WINN DIXIE STORES INC
Form DEFM14A
February 03, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

Winn-Dixie Stores, Inc.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
¨ No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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

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(4) Date Filed:

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WINN-DIXIE STORES, INC.

5050 EDGEWOOD COURT JACKSONVILLE, FLORIDA 32254-3699

February 3, 2012

Dear shareholders:

You are cordially invited to attend a special meeting of shareholders of Winn-Dixie Stores, Inc. (Winn-Dixie, we, us, our, or the Company), which will be held at our headquarters at 5050 Edgewood Court, Jacksonville, Florida 32254, at 9:00 a.m. Eastern Standard Time on March 9, 2012.

At the special meeting, we will ask you to consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of December 16, 2011, among Opal Holdings, LLC, or Holdings, Opal Merger Sub, Inc. and Winn-Dixie, providing for the acquisition of Winn-Dixie by Holdings. If the merger is completed, Winn-Dixie will become a wholly owned subsidiary of Holdings, and you will receive $9.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own, and you will cease to have an ownership interest in Winn-Dixie. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement and you are encouraged to read it carefully and in its entirety.

A Special Committee of our Board of Directors, comprised of eight independent directors, and advised by independent financial and legal advisors, negotiated the transaction and recommended it to our full Board of Directors. After careful consideration, our full Board of Directors has unanimously adopted and approved the merger agreement and approved the merger and determined that the merger and the merger agreement are advisable to, and in the best interests of, Winn-Dixie and its shareholders. **OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE MERGER AGREEMENT. IN ADDITION, OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADVISORY VOTE ON COMPENSATION THAT MAY BECOME PAYABLE TO OUR NAMED EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING (IF NECESSARY OR APPROPRIATE) TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE THE MERGER AGREEMENT.**

The proxy statement attached to this letter provides you with information about the merger and the special meeting. Please read the entire proxy statement carefully and in its entirety. You may also obtain additional information about us from documents we file with the Securities and Exchange Commission.

YOUR VOTE IS IMPORTANT. **The merger cannot be completed unless shareholders holding a majority of the outstanding shares entitled to vote at the special meeting approve the merger agreement. If you fail to vote on the merger agreement or fail to instruct your broker on how to vote, it will have the same effect as voting against the approval of the merger agreement.**

Whether or not you plan to attend the special meeting in person, please complete, sign, date and return promptly the enclosed proxy card or follow the related Internet or telephone voting instructions. If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee.

If you have any questions or need assistance voting your shares, please call Georgeson Inc., which is assisting us, toll-free at (866) 432-2791.

On behalf of the Board of Directors, I thank you for your cooperation and continued support.

On behalf of the Board of

Directors,

Peter L. Lynch
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated February 3, 2012 and is first being mailed, along with the enclosed proxy card, to shareholders on or about February 7, 2012.

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WINN-DIXIE STORES, INC.

5050 EDGEWOOD COURT JACKSONVILLE, FLORIDA 32254-3699

Notice of Special Meeting of Shareholders

to be held on March 9, 2012

To all Shareholders of Winn-Dixie Stores, Inc.:

You are invited to attend a special meeting of shareholders of Winn-Dixie Stores, Inc. (Winn-Dixie, we, us, our, or the Company). The speci meeting will be held at our headquarters at 5050 Edgewood Court, Jacksonville, Florida 32254, at 9:00 a.m. Eastern Standard Time on Friday, March 9, 2012, for the following purposes:

1. **Approval of the Merger Agreement with Holdings.** To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of December 16, 2011, among Opal Holdings, LLC, or Holdings , Opal Merger Sub, Inc., or Merger Sub, and Winn-Dixie, as it may be amended from time to time, pursuant to which each holder of shares of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares held by (i) us as treasury stock, (ii) Holdings or Merger Sub or (iii) any of our direct or indirect wholly owned subsidiaries) will be entitled to receive $9.50 per share in cash, without interest and less applicable withholding taxes, in exchange for each such share;

2. **Advisory Vote on Compensation.** To consider and vote on an advisory proposal to approve the compensation that may become payable to our named executive officers in connection with the merger;

3. **Adjournment of the Special Meeting.** To consider and approve the adjournment of the special meeting (if necessary or appropriate) to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement; and

4. **Other Matters.** To consider and act upon any other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the Board of Directors.

