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.
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(2) Aggregate number of securities to which transaction applies:

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(3) Filing Party:

(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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ANNEX A	AGREEMENT AND PLAN OF MERGER
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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 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.

Q: What vote of our shareholders is required to approve the proposals?

A: The vote requirements to approve the proposals are as follows:

- the proposal to approve the merger agreement (Proposal 1) 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. **Because the required vote is based on the number of shares of our common stock outstanding, failure to vote your shares (including as a result of broker non-votes and abstentions) will have the same effect as voting against approval of the merger agreement**;

- the advisory proposal to approve the compensation that may become payable to our named executive officers in connection with the merger (Proposal 2) requires that the number of shares voted in favor of the proposal are greater than those voted against; and

- the proposal to approve the adjournment of the special meeting (if necessary or appropriate) to solicit additional proxies (Proposal 3) 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.

Even if you plan to attend the special meeting, we urge you either to complete, sign, date and return promptly the enclosed proxy card or submit your proxy or voting instructions by telephone or Internet to assure your shares of Winn-Dixie common stock are represented and voted at the special meeting.

Q: Who is entitled to vote at the special meeting?

A: Only shareholders of record as of the close of business on January 27, 2012, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. You will have one vote at the special meeting for each share of our common stock you owned at the close of business on the record date. On the record date, 56,668,025 shares of our common stock were outstanding and entitled to be voted at the special meeting.

Q: What do I need to do now? How do I vote?

A: We urge you to carefully read this proxy statement, including its annexes and any documents referred to herein in their entirety, and to consider how the merger affects you. You can ensure that your shares are voted at the special meeting by granting a proxy either by:

- ***Telephone***, by calling the toll-free number listed on the proxy card (if you are a registered shareholder, meaning you hold your stock in your name) or vote instruction card (if your shares are held in street name, meaning that your shares are held in the name of a broker, bank or other nominee and your broker, bank or other nominee makes telephone voting available);

The Internet, at the address provided on the proxy card (if you are a registered shareholder) or vote instruction card (if your shares are held in street name and your broker, bank or other nominee makes Internet voting available); or

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Mail, by completing, signing, dating and mailing the proxy card or vote instruction card and returning it in the envelope provided. Proxies will be voted as specified by the shareholder or shareholders granting the proxy.

If you are a Winn-Dixie team member, and hold your shares through the ESPP, you will receive a voting instruction card in the mail. You also have the option of voting your shares over the Internet or by telephone by following the instructions that you receive with this proxy statement. You can also sign your voting instruction card and return it by mail, or attend the special meeting and vote in person.

Please do NOT send in your stock certificates at this time.

If your shares of our common stock are held in street name by your broker, bank or other nominee, be sure to give your broker, bank or other nominee instructions on how you want to vote your shares because your broker, bank or other nominee will not be able to vote on the merger agreement proposal without instructions from you. See the question below If my broker, bank or other nominee holds my shares in street name, will my broker, bank or other nominee vote my shares for me?

Q: How are votes counted?

A: For Proposal 1, the approval of the merger agreement, you may vote FOR, AGAINST or ABSTAIN. If you fail to vote your shares of our common stock or ABSTAIN from voting on the proposal, it has the same effect as if you vote AGAINST the approval of the merger agreement.

For Proposal 2, the advisory vote to approve the compensation that may become payable to our named executive officers in connection with the merger, you may vote FOR, AGAINST or ABSTAIN. An abstention will not count as a vote cast on the advisory proposal to approve the compensation that may become payable to our named executive officers in connection with the merger. If you ABSTAIN, it will have no effect on the outcome of the vote on this proposal.

For Proposal 3, the approval of the adjournment of the special meeting (if necessary or appropriate) to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. If a quorum is present, an abstention will not count as a vote cast on the proposal to adjourn the special meeting (if necessary or appropriate) to solicit additional proxies. As a result, if a quorum is present and you ABSTAIN, it will have no effect on the outcome of the vote on this proposal. However, if a quorum is not present and you ABSTAIN from voting on the proposal, it has the same effect as if you vote AGAINST the proposal.

If you sign and return your proxy card and do not indicate how you want to vote, your proxy will be voted FOR the proposal to approve the merger agreement, FOR the advisory approval to approve the compensation that may become payable to our named executive officers in connection with the merger, FOR the proposal to approve the adjournment of the special meeting (if necessary or appropriate) to solicit additional proxies, and in accordance with the recommendation of our 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.

Q: If my broker, bank or other nominee holds my shares in street name, will my broker, bank or other nominee vote my shares for me?

A: No, unless you provide specific instructions to your broker, bank or other nominee on how to vote. You should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Unless you follow the instructions, your shares will not be voted and will have the same effect as if you voted against the approval of the merger agreement. We refer to this as a broker non-vote.

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Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Many of our shareholders hold their shares through a broker, trustee or other nominee (such as a bank) rather than directly in their own name. As summarized below, there are some distinctions between shares owned of record and those owned beneficially.

Shareholder of Record. If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered to be the shareholder of record with respect to those shares and these proxy materials are being sent directly to you. As the shareholder of record, you have the right to grant your proxy directly to us or to vote in person at the special meeting. We have enclosed a proxy card for you to use.

Beneficial Owner. If your shares are held in a brokerage account, by a trustee or by another nominee (such as a bank), you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you, together with a voting instruction card by your broker, trustee or nominee. As the beneficial owner, you have the right to direct your broker, trustee or other nominee how to vote and may also attend the special meeting. Since a beneficial owner is not the shareholder of record, you may not vote your shares in person at the special meeting unless you obtain a valid proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote at the special meeting.

Q: May I attend the special meeting?

A: You are entitled to attend the special meeting only if you were a shareholder as of the close of business on the record date or if you hold a valid proxy for the special meeting from such a shareholder. You will be required to present photo identification for admittance to the special meeting. If you are a shareholder of record, your name will be verified against the list of shareholders of record on the record date prior to your being admitted to the special meeting. If you are not a shareholder of record but hold shares in street name through a broker, bank or other nominee (such as a trustee), you should provide proof of beneficial ownership on the record date, such as your most recent brokerage account statement, a copy of the voting instruction card provided to you by your broker, bank or other nominee, or other similar evidence of ownership. If you do not provide photo identification or comply with the procedures outlined above, you will not be admitted to the special meeting.

The special meeting will begin promptly at 9:00 a.m. Eastern Time. Check-in will begin at 8:00 a.m. Eastern Time, and you should allow ample time for the check-in procedures.

We may establish additional security procedures and policies at the special meeting in addition to those described in this proxy statement.

Q: When should I return my proxy card?

A: You should return your proxy card as soon as possible so that your shares will be voted at the special meeting.

