asking you to join in on our value-maximization mission. Creative disruption needs to occur in the boardroom of Cracker Barrel — with the consequence of disrupting negative long-term trends in traffic and amplifying operating performance. We will continue to do the heavy lifting, but in order to be successful, we require owner-oriented shareholders who will back our efforts at the next

meeting of stockholders. Let's underscore the basic idea: We want shareholders who share our owner mentality to support us; only then can we be positioned to implement triumphant, value-maximizing ideas. *I pledge in return that Biglari Holdings will not sell a single share of Cracker Barrel stock.* If we should decide to do so — again, we have no such plans — we would first issue a press release to notify all shareholders quite far in advance (i.e., minimum of two weeks). In other words, we will not take advantage of you.

The shareholder profile of Cracker Barrel has been changing. We believe true owners of the stock will support our owner-driven ideas. You should take comfort that your returns will move in lock-step with ours, and among Cracker Barrel stockholders we have the most capital at risk. Categorically, it is imperative for Cracker Barrel investors to insist on higher expectations for the Company. Bottom line: We are here to spawn returns, and we are resolved to prevail until we generate an abundance for everyone. While I cannot promise financial returns, I do have a guarantee: We will not stop our value maximization mission with simply another proxy fight to precipitate high risk-adjusted returns.

Here is one simple yet forceful piece of data that I first introduced in my November 14, 2011 letter to you: In fiscal 1998, Cracker Barrel, under its founder Danny Evins, achieved operating income of \$164.9 million with 357 stores, or \$462,000 of operating income per store. For fiscal 2011, Cracker Barrel produced operating income of \$167.2 million with 603 stores, or \$277,000 of operating income per store. By simply closing the productivity gap — realizing the additional \$185,000 of operating income per store that the Company was able to achieve in fiscal 1998 — Cracker Barrel's 603 stores would earn an additional \$110 million in operating profit. I estimate the market would value the increase in profit at over \$1 billion, based on the Company's current earnings multiple. What I have quantified is the impact of improving operations, which I believe is the uttermost lever to attaining maximal intrinsic value.

Anyone who has learned about me knows I do not overpromise. But I am convinced that there is enormous potential at Cracker Barrel. I am also convinced the current leadership of Cracker Barrel will not unleash the potential value of the Company. In my judgment, the real missing piece is entrepreneurial leadership. We will supply the expertise with a commitment to one goal, advancing shareholder value in a fundamental and substantial way.

I welcome you to join us in our mission.

We are just beginning.

Sincerely,

/s/ Sardar Biglari

Sardar Biglari