The Board of Directors has fixed January 27, 2012 as the record date for the special meeting. Only holders of our common stock at the close of business on the record date will be entitled to notice of, and to vote at, the special meeting and any adjournment of the special meeting, unless a new record date is fixed in connection with an adjournment of the special meeting. A list of shareholders entitled to vote at the special meeting will be available for inspection at our headquarters located at 5050 Edgewood Court, Jacksonville, Florida 32254 for a period of 10 days prior to the special meeting and at the place of the special meeting for the duration of the special meeting.

Your vote is important, regardless of the number of shares of our common stock you own. The approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. The approval of the advisory proposal on the compensation that may become payable to our named executive officers in connection with the merger requires that the number of shares voted in favor of the proposal are greater than those voted against the proposal. The approval of the proposal to adjourn the special meeting (if necessary or appropriate) to solicit additional proxies requires (i) if a quorum exists, that the number of shares voted in favor of adjournment are greater than those voted against, or (ii) in the absence of a quorum, the affirmative vote of the holders of a majority of the shares of our common stock represented at the special meeting.

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Whether or not you expect to attend the special meeting, please complete, sign, date and return the enclosed proxy card promptly to ensure that your shares will be represented at the special meeting. If you decide to attend the special meeting, you may, if you wish, revoke the proxy and vote your shares in person.

If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of the approval of the merger agreement, in favor of the advisory vote on compensation that may become payable to our named executive officers, in favor of the proposal to adjourn the special meeting (if necessary or appropriate) to permit further solicitation of proxies, and in accordance with the recommendation of the Board of Directors on other matters, if any, properly brought before the special meeting for a vote by or at the direction of the Board of Directors.

If you fail to vote by proxy or in person, it will have the same effect as a vote against the approval of the merger agreement.

A Special Committee of our Board of Directors, comprised of eight independent directors, and advised by independent financial and legal advisors, negotiated the transaction and recommended it to our full Board of Directors. After careful consideration, the full Board of Directors has unanimously adopted and approved the merger agreement and approved the merger and the other transactions contemplated by the merger agreement and determined that the merger and the merger agreement are advisable to, and in the best interests of, Winn-Dixie and its shareholders. **OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE MERGER AGREEMENT. IN ADDITION, OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADVISORY VOTE ON COMPENSATION THAT MAY BECOME PAYABLE TO OUR NAMED EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING (IF NECESSARY OR APPROPRIATE) TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE THE MERGER AGREEMENT.**

Please carefully read the proxy statement and other materials concerning Winn-Dixie, the merger and the other proposals enclosed with this notice for a more complete statement regarding the matters to be acted upon at the special meeting.

PLEASE DO NOT SEND ANY STOCK CERTIFICATES AT THIS TIME.

By order of the Board of Directors,

Timothy L. Williams

Secretary

Jacksonville, Florida

February 3, 2012

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that may be important to you. To understand the merger fully, and for a more complete description of the legal terms of the merger, you should carefully read this entire proxy statement, the annexes attached to this proxy statement and the documents to which we refer. The Agreement and Plan of Merger, which we refer to as the merger agreement, dated as of December 16, 2011, by and among Opal Holdings, LLC, or Holdings, Opal Merger Sub, Inc., or Merger Sub and Winn-Dixie Stores, Inc., or Winn-Dixie, we, us, our, or the Company, is attached as Annex A to this proxy statement. We have included page references in parentheses to direct you to the appropriate place in this proxy statement for a more complete description of the topics presented in this summary.