Q: Should I send in my stock certificate(s) now?

A: NO. PLEASE DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY. After the merger is completed, you will receive written instructions, including a letter of transmittal, for exchanging your shares of our common stock for the merger consideration of $9.50 per share in cash, without interest and less applicable withholding tax.

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Q: May I change my vote after I have submitted my proxy?

A: Yes. If you hold your shares in your name, you have the unconditional right to revoke your proxy at any time prior to its exercise by employing any of the following three methods:

first, you can deliver to our Corporate Secretary, at our headquarters located at 5050 Edgewood Court, Jacksonville, Florida 32254, a written notice of revocation (dated later than the date of your proxy card) stating that you revoke your proxy, provided such written notice is received by our Corporate Secretary before 11:59 p.m. Eastern Time on March 8, 2012;

second, you can submit by telephone, the Internet or mail a new proxy dated after the date of the proxy you wish to revoke, provided the new proxy is received by our Corporate Secretary before 11:59 p.m. Eastern Time on March 8, 2012; or

third, you can attend the special meeting and vote in person.

Revocation of your proxy, without any further action, will mean your shares will not be voted at the special meeting or counted towards satisfying the quorum requirements. Your attendance at the special meeting will not revoke your proxy unless you vote at the special meeting. If you decide to vote by completing, signing, dating and returning the enclosed proxy card, you should retain a copy of the voter control number found on the proxy card if you later decide to revoke your proxy and change your vote by telephone or through the Internet.

If you have instructed your broker, bank or other nominee to vote your shares, you must follow directions received from your broker, bank or other nominee to change your vote. You cannot vote shares held in street name by returning a proxy card directly to us or by voting in person at the special meeting, unless you obtain a valid proxy from your broker, bank or other nominee.

Q: Who will bear the cost of the solicitation?

A: The expense of soliciting proxies in the enclosed form will be borne by Winn-Dixie. We have retained Georgeson Inc., who we refer to as Georgeson, a proxy solicitation firm, to solicit proxies in connection with the special meeting at a cost of approximately $12,000 plus reimbursement of out-of-pocket fees and expenses. In addition, we may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by certain of our directors, officers and employees, personally or by telephone, facsimile or other means of communication. No additional compensation will be paid for such services.

Q: What does it mean if I receive more than one set of voting materials?

A: If you have shares of our common stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for submitting a proxy on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the merger is expected to be completed. If you transfer your shares of Winn-Dixie common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will have transferred the right to receive $9.50 per share in cash to be received by our shareholders in the merger. In order to receive the $9.50 per share, you must hold your shares through the completion of the merger.

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Q: What is the impact of the merger on the Employee Stock Purchase Plan?

A: With respect to our ESPP, 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 remaining cash (without interest) in a participant s account to such participant and terminate the ESPP.

Q: When do you expect the merger to be completed?

A: 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 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. See *Proposal 1 The Merger Agreement Conditions to the Merger*.

Q: When will I receive the cash consideration for my shares?

A: After the merger is completed, you will receive written instructions, including a letter of transmittal, that explain how to exchange your shares for the cash consideration to be paid in the merger. When you properly complete and return the required documentation described in the written instructions, you will receive from the paying agent a payment of the cash consideration for your shares.

Q: Am I entitled to appraisal rights?

A: You do not have appraisal rights in connection with the merger.

Q: Where can I find more information about Winn-Dixie?

A: Winn-Dixie files periodic reports and other information with the Securities and Exchange Commission (SEC). This information is available on the Internet site maintained by the SEC at ***www.sec.gov***. For a more detailed description of the information available, please refer to *Where You Can Find More Information* on page 84 of this proxy statement.

Q: Who can help answer my other questions?

A: If you have additional questions about the special meeting or the merger, including the procedures for voting your shares, or if you would like additional copies, without charge, of this proxy statement, you should contact our proxy solicitation agent, Georgeson, toll-free at (866) 432-2791. If your broker, bank or other nominee holds your shares, you may also call your broker, bank or other nominee for additional information.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements about our plans, objectives, expectations and intentions. Forward-looking statements include information concerning possible or assumed future results of our operations, the expected completion and timing of the merger and other information relating to the merger. Such statements are often expressed through the use of words or phrases such as will result, are expected to, anticipated, plans, intends, will continue, estimated, projectio preliminary, forecast and similar expressions. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks and uncertainties over which we have no control. In addition to other factors and matters contained in this proxy statement, those risks and uncertainties include, without limitation:

- the satisfaction of the conditions to complete the merger, including the approval of the merger agreement by our shareholders;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, including a termination under circumstances that could require us to pay a termination fee of $19.6 million to Holdings;
- the amount of the costs, fees, expenses and charges related to the merger;
- the potential adverse effect on our business and operations due to our compliance with certain of our covenants in the merger agreement;
- the effect of the announcement of the merger on our customer and supplier relationships, operating results and business generally;
- the risk that the merger may not be completed in a timely manner or at all, which may adversely affect our business and the share price of our common stock;
- our inability to retain and, if necessary, attract key employees, particularly while the proposed merger is pending;
- the litigation in connection with the proposed merger discussed in this proxy;
- risks related to diverting management s attention from ongoing business operations;
- general economic and market conditions;
- the risk of unforeseen material adverse changes to our business and operations; and
- other risks and uncertainties detailed in our filings with the Securities and Exchange Commission, referred to as the *SEC*, including the risks set forth in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended June 29, 2011 (filed on August 29, 2011), referred to as the Form 10-K. See *Where You Can Find More Information.*

We believe that the assumptions on which our forward-looking statements are based are reasonable. However, we cannot assure you that the actual results or developments we anticipate will be realized or, if realized, that they will have the expected effects on our business or operations. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Forward-looking statements speak only as of the date of this proxy statement. Except as required by applicable law or regulation, we do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

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THE SPECIAL MEETING OF SHAREHOLDERS

This proxy statement is furnished in connection with the solicitation of proxies in connection with a special meeting of our shareholders.

Date, Time, Place and Purpose of the Special Meeting

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

At the special meeting, we will ask you to (1) approve the merger agreement, (2) approve (on an advisory basis) the compensation that may become payable to our named executive officers in connection with the merger, (3) 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) transact other business, if any, that is properly brought before the special meeting or any adjournment or postponement thereof by or at the direction of our Board of Directors.

Recommendation of Our Board of Directors

Our Board of Directors, by unanimous vote, on the recommendation of the Special Committee, (1) approved and adopted the merger agreement and the transactions contemplated by the merger agreement and (2) determined that the merger is in the best interests of Winn-Dixie and its shareholders. Accordingly, our Board of Directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement, **FOR** the advisory proposal to approve the 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.

