

WINN DIXIE STORES INC  
Form 10-Q  
February 11, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 7, 2009

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number 1-3657

**WINN-DIXIE STORES, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: WINN DIXIE STORES INC - Form 10-Q

<b>Florida</b> (State or other jurisdiction of incorporation or organization)	<b>59-0514290</b> (I.R.S. Employer Identification No.)
<b>5050 Edgewood Court, Jacksonville, Florida</b> (Address of principal executive offices)	<b>32254-3699</b> (Zip Code)
<b>(904) 783-5000</b> (Registrant's telephone number, including area code)	

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of February 4, 2009, 54,331,249 shares of Winn-Dixie Stores, Inc. common stock were outstanding.

**Table of Contents**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Part I Financial Information</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	1
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	4
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
Item 4. <u>Controls and Procedures</u>	21
<b><u>Part II Other Information</u></b>	
Item 1. <u>Legal Proceedings</u>	22
Item 1A. <u>Risk Factors</u>	22
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
Item 3. <u>Defaults Upon Senior Securities</u>	22
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	22
Item 5. <u>Other Information</u>	23
Item 6. <u>Exhibits</u>	24
<u>Signatures</u>	25

**Table of Contents****Part I Financial Information****Item 1. Financial Statements****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	16 weeks ended	
	January 7, 2009	January 9, 2008
<b>Amounts in thousands except per share data</b>		
Net sales	\$ 2,250,046	2,246,968
Cost of sales, including warehouse and delivery expenses	1,617,551	1,647,942
Gross profit on sales	632,495	599,026
Other operating and administrative expenses	620,236	591,560
Gain on insurance settlement	(22,430)	
Impairment charges	1,666	210
Operating income	33,023	7,256
Interest expense (income), net	1,591	(1,080)
Income before income taxes	31,432	8,336
Income tax expense	15,330	4,265
Net income	\$ 16,102	4,071
Basic and diluted earnings per share	\$ 0.30	0.08
Weighted average common shares outstanding-basic	54,309	53,901
Weighted average common shares outstanding-diluted	54,571	54,176

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Table of Contents****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

Amounts in thousands except per share data	28 weeks ended	
	January 7, 2009	January 9, 2008
Net sales	\$ 3,925,981	3,867,866
Cost of sales, including warehouse and delivery expenses	2,826,728	2,822,485
Gross profit on sales	1,099,253	1,045,381
Other operating and administrative expenses	1,088,338	1,040,204
Gain on insurance settlement	(22,430)	
Impairment charges	1,666	210
Operating income	31,679	4,967
Interest expense (income), net	2,593	(2,515)
Income before income taxes	29,086	7,482
Income tax expense	15,254	4,201
Net income	\$ 13,832	3,281
Basic and diluted earnings per share	\$ 0.25	0.06
Weighted average common shares outstanding-basic	54,272	53,901
Weighted average common shares outstanding-diluted	54,507	54,306

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Table of Contents****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

Dollar amounts in thousands except par value	January 7, 2009	June 25, 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 145,056	201,275
Trade and other receivables, less allowance for doubtful receivables of \$2,329 (\$1,906 at June 25, 2008)	77,610	79,912
Insurance claims receivable		2,197
Income tax receivable	6,259	4,874
Merchandise inventories, less LIFO reserve of \$41,432 (\$24,738 at June 25, 2008)	661,458	649,022
Prepaid expenses and other current assets	33,645	42,099
<b>Total current assets</b>	<b>924,028</b>	<b>979,379</b>
Property, plant and equipment, net	518,737	446,866
Intangible assets, net	263,802	294,775
Deferred tax assets, non-current	37,645	39,454
Other assets, net	5,981	15,047
<b>Total assets</b>	<b>\$ 1,750,193</b>	<b>1,775,521</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Current obligations under capital leases	\$ 10,158	7,920
Accounts payable	306,028	340,211
Reserve for self-insurance liabilities	78,668	73,365
Accrued wages and salaries	71,946	77,575
Accrued rent	30,865	39,464
Deferred tax liabilities	48,711	50,557
Accrued expenses	78,261	76,244
<b>Total current liabilities</b>	<b>624,637</b>	<b>665,336</b>
Reserve for self-insurance liabilities	115,302	121,000
Long-term borrowings under credit facility		58
Unfavorable leases	119,265	126,049
Obligations under capital leases	24,667	17,698
Other liabilities	19,591	19,753
<b>Total liabilities</b>	<b>903,462</b>	<b>949,894</b>
<b>Commitments and contingent liabilities (Notes 1 and 8)</b>		
<b>Shareholders equity:</b>		
Common stock, \$0.001 par value. Authorized 400,000,000 shares; 54,428,293 shares issued and 54,329,766 outstanding at January 7, 2009, and 54,179,890 shares issued and 54,081,363 outstanding at June 25, 2008.	54	54
Additional paid-in-capital	783,562	776,059
Retained earnings	55,109	41,277
Accumulated other comprehensive income	8,006	8,237
<b>Total shareholders equity</b>	<b>846,731</b>	<b>825,627</b>