The Parties to the Merger Agreement (Page 19)

¡ Winn-Dixie, a corporation organized under the laws of the State of Florida, is one of the nation s largest food retailers and operates primarily under the Winn-Dixie banner. As of January 13, 2012, Winn-Dixie operated 484 retail grocery locations and approximately 380 in-store pharmacies in Florida, Alabama, Louisiana, Georgia and Mississippi. Winn-Dixie had net sales of approximately $6.9 billion and total assets of approximately $1.8 billion as of and for its fiscal year ended June 29, 2011.

¡ Holdings, a limited liability company organized under the laws of the State of Delaware, was formed for the purpose of entering into the merger agreement with Winn-Dixie and completing the merger. Holdings has not conducted any activities to date, other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Holdings is a wholly owned subsidiary of BI-LO, LLC, which is in turn a wholly owned subsidiary of BI-LO Holding, LLC. BI-LO Holding, LLC is a majority owned subsidiary of Lone Star Fund V (U.S.), L.P., a partnership that is a part of the group of investment funds commonly known as Lone Star Funds. We refer to the Lone Star Funds as Lone Star and we refer to Lone Star Fund V (U.S.) LP as Lone Star Guarantor. Lone Star is a global investment firm that acquires debt and equity assets including corporate, commercial real estate, single family residential and consumer debt products as well as banks and operating companies. Since the establishment of its first fund in 1995, the principals of Lone Star have organized private equity funds totaling approximately $33 billion of capital that has been invested globally through Lone Star s worldwide network of affiliate offices.

¡ Merger Sub, a corporation organized under the laws of the State of Florida, is a direct wholly owned subsidiary of Holdings, formed solely for the purpose of entering into the merger agreement with Winn-Dixie and completing the merger. Merger Sub has not conducted any activities to date, other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The Merger; Effective Time of the Merger (Page 60)

¡ You are being asked to vote to approve the merger agreement. Upon the terms and subject to the conditions contained in the merger agreement, Merger Sub will be merged with and into Winn-Dixie, with Winn-Dixie remaining as the surviving corporation. As a result of the merger, we will cease to be a publicly traded company and will become a wholly owned subsidiary of Holdings.

¡ The merger will become effective upon the filing of articles of merger with the Florida Department of State or at such later time as is agreed upon by Holdings and us and specified in the articles of merger in accordance with Florida law.

¡ The closing of the merger is expected to occur on the second business day after the conditions to the merger set forth in the merger agreement have been satisfied or waived or at such other time agreed to in writing

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by us and Holdings. Although we expect to complete the merger shortly after the special meeting of our shareholders, we cannot specify when, or assure you that, we and Holdings will satisfy or waive all conditions to the merger.

Merger Consideration (Page 61)

¡ If the merger is completed, each share of common stock, par value $0.001 per share, of Winn-Dixie, which we refer to as our common stock, that is issued and outstanding immediately prior to the effective time of the merger (other than shares held by (i) us as treasury stock, (ii) Holdings or Merger Sub or (iii) any of our direct or indirect wholly owned subsidiaries), will be cancelled at the effective time of the merger and automatically be converted into the right to receive $9.50 in cash, without interest and less applicable withholding taxes.

Effect on Stock Options and Restricted Stock Units (Page 61)

¡ At the effective time of the merger, all options to purchase shares of our common stock that are outstanding immediately prior to the effective time and that are vested or that, upon consummation of the merger, will automatically vest in accordance with their terms, will be cancelled by us and will be converted into the right to receive a cash payment equal to the excess, if any, of $9.50 per share in cash over the exercise price per share of the option, multiplied by the number of shares subject to the applicable option, without interest and less any applicable withholding tax. If the exercise price per share of any option is $9.50 or greater, such option will be cancelled, retired and cease to exist as of the effective time of the merger and the holder of such stock option will have no right to receive any consideration for such option. All options to purchase shares of our common stock that are unvested at the effective time and that are not automatically vested pursuant to their terms by virtue of the merger will be cancelled, retired and cease to exist as of the effective time of the merger and the holders of such stock options will have no right to receive any consideration for such options. All restricted stock units that are outstanding immediately prior to the effective time and that, upon consummation of the merger, will automatically vest in accordance with their terms, will be converted into the right to receive $9.50 per share in cash, without interest and less any applicable withholding tax. All restricted stock units subject to performance based vesting conditions that are unvested at the effective time and that are not automatically vested pursuant to their terms by virtue of the merger will be cancelled and the holders of such restricted stock units will have no right to receive any consideration for such cancellation.