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of our common stock at the close of business on January 27, 2012, the record date, are entitled to notice of and to vote at the special meeting. On the record date, 56,668,025 shares of our common stock were issued and outstanding and held by approximately 2,993 holders of record. Each holder of record of our common stock will be entitled to one vote per share at the special meeting on the proposal to approve the merger agreement, the proposal to adjourn the special meeting, the advisory proposal to approve compensation that may become payable to our named executive officers in connection with the merger, and any other business that may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the Board of Directors.

The holders of a majority of the outstanding shares of common stock entitled to vote as of the record date must be present, either in person or by proxy, to constitute a quorum at the special meeting. We will count abstentions, either in person or by proxy, and broker non-votes (shares held by a broker or other nominee that does not have the authority to vote on a matter) for the purpose of establishing a quorum. If a quorum is not present at the special meeting, the holders of a majority of the common stock represented at the special meeting may adjourn the special meeting to solicit additional proxies.

Vote Required

The approval of the merger agreement requires the affirmative vote of the shares representing a majority of the outstanding shares entitled to vote at the special meeting. If you abstain from voting, either in person or by proxy, or do not instruct your broker or other nominee how to vote your shares, it will have the same effect as a vote AGAINST the approval of the merger agreement.

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The approval of the advisory proposal to approve 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. If you abstain from voting, either in person or by proxy, or do not instruct your broker or other nominee how to vote your shares, it will not affect the advisory vote on the compensation that may become payable to our named executive officers in connection with the merger.

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. If a quorum is present and you abstain from voting, either in person or by proxy, or do not instruct your broker or other nominee how to vote your shares, it will not affect the adjournment (if necessary or appropriate) to permit further solicitation of proxies. However, if a quorum is not present and you abstain from voting, either in person or by proxy, it has the same effect as a vote AGAINST the proposal.

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. 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.

Common Stock Ownership of Our Directors and Executive Officers

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 their shares of common stock in favor of each of the proposals.

Solicitation of Proxies

The Board of Directors of Winn-Dixie is soliciting your proxy. In addition to the solicitation of proxies by use of the mail, directors, officers and other employees of Winn-Dixie may solicit the return of proxies by personal interview, telephone, e-mail or facsimile. We will not pay additional compensation to our directors, officers and employees for their solicitation efforts, but we will reimburse them for any out-of-pocket expenses they incur in their solicitation efforts. We will request that brokerage houses and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of stock registered in their names. We will bear all costs of preparing, assembling, printing and mailing the notice of special meeting of shareholders, this proxy statement, the enclosed proxy and any additional materials, as well as the cost of forwarding solicitation materials to the beneficial owners of stock and all other costs of solicitation.

We have retained Georgeson to aid in the solicitation of proxies for the special meeting. We will pay Georgeson a base fee of $12,000 plus reimbursement of out-of-pocket fees and expenses.

Voting

To vote your shares, you should follow the instructions as indicated on your proxy card if you vote over the Internet or by telephone, or you should complete, sign, date and return the enclosed proxy in the enclosed postage-paid envelope. Voting your proxy does not limit your right to vote in person should you decide to attend the special meeting. If your shares are held in the name of a broker or other nominee, you will be provided voting instructions from your broker or other nominee and, in order to vote at the special meeting, you must ask your broker or other nominee how you can vote in person at the special meeting.

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If you vote by mail and the returned proxy card is completed, signed and dated, your shares will be voted at the special meeting in accordance with your instructions. If you vote by mail and your proxy card is returned unsigned, then your vote cannot be counted. If you vote by mail and the returned proxy card is signed and dated, but you do not fill out the voting instructions on the proxy card, the shares represented by your proxy will be voted FOR the approval of the merger agreement, FOR the approval (on an advisory basis) of the compensation that may become payable to our named executive officers in connection with the merger and FOR 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.

Shareholders who hold their shares of our common stock in street name, meaning in the name of a broker, bank or other nominee who is the record holder, should follow the directions provided by their broker, bank or other nominee regarding how to instruct their broker, bank or other nominee to vote their shares. Your broker, bank or other nominee will not be able to vote your shares without instructions from you.

If you are a Winn-Dixie team member, and hold your shares through the ESPP, you will receive a voting instruction card in the mail. You also have the option of voting your shares over the Internet or by telephone by following the instructions that you receive with this proxy statement. You can also sign your voting instruction card and return it by mail, or attend the special meeting and vote in person.

We do not expect that any matter other than the ones discussed in this proxy statement will be brought before the special meeting. If, however, any other matters are properly presented by or at the direction of the Board of Directors, the persons named as proxies will vote in accordance with the recommendation of our Board of Directors.

DO NOT SEND YOUR STOCK CERTIFICATES WITH YOUR PROXY. A LETTER OF TRANSMITTAL WITH INSTRUCTIONS FOR THE SURRENDER OF ANY CERTIFICATES FOR SHARES OF OUR COMMON STOCK WILL BE MAILED TO YOU AS SOON AS PRACTICABLE AFTER COMPLETION OF THE MERGER.

Revocation of Proxies

If you hold your shares in your name, you have the unconditional right to revoke your proxy at any time prior to its exercise by employing any of the following three methods:

first, you can deliver to our Corporate Secretary, at our offices located at 5050 Edgewood Court, Jacksonville, Florida 32254, a written notice of revocation (dated later than the date of your proxy card) stating that you revoke your proxy; provided, that such written notice is received by our Corporate Secretary before 11:59 p.m. Eastern Time on March 8, 2012;

second, you can submit a new proxy by telephone, the Internet or mail dated after the date of the proxy you wish to revoke, provided the new proxy is received by our Corporate Secretary before 11:59 p.m. Eastern Time on March 8, 2012; or

third, you can attend the special meeting and vote in person.

Revocation of your proxy, without any further action, will mean your shares will not be voted at the special meeting or counted towards satisfying the quorum requirements. Your attendance at the special meeting will not revoke your proxy unless you vote at the special meeting.

If you have instructed your broker, bank or other nominee to vote your shares, you must follow directions received from your broker, bank or other nominee to change your vote. You cannot vote shares held in street name by returning a proxy card directly to us or by voting in person at the special meeting, unless you obtain a valid proxy from your broker, bank or other nominee giving you the right to vote the shares at the special meeting.

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Assistance

Shareholders who have questions regarding the materials, need assistance voting their shares or require additional copies of the proxy statement or proxy card, should contact or call (toll free):

(866) 432-2791

Georgeson Inc.

199 Water Street

New York, New York 10038

Shareholder List

Our list of shareholders entitled to vote at the special meeting will be available for inspection at our offices located at 5050 Edgewood Court, Jacksonville, Florida 32254 (between the hours of 9:00 a.m. and 5:00 p.m.) 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.