<b>Total liabilities and shareholders' equity</b>	\$ 1,750,193	1,775,521
---	--------------	-----------

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Table of Contents****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

Amounts in thousands	28 weeks ended	
	January 7, 2009	January 9, 2008
<b>Cash flows from operating activities:</b>		
Net income	\$ 13,832	3,281
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on sales of assets, net	(20)	145
Gain on insurance settlement	(22,430)	
Impairment charges	1,666	210
Depreciation and amortization	53,392	43,963
Share-based compensation	7,503	6,856
Deferred income taxes	15,254	4,335
Change in operating assets and liabilities:		
Favorable and unfavorable leases, net	1,271	1,753
Trade, insurance and other receivables	13,651	(4,524)
Merchandise inventories	(12,436)	(10,966)
Prepaid expenses and other current assets	8,454	(988)
Accounts payable	(29,473)	33,899
Income taxes payable/receivable	451	(234)
Reserve for self-insurance liabilities	(395)	(9,082)
Accrued expenses and other	(14,256)	(16,427)
<b>Net cash provided by operating activities</b>	<b>36,464</b>	<b>52,221</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(107,405)	(108,647)
Decrease (increase) in investments and other assets, net	6,017	(7,695)
Sales of assets	433	118
Purchases of marketable securities		(72,090)
Sales of marketable securities		35,466
Proceeds from insurance	17,601	
<b>Net cash used in investing activities</b>	<b>(83,354)</b>	<b>(152,848)</b>
<b>Cash flows from financing activities:</b>		
Gross borrowings on credit facilities	7,740	6,654
Gross payments on credit facilities	(7,798)	(6,668)
(Decrease) increase in book overdrafts	(4,710)	4,487
Principal payments on capital leases	(4,561)	(4,024)
<b>Net cash (used in) provided by financing activities</b>	<b>(9,329)</b>	<b>449</b>
<b>Decrease in cash and cash equivalents</b>	<b>(56,219)</b>	<b>(100,178)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>201,275</b>	<b>201,946</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 145,056</b>	<b>101,768</b>

See accompanying notes to condensed consolidated financial statements (unaudited).





**Table of Contents**

**WINN-DIXIE STORES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

**1. Proceedings Under Chapter 11 of the Bankruptcy Code**

**Emergence from Bankruptcy Protection:** On February 21, 2005 (the Petition Date ), Winn-Dixie Stores, Inc. and 23 then-existing direct and indirect wholly-owned subsidiaries (collectively, the Debtors ) filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code ( Chapter 11 or the Bankruptcy Code ) in the United States Bankruptcy Court (the Court ). Two of the then-existing wholly-owned subsidiaries of Winn-Dixie Stores, Inc. (collectively with the Debtors, the Company or Winn-Dixie ) did not file petitions under Chapter 11. On November 9, 2006, the Court entered its order confirming the Debtors modified plan of reorganization (the Plan or the Plan of Reorganization ). Although certain objecting parties appealed the confirmation order, they did not seek a stay of the order. In the absence of a stay, the Debtors were free to implement the Plan notwithstanding the pendency of the appeals. The Plan became effective and the Debtors emerged from bankruptcy protection on November 21, 2006 (the Effective Date ). The appeals remain pending.

**Claims Resolution and Plan Distributions:** As of January 7, 2009, 46.8 million shares had been distributed by the disbursing agent to holders of allowed unsecured claims that totaled \$929.0 million in allowed amounts; and 7.2 million shares were held in reserve by the disbursing agent to satisfy remaining disputed unsecured claims. The claims resolution process remains on-going with respect to certain unsecured, secured, administrative and priority claims. The claims resolution process will continue until all claims are resolved.

**2. Summary of Significant Accounting Policies and Other Matters**

**General:** All information in this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements included in Item 8 of the Company s Annual Report on Form 10-K for the fiscal year ended June 25, 2008. See Note 3 to the Consolidated Financial Statements in that Form 10-K for a more detailed discussion of the Company s significant accounting policies.

**The Company:** As of January 7, 2009, the Company operated as a major food retailer in five states in the southeastern United States. The Company operated 521 retail stores, with five fuel centers and 69 liquor stores at the retail stores. In support of its stores, the Company operated six distribution centers and one manufacturing facility.

**Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues, and expenses, and disclosure of contingent assets and liabilities. The Company cannot determine future events and their effects with certainty. Therefore, the determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases, actuarial calculations. The Company periodically reviews these significant factors and makes adjustments when appropriate. Actual results could differ from those estimates.

**Table of Contents**

**WINN-DIXIE STORES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

During the 16 weeks ended January 7, 2009, and January 9, 2008, the Company recorded adjustments that reduced its self-insurance reserves by \$9.9 million and \$18.3 million respectively, as a result of the actuarial studies performed in the second quarter of each fiscal year and primarily related to workers' compensation claims. These adjustments decreased other operating and administrative expenses by \$8.6 million and \$15.5 million during the 16 weeks ended January 7, 2009, and January 9, 2008, respectively, and decreased cost of sales by \$1.3 million and \$2.8 million for the 16 weeks ended January 7, 2009, and January 9, 2008, respectively.

**Basis of Presentation:** The accompanying unaudited Condensed Consolidated Financial Statements are also prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 16 and 28 weeks ended January 7, 2009, are not necessarily indicative of the results that may be expected for the fiscal year ending June 24, 2009.

The condensed consolidated balance sheet as of June 25, 2008, was derived from the audited financial statements as of that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2008.

**Cash and Cash Equivalents:** Cash and cash equivalents consisted of United States government obligations money market funds of \$135.8 million and cash in stores of \$9.3 million as of January 7, 2009, and United States government obligations money market funds of \$192.2 million and cash in stores of \$9.1 million as of June 25, 2008. Book overdrafts of \$20.8 million and \$25.5 million were classified as accounts payable in the Condensed Consolidated Balance Sheets as of January 7, 2009, and June 25, 2008, respectively.

**Earnings Per Share:** Basic earnings per common share is based on the weighted-average number of common shares outstanding for the periods presented. Diluted earnings per share is based on the weighted-average number of common shares outstanding, plus the incremental shares that would have been outstanding upon the assumed vesting and exercise of all common stock equivalents (options, restricted stock and restricted stock units, collectively "CSEs") using the treasury stock method, subject to anti-dilution limitations.

**Table of Contents**

**WINN-DIXIE STORES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

The calculation of diluted earnings per share includes 0.3 million and 0.2 million potentially dilutive CSEs for the 16 and 28 weeks ended January 7, 2009, respectively, and 0.3 million and 0.4 million potentially dilutive CSEs for the 16 and 28 weeks ended January 9, 2008, respectively. Excluded from the calculation are approximately 4.5 million and 4.4 million anti-dilutive CSEs for the 16 and 28 weeks ended January 7, 2009, respectively, and 3.2 million and 1.2 million anti-dilutive CSEs for the 16 and 28 weeks ended January 9, 2008, respectively.

**Comprehensive Income:** Comprehensive income was \$16.0 million and \$13.6 million for the 16 and 28 weeks ended January 7, 2009, respectively. Comprehensive income was \$3.9 million and \$3.1 million for the 16 and 28 weeks ended January 9, 2008, respectively. Other comprehensive income consists primarily of changes in post-retirement benefits.

**3. Inventory**

The Company uses the last-in, first-out ( LIFO ) method to value approximately 85% of its inventory. LIFO charges increased cost of sales by \$9.5 million and \$16.7 million for the 16 and 28 weeks ended January 7, 2009, respectively, and \$3.6 million and \$4.9 million for the 16 and 28 weeks ended January 9, 2008, respectively.

An actual valuation of inventory under the LIFO method is made as of the end of each fiscal year based on the inventory levels and costs as of that date. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Because these calculations are estimates of future events and prices, interim results are subject to the final year-end LIFO inventory valuations.

**4. Impairment Charges**

The Company periodically estimates the future cash flows expected to result from the various long-lived assets and the residual values of such assets. In some cases, the Company concludes that the undiscounted cash flows are less than the carrying values of the related assets, resulting in impairment charges. Impairment charges of \$1.7 million were recorded during the 16 and 28 weeks ended January 7, 2009. Impairment charges of \$0.2 million were recorded during the 16 and 28 weeks ended January 9, 2008.

**Table of Contents****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

**5. Retirement Plans**

The following table provides the components of the periodic benefit expense for the Company's retirement plans.