Effect on Employee Stock Purchase Plan (Page 61)

¡ With respect to our Employee Stock Purchase Plan, which we refer to as the ESPP, as of the effective time of the merger, any then current offering period under the ESPP shall be terminated and no new offering periods will begin under the ESPP after such date and no further shares of our common stock will be purchased under the ESPP. Winn-Dixie will refund any unused cash (without interest) in a participant s account to such participant.

Conditions to the Merger (Page 74)

¡ We and Holdings will not complete the merger unless a number of conditions are satisfied or waived, as applicable, including the approval by our shareholders of the merger agreement and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act. On December 30, 2011, we and Lone Star Guarantor each filed the required notification and report forms under the HSR Act with the Antitrust Division of the U.S. Department of Justice, referred to as the DOJ, and the U.S. Federal Trade Commission, referred to as the FTC, and on January 12, 2012, early termination of the applicable waiting period under the HSR Act was granted.

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Termination of the Merger Agreement (Page 75)

¡ Either we or Holdings can terminate the merger agreement under certain circumstances, including, in general, if the other party breaches any of its representations, warranties, covenants or agreements in a manner that would result in the failure of closing conditions set forth in the merger agreement and such breach is not cured within a specified time period.

¡ In addition to certain other circumstances, Holdings may also terminate the merger agreement if our Board of Directors elects to withdraw or adversely modify its recommendation of the merger or the merger agreement. We may also terminate the merger agreement, after complying with certain procedures in the merger agreement, in order to enter into a definitive acquisition agreement with a third party that our Board of Directors has determined constitutes a superior proposal. If the merger agreement is terminated as described in this paragraph, we will be required to pay Holdings a $19.6 million termination fee.

¡ In addition, if the merger agreement is terminated (i) by us as a result of the representations and warranties of Holdings or Merger Sub having become untrue or Holdings or Merger Sub breaching any of its covenants, in each case causing a failure of applicable closing conditions that are not cured during the specified time period, (ii) by us as a result of Holdings and Merger Sub failing to close the merger when they were otherwise obligated to close the merger or (iii) by us or Holdings as a result of the merger failing to close because Holdings failed to take certain actions related to antitrust matters, Holdings will be required to pay us a closing failure fee of $72,825,000.

No Solicitation of Competing Proposals (Page 68)

¡ The merger agreement contains non-solicitation provisions that prohibit us from soliciting or engaging in discussions or negotiations regarding a competing proposal to the merger. The merger agreement contains certain exceptions to these prohibitions, including if prior to the special meeting of our shareholders we receive an unsolicited acquisition proposal from a third party that meets certain conditions.

Recommendation of Our Board of Directors (Page 34)

¡ A Special Committee of our Board of Directors (the Special Committee), comprised of eight independent directors, and advised by independent financial and legal advisors, negotiated the transaction and recommended it to our full Board of Directors. After due discussion and due consideration, on the unanimous recommendation of the Special Committee, our full Board of Directors has unanimously determined that the merger agreement and the merger are advisable to, and in the best interests of, Winn-Dixie and our shareholders. Accordingly, our Board of Directors unanimously recommends that you vote **FOR** the approval of the merger agreement.

Reasons for Recommendation of Our Board of Directors and the Special Committee (Page 30)

¡ The Special Committee, in making its recommendation to our full Board of Directors that the Board of Directors approve the merger, and the Board of Directors, in making its recommendation that you vote **FOR** the approval of the merger agreement, each considered a number of factors. Please refer to the more detailed information contained in *Reasons for the Merger* on page 30.