Attendance

You are entitled to attend the special meeting only if you were a shareholder as of the close of business on the record date or if you hold a valid proxy for the special meeting from such a shareholder. You will be required to present photo identification for admittance to the special meeting. If you are a shareholder of record, your name will be verified against the list of shareholders of record on the record date prior to your being admitted to the special meeting. If you are not a shareholder of record but hold shares in street name through a broker, trustee or other nominee, you should provide proof of beneficial ownership on the record date, such as your most recent brokerage account statement, a copy of the voting instruction card provided to you by your broker or other nominee, or other similar evidence of ownership. If you do not provide photo identification or comply with the procedures outlined above, you will not be admitted to the special meeting.

The special meeting will begin promptly at 9:00 a.m. Eastern Time. Check-in will begin at 8:00 a.m. Eastern Time, and you should allow ample time for the check-in procedures.

We may establish additional security procedures and policies at the special meeting in addition to those described in this proxy statement.

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THE PARTIES TO THE MERGER AGREEMENT

Winn-Dixie

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.

Winn-Dixie s principal executive offices are located at 5050 Edgewood Court, Jacksonville, Florida 32254 and our telephone number is (904) 783-5000. A detailed description of our business can be found in the Form 10-K and our other filings with the SEC. See *Where You Can Find More Information.*

Holdings

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 part of Lone Star.

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.

Holdings principal executive offices are located at 208 BI-LO Blvd, Greenville, South Carolina 29607 and its telephone number is (864) 283-3574.

BI-LO, LLC operates 207 supermarkets, including approximately 116 in-store pharmacies, in North Carolina, South Carolina, Georgia and Tennessee and employs approximately 17,000 people.

Merger Sub

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. Merger Sub s principal executive offices are located at 208 BI-LO Blvd, Greenville, South Carolina 29607 and its telephone number is (864) 283-3574.

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THE MERGER

Background of the Merger

Since the Company s emergence from bankruptcy protection in November 2006, the Company s Board of Directors and senior management have evaluated strategic alternatives relating to the Company s business, including growth strategies based on increased capital expenditures for a transformational store remodel program (the remodel program), as well as prospects for mergers and acquisitions, stock repurchases, dividends, debt refinancing and other potential strategic transactions, each with a view towards maximizing shareholder value.

In connection with its ongoing evaluation of strategic alternatives relating to the Company, the Company s Board of Directors has consulted with the Company s senior management regarding the Company s operational and financial performance, discussed the strategic direction of the Company and evaluated various options for growth, including the remodel program.

During the challenging economic environment prevailing since 2008, the Company has focused on strategies to improve its financial and operational performance on a stand-alone basis, and has undertaken reviews of both its retail operations and support structure in an effort to lower its cost structure and improve efficiency.

In August 2010, the Company s management began to evaluate a variety of financing alternatives in light of the November 2011 maturity of the Company s asset-based loan facility in place at that time and the capital expenditures needed for the remodel program. From August 2010 through March 2011, the Company negotiated a new asset-based loan facility and continued to evaluate additional financing sources, including a potential term loan or potential issuances of secured high yield debt securities, convertible debt securities and/or preferred equity securities. The Company entered into a new asset-based loan facility in March 2011. The new asset-based loan facility permits borrowings of up to $600 million (down from the $750 million maximum borrowings permitted under the prior asset-based loan facility). In addition, the new asset-based loan facility includes changes from the prior facility that have the net effect of reducing the Company s borrowing base as calculated under the new facility. Due to market conditions and against the background of the then ongoing discussions with the Lone Star Parties, as discussed below, the Company determined not to proceed with any additional financing transactions after the new asset-based loan facility was entered into.

On February 23, 2011, Mr. Peter Lynch, Chairman, President and Chief Executive Officer of the Company, was contacted by Mr. Randall Onstead, Chairman of the Board of Directors of BI-LO, LLC (Bi-Lo). Mr. Onstead expressed interest in a potential acquisition of the Company on behalf of Bi-Lo and its private equity sponsor, Lone Star Fund V (U.S.), L.P. (together with Bi-Lo, the Lone Star Parties), noting that the Lone Star Parties were interested in engaging in discussions with the Company. Mr. Onstead did not provide an indication of the proposed terms of any potential transaction involving the Company and the Lone Star Parties at this time.

Later on February 23, 2011, the Board of Directors held a telephonic meeting attended by members of the Company s senior management. During the meeting Mr. Lynch reported on his conversation with Mr. Onstead and the Board of Directors discussed, among other things, the process to be followed by the board in evaluating any transaction to sell or merge the Company, the impact a potential transaction to sell and/or merge the Company would have on the Company s financing options, and the due diligence process to be undertaken.

On February 28, 2011, Bi-Lo and Hudson Americas LLC, an affiliate of Lone Star Fund V (U.S.), L.P., entered into a confidentiality and standstill agreement with the Company to facilitate the exchange of confidential and proprietary information regarding the Company with the Lone Star Parties for purposes of exploring a potential transaction.

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On March 2, 2011, the Company began to provide the Lone Star Parties with non-public information regarding, among other things, the Company s financial performance and operations.

On March 3, 2011, the Board of Directors held a telephonic meeting attended by members of the Company s senior management. At this meeting the Board of Directors received updates from management regarding the Company s financial and operational performance and strategy and discussed, among other things, the Lone Star Parties expression of interest regarding a potential transaction with the Company. During the discussion the Board of Directors instructed the Company s senior management to meet with representatives of the Lone Star Parties to discuss the Lone Star Parties expression of interest.

On March 7, 2011, representatives of the Company held a meeting with representatives of the Lone Star Parties, including Mr. Sam Loughlin, a senior representative of the Lone Star Parties, during which representatives of the Lone Star Parties explained that, based upon a review of non-public information provided by the Company pursuant to the confidentiality agreement, publicly available information, and its extensive knowledge of the retail and grocery sector, the Lone Star Parties would be willing to offer a price per share of $8.20 in cash to acquire all of the outstanding common stock of the Company (a premium of approximately 24% to the Company s then current share price) subject to conditions including the satisfactory completion of due diligence. At the meeting, representatives of the Lone Star Parties verbally indicated that, because of the synergies that could be achieved by combining the Company s and Bi-Lo s operations, the Lone Star Parties were offering a significant premium to the Company s shareholders. The terms of the Lone Star Parties offer were also confirmed by a letter dated the same date.