	16 weeks ended	
	January 7, 2009	January 9, 2008
Interest cost	\$ 398	418
Amortization of actuarial gain	(132)	(114)
Net periodic benefit expense	\$ 266	304

	28 weeks ended	
	January 7, 2009	January 9, 2008
Interest cost	\$ 696	731
Amortization of actuarial gain	(231)	(199)
Net periodic benefit expense	\$ 465	532

**6. Share-Based Payments**

Total compensation expense related to share-based payments was \$4.1 million and \$7.5 million for the 16 and 28 weeks ended January 7, 2009, respectively, and \$4.1 million and \$6.9 million for the 16 and 28 weeks ended January 9, 2008, respectively. As of January 7, 2009, the Company had \$30.4 million of unrecognized compensation expense related to share-based payments, which it expects to recognize over a weighted-average period of 1.9 years.

**Table of Contents****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

*Options*

Changes in options during the 28 weeks ended January 7, 2009, were as follows:

	Number of Shares (thousands)	Weighted- Average Exercise Price per share	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$)
Outstanding as of June 25, 2008	2,878	\$ 21.30		
Granted	1,165	14.01		
Forfeited	(301)	20.64		
Expired	(19)	23.38		
Outstanding as of January 7, 2009	3,723	\$ 19.06	5.6	2,703

The fair value of options is estimated at the grant date using the Black-Scholes option-pricing model, which requires the use of various assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the grant date. The Company assumes a dividend yield of 0%, since it does not pay dividends and has no current plans to do so. The volatility assumptions are based on historical volatilities of comparable publicly traded companies using daily closing prices for the historical period commensurate with the expected term of the option. Due to the Company's recent emergence from bankruptcy, its historical volatility data is not considered in determining expected volatility. The expected life of the options is determined based on the simplified assumption that the options will be exercised evenly from vesting to expiration. The weighted-average grant-date fair value of the options granted during the 28 weeks ended January 7, 2009, and January 9, 2008, was \$4.38 and \$9.57, respectively, which was determined using the following assumptions:

	28 weeks ended	
	January 7, 2009	January 9, 2008
Risk-free interest rate range	2.47% - 2.81%	3.84% - 4.94%
Expected dividend yield	0.0%	0.0%
Expected life (years)	4.75	4.50
Volatility range	30.60% - 35.40%	30.55% - 31.31%

**Table of Contents****WINN-DIXIE STORES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

*Restricted Stock Units*

Changes in the restricted stock units during the 28 weeks ended January 7, 2009, were as follows:

	Number of Shares (thousands)	Weighted-Average Grant Date Fair Value per share
Nonvested balance as of June 25, 2008	1,017	\$ 17.10
Granted	893	13.76
Vested	(249)	17.50
Forfeited	(83)	15.70
Nonvested balance as of January 7, 2009	1,578	\$ 14.63

**7. Insurance Settlement**

During October 2008, the Company reached a final settlement with its insurers related to its claim resulting from hurricanes that occurred in fiscal 2006. Final payments totaling approximately \$25.0 million received during the 16 weeks ended January 7, 2009, exceeded the insurance receivable. Accordingly, the Company recorded a gain of \$22.4 million in the condensed consolidated statements of operations for the 16 and 28 weeks ended January 7, 2009.

**8. Commitments and Contingencies***Bankruptcy-related Contingencies*

The Debtors' creditors generally filed proofs of claim with the Court. Through a claims resolution process and on objections of the Debtors, the Court reduced, reclassified and/or disallowed a significant number of claims for varying reasons, including claims that were duplicative, amended, without merit, misclassified or overstated. Many claims were resolved prior to the Effective Date through settlement or Court orders. This process will continue until all claims are resolved (see Note 1).

*Litigation - Bankruptcy and pre-petition matters*

On the Petition Date, Winn-Dixie Stores, Inc., and 23 of its then-existing subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code. The reorganization was jointly administered under the caption *In re: Winn-Dixie Stores, Inc., et al.*, Case No. 05-03817 by the Court. Two of the then-existing wholly-owned subsidiaries of Winn-Dixie Stores, Inc., did not file petitions under Chapter 11 of the Bankruptcy Code. On August 9, 2006, the Debtors filed their final plan of reorganization and related Court-approved disclosure statement. On October 10, 2006, the Company filed a modification to the plan to address objections to confirmation of the Plan. On November 9, 2006, the Court entered its order confirming the Plan of Reorganization.