Opinion of Goldman, Sachs & Co. as Financial Advisor to the Special Committee (Page 34 and Annex B)

¡ Goldman, Sachs & Co. (Goldman Sachs) rendered its oral opinion to the Special Committee, subsequently confirmed in writing, that as of December 16, 2011 and based upon and subject to the limitations,

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qualifications and assumptions set forth therein, the $9.50 per share in cash to be paid to the holders of outstanding shares of our common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

¡ The full text of the written opinion of Goldman Sachs, dated December 16, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. The summary of the Goldman Sachs opinion provided in this proxy statement is qualified in its entirety by reference to the full text of the written opinion. Winn-Dixie shareholders are urged to read the opinion carefully and in its entirety. Goldman Sachs provided its opinion for the information and assistance of the Special Committee in connection with its consideration of the merger. Goldman Sachs opinion is not a recommendation as to how any holder of shares of Winn-Dixie common stock should vote with respect to the merger or any other matter.

Special Meeting; Record Date; Quorum; Merger Vote (Page 15)

¡ The special meeting of our shareholders will be held at our headquarters located at 5050 Edgewood Court, Jacksonville, Florida 32254, beginning at 9:00 a.m., Eastern Standard Time, on Friday, March 9, 2012.

¡ The Board of Directors has fixed January 27, 2012 as the record date for the special meeting.

¡ A quorum of shareholders is necessary to hold a valid special meeting. A quorum is present at the special meeting if a majority of the issued and outstanding shares of our common stock entitled to vote at the special meeting are present in person or represented by proxy. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

¡ The merger cannot be completed unless shareholders holding a majority of the outstanding shares entitled to vote at the special meeting approve the merger agreement. If you fail to vote on the merger agreement or fail to instruct your broker on how to vote, it will have the same effect as voting against the approval of the merger agreement.

Material U.S. Federal Income Tax Consequences of the Merger (Page 55)

¡ For U.S. federal income tax purposes, the merger will be treated as a sale of the shares of our common stock for cash by each of our shareholders. As a result, in general, a U.S. holder (as defined below) of our common stock will recognize gain or loss equal to the difference, if any, between the amount of cash received in the merger and such shareholder s adjusted tax basis in the shares surrendered. Such gain or loss will be capital gain or loss if the shares of common stock surrendered are held as a capital asset in the hands of the shareholder, and will be long-term capital gain or loss if the shares of common stock have a holding period of more than one year at the time of the merger. For U.S. federal income tax purposes, a non-U.S. holder (as defined below) will generally not be subject to U.S. federal income tax on the merger consideration such holder receives unless such holder has certain connections to the United States.

¡ **Shareholders are urged to consult their own tax advisors as to the particular tax consequences to them of the merger.**

Common Stock Ownership of Our Directors and Executive Officers (Page 80)

¡ As of the record date, our directors and executive officers beneficially owned, in the aggregate, approximately 4.36% of the outstanding shares of our common stock entitled to vote at the special meeting. We currently expect that each of these individuals will vote all of his or her shares of common stock in favor of each of the proposals.

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Interests of Our Directors and Executive Officers in the Merger (Page 48)

¡ Our directors and executive officers may have interests in the merger that are different from, or in addition to, yours, including the following:

our directors and executive officers will (i) receive cash consideration for their vested stock options and stock options that will vest pursuant to their terms in connection with the merger in an amount equal to the excess, if any, of $9.50 per share in cash over the exercise price per share of the option, multiplied by the number of shares subject to the applicable option (without interest and less any applicable withholding tax); provided that if the exercise price of a stock option is equal to or greater than $9.50, such stock option will be cancelled without any cash payment being made in respect thereof and (ii) receive cash consideration of $9.50 per share (without interest and less any applicable withholding tax) for their restricted stock units that will vest pursuant to their terms in connection with the merger;

our president and chief executive officer is a party to an employment agreement which provides for enhanced payments upon the termination of his employment;

our senior vice presidents, group vice presidents, vice presidents, regional vice presidents, directors and senior directors are participants in an executive severance plan which provides for enhanced payments upon the termination of their employment;