Later on March 7, 2011, the Board of Directors held a telephonic meeting to discuss the offer presented by the Lone Star Parties in the context of their evaluation of the Company s historical and prospective operating results and financial condition, as well as its growth prospects and other alternatives, including the remodel program. During the March 7, 2011 meeting, a representative of King & Spalding LLP, the Company s outside counsel (King & Spalding), advised the Board of Directors regarding its fiduciary duties and legal obligations to the Company and its shareholders in considering a potential sale of the Company.

On March 11, 2011, the members of the Board of Directors other than Mr. Lynch (the Independent Directors) held a telephonic meeting to further discuss, among other matters, the offer presented by the Lone Star Parties. During the meeting the Independent Directors also discussed the formation of a special committee consisting of only the Independent Directors (*i.e.*, all members of the Board of Directors other than the Company s Chief Executive Officer) to evaluate the Company s strategic alternatives and the retention of transaction advisors who would represent the special committee. The Independent Directors considered that forming a special committee to evaluate any potential transactions may be advisable to avoid any actual or potential conflicts of interest in circumstances where a potential buyer of the Company expressed a desire to retain or not to retain the members of the Company s management, including Mr. Lynch. At the conclusion of the March 11, 2011 meeting, the Independent Directors instructed the Company s senior management to inform the Lone Star Parties that their offer price was not sufficient, but that the Company would be willing to engage in further discussions to determine whether the Lone Star Parties would substantially increase their offer price.

On March 14, 2011, Mr. Lynch notified the Lone Star Parties in writing that the Board of Directors had determined that their offer price was not sufficient, but that the Company would be willing to engage in further discussions to determine whether the Lone Star Parties would substantially increase their offer price.

On March 17, 2011, the Board of Directors formed a special committee (the Special Committee) consisting of the Independent Directors, with Mr. Jeffrey Girard acting as chair of the Special Committee, to explore the possibility of a potential strategic transaction involving a sale of all or a substantial portion of the Company s capital stock, to negotiate and make recommendations to the Board of Directors with respect to any such transaction and to consider alternatives to any such transaction. The Special Committee then formed a subcommittee to interview potential financial and legal advisors.

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Following a process of identifying potential legal advisors, on March 28 and 29, 2011, the subcommittee interviewed three law firms, including Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul, Weiss), and determined to recommend to the Special Committee that Paul, Weiss be retained to serve as its legal advisor based on experience in merger and acquisitions transactions and special committee representations and other relevant factors. The Special Committee approved the engagement of Paul, Weiss as its legal advisor at a meeting held on March 29, 2011.

Following a process of identifying potential financial advisors, the subcommittee interviewed three investment banking firms during the week of April 4, 2011, including Goldman Sachs, and determined to recommend to the Special Committee that Goldman Sachs be retained to serve as its financial advisor based on experience in merger and acquisition transactions, approach regarding the diligence and transaction evaluation process, and other relevant factors. The Special Committee approved the engagement of Goldman Sachs as its financial advisor at a meeting held on April 8, 2011.

On May 6, 2011, the Special Committee held an in-person meeting attended by representatives of Paul, Weiss and Goldman Sachs. Representatives of Paul, Weiss advised the Special Committee of its fiduciary duties and legal obligations to the Company and its shareholders in considering a sale of the Company. Representatives of Goldman Sachs reviewed financial information relating to the Company and the Lone Star Parties March 7 offer. The Special Committee discussed, among other things, the relative merits of a potential sale of the Company as compared with the benefits and risks of stand-alone strategies, including the remodel program and various debt financing alternatives. The Special Committee also discussed with its advisors the advisability of contacting other potential acquirers of the Company, considering, among other things, potential repercussions of a leak of information that a transaction may be under consideration. Representatives of Goldman Sachs discussed the likelihood as to whether or not a potential financial buyer would be able to offer a higher price for the Company than the price offered by the Lone Star Parties given the inability of financial buyers to realize synergies, expectations of negative cash flows over the course of management s projections for the Company and conditions in the debt financing markets at the time. After considering these and other factors, it was the Special Committee s view that financial buyers would not be able to offer a higher price for the Company than potential strategic buyers such as the Lone Star Parties, which the Special Committee and its advisors considered a strategic buyer because of synergies that could potentially be realized by Bi-Lo, and that Goldman Sachs should contact a limited number of potential strategic buyers. The Special Committee then discussed which potential strategic buyers may be interested in pursuing a strategic transaction with the Company, and then directed representatives of Goldman Sachs to contact such potential strategic buyers to gauge their interest in pursuing a transaction with the Company.

Between May 10, 2011 and May 17, 2011, representatives of Goldman Sachs contacted three potential strategic buyers. Party A indicated that it would evaluate the opportunity based on publicly available information to determine its willingness to explore a potential transaction with the Company. Party B indicated that it would not be interested in pursuing a transaction with the Company. Party C indicated that it would not be interested in pursuing a transaction to acquire the Company but that it may be interested in exploring asset swaps in certain markets, a proposal that the members of the Special Committee subsequently determined not to be in the interests of the Company at this time.

On May 20, 2011, Party A contacted a representative of Goldman Sachs to request access to non-public financial and operating information related to the Company.

On May 31, 2011, the Company entered into a confidentiality and standstill agreement with Party A. Following execution of the confidentiality agreement and upon the request of Party A, the Company provided Party A with non-public financial and operating information regarding the Company.

Between May 18, 2011 and June 3, 2011, upon requests from representatives of the Lone Star Parties and their advisors, the Company provided the Lone Star Parties with additional non-public due diligence information.

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On June 3, 2011, the Lone Star Parties sent the Company a non-binding proposal to acquire the Company for $9.85 per share in cash (a premium of approximately 20% to the Company s then current share price) and requested a period of exclusivity to conduct further due diligence and negotiate definitive transaction documents.

On June 8, 2011, the Special Committee held a telephonic meeting attended by representatives of Paul, Weiss and Goldman Sachs during which the Special Committee discussed the Lone Star Parties revised offer and the status of discussions with Party A, Party B and Party C. Representatives of Goldman Sachs noted that although Party A had previously indicated an interest in exploring a potential transaction with the Company, Party A had indicated it could not confirm whether it would submit a preliminary proposal regarding such a transaction. Following discussion, the Special Committee instructed Goldman Sachs to continue discussions with the Lone Star Parties on a non-exclusive basis to determine if the Lone Star Parties were willing to improve the terms of their proposal.

On June 9, 2011, representatives of Goldman Sachs spoke with representatives of William Blair & Company (William Blair), the Lone Star Parties financial advisor, during which representatives of William Blair indicated that there was a possibility the Lone Star Parties would enhance their offer.

On June 11, 2011, the Special Committee held a telephonic meeting attended by representatives of Paul, Weiss and Goldman Sachs. During the meeting representatives of Goldman Sachs informed the Special Committee that William Blair had indicated that it was possible the Lone Star Parties could raise their bid. During the meeting, representatives of Goldman Sachs also reviewed financial information relating to the Company and the proposed transaction with the Lone Star Parties, and representatives of Paul, Weiss discussed with the Special Committee its fiduciary duties and legal obligations to the Company and its shareholders. The Special Committee then decided to consult with senior management to receive an update on and to discuss management s projections for the Company.

On June 12, 2011, the Special Committee met with Mr. Lynch to discuss the Company s strategic direction, projections, growth prospects and long range plans, including the remodel program, and discussed the basis of, and risks inherent in, the Company s long range plans.

On June 17, 2011, the Lone Star Parties sent the Company a revised non-binding proposal to pay $10.00 per share in cash (a premium of 30% to the Company s then current share price) to acquire the Company.

On June 22, 2011, a representative of Goldman Sachs discussed with a representative of Party A the status of its diligence investigation. The representative of Party A indicated that Party A would not be willing to submit a proposal at this time without access to additional information and discussions with the Company s management team. Based on that request, a representative of Goldman Sachs offered to make available members of the Company s management for in-person diligence discussions.

On June 23, 2011, a representative of Party A indicated to a representative of Goldman Sachs that Party A would respond the following day with a timeline for when Party A would be able to conduct in-person diligence discussions and depending on the outcome of those discussions, potentially submit a proposal to acquire the Company.

Following continued discussion between representatives of Goldman Sachs and William Blair regarding the terms of the Lone Star Parties offer, on June 24, 2011, the Lone Star Parties sent the Company a letter reaffirming their proposal to pay $10.00 per share to acquire the Company and indicating their intention to terminate discussions unless the Company entered into an exclusivity agreement with the Lone Star Parties by June 28, 2011.

Later on June 24, 2011, the Special Committee held a telephonic meeting attended by representatives of Paul, Weiss and Goldman Sachs, during which the Special Committee discussed the Lone Star Parties most

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recent offer. During the meeting, the Special Committee discussed, among other things, the status of Party A s due diligence investigation and its request to meet with Company management and whether the Lone Star Parties would be prepared to increase their offer price. The Special Committee also discussed how the Company should respond to the Lone Star Parties and Party A, considering, among other factors, the uncertainty regarding whether Party A would ever submit a proposal for a strategic transaction with the Company, the Lone Star Parties demand that the Company enter into an exclusivity agreement and the uncertainty regarding whether the Lone Star Parties would be prepared to increase their offer price. At the conclusion of the meeting the Special Committee instructed representatives of Goldman Sachs to advise the Lone Star Parties that under then prevailing circumstances the Special Committee was not prepared to approve a transaction at $10.00 per share. The Special Committee also determined to continue to allow Party A to conduct due diligence and to meet with Company management in an effort to determine whether Party A would be willing to make an offer to acquire the Company.

Following continued discussions between representatives of Goldman Sachs and the Lone Star Parties, the Special Committee held a telephonic meeting on June 26, 2011, attended by representatives of Paul, Weiss and Goldman Sachs. During this meeting, a representative of Goldman Sachs reported that, based upon Goldman Sachs discussion with William Blair, while the Lone Star Parties might be willing to increase their offer price above $10.00 per share, it appeared unlikely that the Lone Star Parties would increase their offer price substantially. The Special Committee then instructed Goldman Sachs to continue discussions with the Lone Star Parties to seek clarification of the extent to which the Lone Star Parties would be prepared to increase their proposed offer price.

On June 28, 2011, the Special Committee held a telephonic meeting attended by representatives of Paul, Weiss and Goldman Sachs, during which a representative of Goldman Sachs reported that, based on discussions with a senior representative of the Lone Star Parties, the Lone Star Parties were willing to raise their offer to $10.50 per share in cash (a premium of approximately 22% to the Company s then current share price) subject to the Company entering into an exclusivity agreement with the Lone Star Parties. A representative of Goldman Sachs also reported on the status of discussions with Party A, noting that Party A had not yet affirmatively indicated whether it would submit a proposal to acquire the Company. After discussion, the Special Committee determined to instruct Goldman Sachs to continue discussions with the Lone Star Parties regarding their proposal. No further communications were received from Party A and Party A did not respond to subsequent inquiries by representatives of Goldman Sachs regarding a potential transaction.

On July 1, 2011, following further discussions between representatives of Goldman Sachs and William Blair and discussions between Mr. Girard and the other members of the Special Committee, and approval of the members of the Special Committee based on, among other things, a lack of credible alternative bidders and the ability of the Company to terminate the proposed exclusivity agreement on short notice, the Company entered into an exclusivity agreement with the Lone Star Parties, expiring on August 3, 2011 (and terminable early by the Company on five days notice or by the Lone Star Parties upon notice to the Company that it was terminating discussions).

On July 8, 2011, Gibson Dunn & Crutcher LLP (Gibson Dunn), counsel to the Lone Star Parties, sent to Paul, Weiss a draft merger agreement and ancillary documents.

Between July 8, 2011 and July 29, 2011, the Special Committee and Paul, Weiss engaged in negotiations with the Lone Star Parties and Gibson Dunn regarding the terms of the proposed transaction, including, among other things, negotiations regarding the conditionality of the Lone Star Parties proposal, the terms of the Lone Star Parties financing obligations in light of the proposed financing structure (which contemplated a combination of equity financing and debt financing including a high yield bond offering) and the Company s limited remedies against the Lone Star Parties if it breached its obligations. Throughout this period, Paul, Weiss briefed King & Spalding on negotiations with respect to the merger agreement and the transaction and received comments from King & Spalding on the merger agreement and the transaction on behalf of the Company. Paul, Weiss also consulted with Greenberg Traurig, P.A. (Greenberg Traurig), Florida counsel to the Special Committee, on Florida law matters relating to the merger agreement and the proposed transaction.

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On July 15, 2011, members of the Company s management and representatives of the Lone Star Parties and their advisors held an in-person diligence meeting to discuss, among other things, the Company s sales, merchandising and marketing strategy, as well as matters pertaining to store operations, logistics, supply chain, finances, information technology, risk management, real estate, human resources and legal. Representatives of Goldman Sachs were present during those discussions.

Between July 18, 2011 and July 29, 2011, members of the Company s management and representatives of the Lone Star Parties and their advisors held several telephonic follow-up diligence discussions pertaining to, among other things, real estate, supply chain, tax, merchandising, marketing, information technology, human resources, store operations and environmental matters. Representatives of Goldman Sachs participated in each discussion.