Holdings has agreed to provide each of our employees (including our executive officers) with base salary or hourly wage rate, incentive compensation opportunities and other compensation employee benefits (excluding any equity or equity-based compensation) that are no less favorable for all employees in the aggregate than the benefits provided by us immediately prior to the merger for a period of one year after the effective time of the merger;

certain of our executive officers may receive cash or other non-equity compensation from the Company, Holdings or affiliates of Holdings for services to be rendered in the future in connection with their continued employment following the closing of the merger;

Holdings has agreed to honor all benefit plans (including all severance, change of control and similar plans and agreements) in effect for one year after the effective time of the merger;

the merger agreement provides for insurance and indemnification arrangements for each of our current and former directors and officers;

our employees (including our executive officers) will receive full service credit for all purposes under Holdings employee benefits plans, programs and arrangements (other than equity plans and benefit accrual under any pension plans), and Holdings will cause all pre-existing condition exclusions or limitations and actively-at-work requirements to be waived and to allow eligible expenses to be taken into account to satisfy deductibles, coinsurance and out of pocket requirements under applicable Holdings plans and our employees will be allowed to use accrued vacation; and

in connection with the execution of the merger agreement, we entered into an Expense Advance Agreement with each of our current directors, which agreement provides that if any director incurs any expenses in defending any civil or criminal proceeding brought in connection with such director s service on the Board of Directors, such expenses shall be advanced by us, to the fullest extent permitted by law.

¡ The Special Committee and our Board of Directors were aware of these interests and considered them, among other matters, in making their decisions.

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¡ In addition, on January 11, 2012, our president and chief executive officer entered into a retention bonus agreement with BI-LO Holding, LLC that provides that a performance bonus and/or a discretionary bonus may become payable if he remains employed as an adviser to Winn-Dixie through a pre-determined period following the closing of the merger.

¡ On January 25, 2012, our chief financial officer entered into a post-closing employment agreement with BI-LO Holding, LLC that provides that he will remain employed on an at will basis as Winn-Dixie s integration lead after the closing of the merger. Prior to the closing of the merger, other of our executive officers may also enter into retention or employment arrangements with BI-LO Holding, LLC or Holdings.

Financing of the Merger (Page 47)

¡ Holdings has obtained equity and debt financing commitments, the aggregate proceeds of which will be sufficient to consummate the merger and the other transactions contemplated by the merger agreement. These commitments are described in more detail below. The funding under these commitments is subject to certain conditions, including conditions that do not relate directly to the conditions to closing in the merger agreement. Although obtaining the proceeds of any financing, including the financing under these commitments, is not a condition to Holdings obligation to complete the merger, the failure of Holdings and Merger Sub to obtain financing (whether under these commitments or otherwise) is likely to result in the failure of the merger to be completed. In that case, Holdings may be obligated to pay us a fee of $72,825,000 as described under *The Merger Agreement Termination Fee and Closing Failure Fee* beginning on page 77.

Limited Guarantee (Page 58)

¡ Lone Star Guarantor provided us with a direct guarantee of the full and prompt payment and performance of certain payment obligations of Holdings and Merger Sub arising under the merger agreement (including payment of the $72,825,000 termination fee) as limited pursuant to the terms of the merger agreement; provided that Lone Star Guarantor s liability under the guarantee will not exceed $72,825,000.

HSR Act Approval (Page 58)

¡ The merger is subject to the HSR Act. On December 30, 2011, Winn-Dixie and Lone Star Guarantor each filed the required notification and report forms under the HSR Act with the DOJ and FTC, and on January 12, 2012, early termination of the applicable waiting period under the HSR Act was granted.

Market Price of Common Stock (Page 79)

¡ The closing share price of our common stock on December 16, 2011, the last trading day prior to the announcement of the merger, was $5.43, and the merger consideration of $9.50 represents a premium of approximately 75% to this closing share price.