On July 21, 2011, the Board of Directors held an in-person meeting attended by senior management of the Company. At this meeting management provided updates regarding the Company s business, financial results and operations, and the Board of Directors discussed, among other things, the Company s strategy.

Later on July 21, 2011, the Special Committee held an in-person meeting attended telephonically by representatives of Paul, Weiss and Goldman Sachs, during which representatives of Paul, Weiss provided a summary of open issues relating to the then current drafts of the merger agreement and ancillary agreements. Representatives of Paul, Weiss discussed with the Special Committee, among other things, the conditional nature of the Lone Star Parties proposal, the limited remedies the Company would have against the Lone Star Parties if the Lone Star Parties breached their obligations (which the Special Committee considered to be unsatisfactory), the Lone Star Parties proposal to raise financing through a combination of a high yield bond offering and equity financing provided by investment funds affiliated with the Lone Star Parties, and the consequences of the Lone Star Parties failing to raise the necessary debt financing. Goldman Sachs provided the Special Committee with an update on the status of the Lone Star Parties due diligence investigation. The Special Committee also discussed the recent rise in the Company s share price and the timing of the Company s earnings release for fiscal year 2011. After discussion, the Special Committee instructed Paul, Weiss and Goldman Sachs to continue negotiations with the Lone Star Parties.

On July 27, 2011, members of the Company s management and representatives of the Lone Star Parties and their advisors held an in-person diligence meeting to discuss recent financial and operating information relating to the Company and additional diligence matters, at which a representative of Goldman Sachs was present.

On July 28, 2011, the Special Committee held a telephonic meeting attended by representatives of Paul, Weiss and Goldman Sachs. At the meeting, a representative of Goldman Sachs advised the Special Committee that the Lone Star Parties were nearing completion of their due diligence investigation and that the Lone Star Parties expected to be in a position to approve the transaction by August 3, 2011. The Special Committee discussed, among other things, the advisability of publicly releasing preliminary financial results for the fourth quarter and fiscal year 2011 before entering into a transaction with the Lone Star Parties. Following discussion, the Special Committee instructed Goldman Sachs to inform the Lone Star Parties that the Company would be releasing its preliminary financial results for the fourth quarter and fiscal year 2011 on either August 1, 2011 or August 2, 2011 and that it would not be in a position to recommend to the Board of Directors that the Company enter into a merger agreement with the Lone Star Parties until several days after the Company s preliminary financial results had been publicly released. A representative of Goldman Sachs informed the Lone Star Parties of the Special Committee s decisions during a telephone conversation later that day.

On July 29, 2011, Mr. Girard, Mr. Loughlin and representatives of Goldman Sachs and William Blair participated in a conference call. During the call, Mr. Loughlin and representatives of William Blair raised concerns regarding the Special Committee s intention to defer further consideration of a potential transaction until after the Company released its preliminary financial results and at the end of the call indicated the Lone Star Parties were terminating discussions with the Company. After the call, the Lone Star Parties sent the Company a letter confirming that the Lone Star Parties were terminating discussions with the Company. The exclusivity agreement between the Company and the Lone Star Parties then automatically terminated in accordance with its terms.

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On August 1, 2011, the Company released its preliminary financial results for the fourth quarter and fiscal year 2011.

On August 3, 2011, representatives of William Blair contacted a representative of Goldman Sachs to indicate that the Lone Star Parties might be receptive to reengaging in negotiations if requested by the Special Committee. Representatives of Goldman Sachs reported on this discussion to Mr. Girard.

On August 10, 2011, the Special Committee held a telephonic meeting attended by Mr. Lynch and representatives of Paul, Weiss and Goldman Sachs. During the meeting, representatives of Goldman Sachs reviewed financial information relating to the Company and the proposed transaction (based on the terms last proposed by the Lone Star Parties prior to termination of negotiations). Representatives of Paul, Weiss again advised the Special Committee of its fiduciary duties and legal obligations to the Company and its shareholders in considering a sale of the Company. The Special Committee then discussed with Mr. Lynch his views on senior management s ability to execute its business plan and his views regarding the Company s projections and growth prospects, including the remodel program. Following discussion, the Special Committee determined not to authorize additional negotiations with the Lone Star Parties.

Following cessation of discussions with the Lone Star Parties and through November 10, 2011, the Company continued to operate its business in the ordinary course. Throughout this period, the United States and world financial markets experienced significant volatility and negative news, such as the unprecedented downgrade of the U.S. government s credit rating, that led to steep declines in the value of the equity securities of many companies. By November 10, 2011, the Company s share price declined from $9.81 (on July 20, 2011, the highest closing price during the calendar year) to $6.39, which represented a decrease of 34.9% during that period.

On October 31, 2011, the Company released its financial results for the first quarter of fiscal 2012.

On November 9, 2011, the Company held its 2011 annual meeting of shareholders.

On or about November 10, 2011, Mr. Loughlin contacted Mr. Lynch to express the Lone Star Parties receptivity to reengage in negotiations regarding a potential transaction with the Company if requested by the Special Committee. Mr. Lynch informed the Board of Directors of Mr. Loughlin s contact at a regularly-scheduled meeting of the Board of Directors on November 10, 2011. During the meeting, the Independent Directors met in executive session to discuss whether or not to authorize renewed negotiations with the Lone Star Parties, considering, among other things, the Company s recent financial performance, competition in the Company s markets (including product discounts being introduced by the Company s competitors in connection with the upcoming holidays), the decline in the Company s share price that had occurred since mid-July, the shareholder voting results on matters submitted to shareholders during the annual meeting of shareholders of the Company held on November 9, 2011 and informal communications received by representatives of the Company from shareholders regarding shareholders desire that the Company take action to increase shareholder value (for example, by paying dividends or adopting a share buyback program). As a result of these discussions, the Independent Directors determined that Mr. Girard should contact Mr. Loughlin to express the Special Committee s desire to reengage in discussions regarding a possible transaction.

On November 21, 2011, Mr. Girard spoke to Mr. Loughlin to advise him that the Special Committee had expressed interest in renewing discussions regarding a potential transaction between the Company and the Lone Star Parties. Mr. Loughlin advised Mr. Girard that the Lone Star Parties would not be able to pay the same price offered in July, raising concerns regarding the macroeconomic environment and costs of financing, but did not then propose terms for a potential transaction. Mr. Loughlin further advised Mr. Girard that the Lone Star Parties were considering a revised financing structure and that he would follow up with Mr. Girard in due course.

On November 28, 2011, at Mr. Loughlin s request, Mr. Girard confirmed to the Lone Star Parties the Special Committee s invitation to the Lone Star Parties to submit a new proposal to acquire the Company.

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On November 30, 2011, the Lone Star Parties sent to the Company a non-binding proposal to acquire the Company for $9.00 per share (a premium of approximately 62% to the Company s then current share price) as well as revised drafts of the merger agreement and ancillary documents, including the equity commitment letter and the Lone Star Parties guarantee, and a request for additional due diligence information.

On December 1, 2011, the Special Committee held a telephonic meeting attended by Mr. Lynch and representatives of Paul, Weiss and Goldman Sachs to discuss the Special Committee s evaluation of, and response to, the Lone Star Parties most recent proposal. Representatives of Paul, Weiss advised the Special Committee of its fiduciary duties and legal obligations to the Company and its shareholders in considering a sale of the Company. Representatives of Goldman Sachs reviewed financial information relating to the Company and the most recent proposal of the Lone Star Parties. Mr. Lynch discussed the Company s recent financial performance, long-term plans and risks inherent in the Company s business plan, noting, among other things, the uncertain macroeconomic environment and volatile financial markets, intense competition in the Company s markets, and the potential for unexpected events to have an adverse effect on the Company s ability to successfully execute on its long-term plans. The Special Committee then met in executive session and discussed, among other things, the report received from Mr. Lynch and the uncertainty and execution risk of the Company s long-term plans given the volatile financial markets, the decline in the Company s share price that had occurred since mid-July, inherent difficulties in raising sufficient debt or equity capital to finance the capital expenditures required by the remodel program, the uncertain macroeconomic environment, competition in the Company s markets and the potential for unexpected events to adversely affect successful execution of the Company s long-term plans. The Special Committee also discussed the purchase price proposed by the Lone Star Parties, the nature of the transaction proposed by the Lone Star Parties (including the Lone Star Parties status as a strategic buyer), whether pursuing the proposal was in the best interests of the Company and its shareholders, and the extent to which the Lone Star Parties proposal appropriately valued the Company in light of current market conditions, management s business plan for the Company, the Company s recent financial performance and the risks and uncertainties of the Company s long-term plans. During the course of the discussion a majority of the members of the Special Committee indicated they would not support a transaction at a price of $9.00 per share, as proposed by the Lone Star Parties, but might be in favor of the transaction if the Lone Star Parties increased their proposed offer price. Following the discussion, the Special Committee decided that Mr. Girard would speak to Mr. Loughlin in order to determine whether the Lone Star Parties were prepared to increase their proposed purchase price above $9.00 per share.

On December 2, 2011, Mr. Girard called Mr. Loughlin to discuss the terms of the Lone Star Parties latest proposal. Mr. Girard advised Mr. Loughlin that the Lone Star Parties proposed price of $9.00 per share was insufficient. Mr. Loughlin explained to Mr. Girard that, unlike the Lone Star Parties previous proposal, which contemplated financing through a bond offering, the Lone Star Parties current proposal offered more certain financing as it relied on significant additional equity financing by investment funds affiliated with the Lone Star Parties and an asset-backed credit facility and, accordingly, offered greater certainty of closing for the Company. Mr. Loughlin further explained that, because of the substantial increase in the required equity financing from the Lone Star Parties and, among other things, the general economic decline that had occurred in recent months in the Company s local markets and the decline in the Company s share price, the Lone Star Parties would not be able to increase their offer above $9.00 per share in cash. As the conversation continued, Mr. Loughlin asked Mr. Girard if the Company would be prepared to adopt the first in, first out (FIFO) method of accounting, noting that Bi-Lo used the FIFO method of accounting and, if the proposed transaction were completed, it could offer certain tax advantages to Bi-Lo if the Company also used the FIFO method of accounting. Mr. Loughlin advised Mr. Girard that the Lone Star Parties might be willing to increase their offer price if the Company adopted FIFO accounting. Later that day, Mr. Girard reported on his discussion with Mr. Loughlin to the members of the Special Committee.

During a subsequent telephone call between Mr. Loughlin and Mr. Girard on December 5, 2011, Mr. Loughlin told Mr. Girard that the Lone Star Parties would be prepared to offer $9.38 per share if the Company agreed to adopt FIFO accounting before completion of the proposed transaction. Mr. Girard advised Mr. Loughlin that a price of $9.38 was unlikely to receive support of a majority of the members of the Special Committee. Mr. Loughlin then offered $9.50 per share (a premium of approximately 79% to the Company s then

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current share price), emphasizing that the Lone Star Parties would not increase its price any further and would terminate discussions with the Company if the Special Committee was not supportive of further discussions at this price. Later that day, Mr. Girard reported on his discussion with Mr. Loughlin to the members of the Special Committee.

On December 6, 2011, the Special Committee held a telephonic meeting attended by representatives of Paul, Weiss and Goldman Sachs to discuss Mr. Girard s conversations with the Lone Star Parties and their proposal to acquire the Company at a price of $9.50 per share. Representatives of Paul, Weiss again advised the Special Committee of its fiduciary duties and legal obligations to the Company and its shareholders in considering a sale of the Company. A representative of Goldman Sachs reviewed with the Special Committee financial information relating to the Company and the Lone Star Parties latest proposal. The Special Committee discussed, among other things, the increased deal certainty of the Lone Star Parties proposal compared to their prior proposal in light of changes in the Lone Star Parties proposed financing structure, the risks and uncertainties highlighted by Mr. Lynch in his report to the Special Committee on December 1, 2011, the perceptions of the Company s value in the marketplace in comparison to its competitors, the decline in the Company s share price that had occurred since mid-July, the pressure the Company had received from shareholders for the Company to take steps (such as declaring dividends or implementing a stock buyback program) to support the share price and shareholder value, the lower price currently offered by the Lone Star Parties compared to the price it had offered in July, the reasons provided by the Lone Star Parties for why they could only offer such price, and the significantly increased premium to market price of the Lone Star Parties most recent offer compared to their earlier offer. The Special Committee then discussed whether it was necessary to reengage with Party A or otherwise conduct a further market check. The Special Committee considered, among other things, the lack of interest expressed by Party A and the other potential strategic buyers previously contacted by representatives of Goldman Sachs, the Special Committee s view that, given the inability to realize synergies, expectations of negative cash flows during the period covered by management s projections for the Company and difficulties in the debt financing markets at the time, financial buyers would not be able to offer a higher price for the Company than the price offered by the Lone Star Parties, the potential repercussions of a leak of information that a transaction may be under consideration, the possible withdrawal of the Lone Star Parties offer and, if the Company entered into the proposed merger agreement with the Lone Star Parties, the Company s ability to terminate the merger agreement if the Company were to receive an unsolicited proposal that was superior to the Lone Star Parties proposal. After discussion, the Special Committee determined a further market check was not necessary and authorized further discussion with the Lone Star Parties based on an offer price of $9.50 per s