Procedure for Payment of Merger Consideration (Page 61)

¡ Promptly after the effective time of the merger, the paying agent will mail to each holder of record of our common stock a letter of transmittal (specifying that delivery shall be effected, and risk of loss and title to the certificates shall pass, only upon proper delivery of the certificates to the paying agent, or in the case of book-entry shares, upon adherence to the procedures set forth in the letter of transmittal) and instructions advising how to surrender the certificates or book-entry shares in exchange for the $9.50 per share merger consideration. Upon surrender of a certificate or book-entry share to the paying agent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and any other documents as the paying agent may reasonably require, you will be entitled to receive in exchange therefor the $9.50 per share merger consideration for each share formerly represented by such certificate or book-entry. Interest will not be paid or accrue in respect of the $9.50 per share merger consideration. The paying agent will reduce the amount of any merger consideration paid to you by any applicable withholding taxes.

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No Appraisal Rights (Page 58)

¡ Under Florida law, you do not have any appraisal rights in connection with the merger.

Shareholder Litigation (Page 58)

¡ A total of eight complaints challenging the merger have been filed by plaintiffs seeking to represent a class of Winn-Dixie shareholders. Seven complaints have been filed in the Circuit Court of the Fourth Judicial District in and for Duval County, Florida, and one case filed in the United States District Court for the Middle District of Florida. The cases filed in state court have been consolidated, a Lead Plaintiff appointed, and the Lead Plaintiff has filed an amended complaint.

¡ The plaintiffs in the consolidated case pending in state court and in the case pending in federal court generally allege, among other things, that the consideration agreed to in the merger agreement is inadequate and unfair to Winn-Dixie shareholders, that this proxy statement contains materially misleading disclosures or omissions regarding the proposed transaction, and that the members of Winn-Dixie s Board of Directors breached their fiduciary duties in approving the merger agreement and issuing this proxy statement. The plaintiffs also allege that those alleged breaches of fiduciary duty were aided and abetted by Winn-Dixie and the entities affiliated with BI-LO, LLC named in the various complaints. The plaintiffs seek equitable relief, including an injunction prohibiting consummation of the merger, and rescission or rescissory damages if the merger is consummated. The defendants responses to these complaints are not yet due.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting and the proposed merger. These questions and answers may not address all questions that may be important to you with respect to the special meeting or the merger. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement.

Q: What is the date, time and place of the special meeting?

A: The special meeting of our shareholders will be held at our headquarters located at 5050 Edgewood Court, Jacksonville, Florida 32254, beginning at 9:00 a.m., Eastern Time, on Friday, March 9, 2012.

Q: Who is soliciting my proxy?

A: This proxy is being solicited by the Board of Directors of Winn-Dixie.

Q: What am I being asked to vote on?

A: You are being asked to vote on the following:

Approval of the merger agreement (Proposal 1);

An advisory proposal to approve the compensation that may become payable to our named executive officers in connection with the merger (Proposal 2);

Approval of the adjournment of the special meeting (if necessary or appropriate) to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement (Proposal 3); and

The transaction of any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting by or at the direction of the Board of Directors.

Q: What is the proposed transaction?

A: Once the merger agreement has been approved by our shareholders and all of the conditions set forth in the merger agreement have been satisfied or waived, Merger Sub will be merged with and into us, and we will survive the merger as a wholly owned subsidiary of Holdings. Each holder of shares of our common stock outstanding immediately prior to the merger (other than shares owned by (i) us as treasury stock, (ii) Holdings or Merger Sub and (iii) any of our direct or indirect wholly owned subsidiaries) will receive $9.50 per share in cash, without interest and less applicable withholding taxes.

Q: How does the Board of Directors recommend that I vote?

A: Our Board of Directors unanimously recommends that you vote:

FOR the approval of the merger agreement (Proposal 1);

FOR the approval of the advisory vote on compensation that may become payable to our named executive officers in connection with the merger (Proposal 2); and

FOR the approval of the adjournment of the special meeting (if necessary or appropriate) to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement (Proposal 3).

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Q: How many shares must be present or represented at the special meeting in order to conduct business?

A: A quorum of shareholders is necessary to hold a valid special meeting. A quorum is present at the special meeting if a majority of the issued and outstanding shares of our common stock entitled to vote at the special meeting are