---

**Table of Contents**

**WINN-DIXIE STORES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

In confirming the Plan, the Court overruled the objections to the Plan filed by, among others, several holders of landlord claims and the Florida tax collectors. Certain of the objecting parties, including four groups of landlord claimants and the Florida tax collectors, appealed the confirmation order to the United States District Court for the Middle District of Florida (the District Court). The issues placed on appeal by the landlord claimants derive from the substantive consolidation compromise contained in the Plan and the resulting treatment of landlord claims under the Plan. The issues placed on appeal by the Florida tax collectors relate to the treatment of ad valorem property taxes under the Plan, including the alleged immunity of the State of Florida and the jurisdiction of the Bankruptcy Court with respect to state taxes. None of the appealing parties sought to stay the effectiveness of the confirmation order, leaving the Debtors free to move forward to implement the Plan. The Debtors implemented the Plan on November 21, 2006, which became the effective date of the Plan. On July 5, 2007, the Debtors filed a motion to dismiss as moot the appeals filed by the landlord claimants. On October 10, 2007, the District Court entered its order granting the Debtors motion and dismissing the appeals filed by the landlord claimants and on July 1, 2008 the District Court's dismissal order was affirmed by the United States Court of Appeals for the Eleventh Circuit. The Florida tax collectors' appeals are now pending before the United States Court of Appeals for the Eleventh Circuit. The Debtors do not believe that these appeals will have a material impact on the Plan or the Company.

*Litigation - Post-emergence matters*

Various claims and lawsuits arising in the normal course of business are pending against the Company, including claims alleging violations of certain employment or civil rights laws, claims relating to both regulated and non-regulated aspects of the business and claims arising under federal, state or local environmental regulations. The Company vigorously defends these actions.

While no one can predict the outcome of any pending or threatened litigation with certainty, management believes that any resolution of these proceedings will not have a material adverse effect on its financial condition or results of operations.

**9. New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years except for certain nonfinancial assets and nonfinancial liabilities for which the effective date has been deferred by one year in accordance with FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2). Also in February 2008, the FASB issued FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement



**Table of Contents**

**WINN-DIXIE STORES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

under Statement 13 ( FSP FAS 157-1 ). FSP FAS 157-1 amends SFAS No. 157, to exclude SFAS No. 13, Accounting for Leases , and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. FSP FAS 157-1 is effective with the initial adoption of SFAS 157. The Company elected to apply the provisions of FSP 157-2, and therefore will defer the requirement of SFAS 157 as it relates to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis until June 25, 2009. The adoption of SFAS 157 did not have an effect on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 ( SFAS 159 ). This Statement permits entities to make an irrevocable election to measure certain financial instruments and other assets and liabilities at fair value on an instrument by instrument basis. Unrealized gains and losses on items for which the fair value option is elected will be recognized in net earnings at each subsequent reporting date. The adoption of SFAS 159 on June 26, 2008, did not have an effect on the Company s consolidated financial statements, as the Company did not elect the fair value option.

In December 2007, the FASB issued SFAS No. 141(revised 2007), Business Combinations ( SFAS 141R ). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will affect income tax expense. SFAS 141R is effective for fiscal years beginning after December 15, 2008, and as such, the Company will adopt this standard in fiscal 2010. Management has not yet determined the impact of SFAS 141R on the consolidated financial statements. The Company currently maintains a full valuation allowance against substantially all of its net deferred tax assets. Benefits associated with recognition of tax attributes that existed at the time of emergence from bankruptcy protection currently reduce intangible assets. Upon adoption of SFAS 141R, subsequent reversals of the valuation allowance will instead be reflected as reductions in income tax expense.

In April 2008, the FASB issued Staff Position ( FSP ) No. FAS 142-3, Determination of the Useful Life of Intangible Assets ( FSP FAS 142-3 ). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The guidance contained in this FSP for determining the useful life of a recognized intangible asset is applied prospectively to intangible assets acquired after the effective date. Additional disclosures required in this FSP are applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date.

**Table of Contents**

**WINN-DIXIE STORES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Dollar amounts in thousands except per share data, unless otherwise stated

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ( SFAS 162 ). SFAS 162 identifies the sources of accounting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement was effective November 15, 2008. The adoption of SFAS 162 did not have an effect on the Company s consolidated financial statements.

## **Table of Contents**

### **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in Item 1 of this Quarterly Report on Form 10-Q. Unless specified to the contrary, all information herein is reported as of January 7, 2009, which was the end of our most recently completed fiscal quarter.

### **FORWARD-LOOKING STATEMENTS**

Certain statements made in this report, and other written or oral statements made by us or on our behalf, may constitute forward-looking statements within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management's expectations, beliefs, plans, estimates or projections related to the future, are forward-looking statements within the meaning of these laws. These forward-looking statements include and may be indicated by words or phrases such as anticipate, estimate, plans, expects, projects, should, will, believes or intends and similar words and phrases.

All forward-looking statements, as well as our business and strategic initiatives, are subject to certain risks and uncertainties that could cause actual results to differ materially from expected results. Management believes that these forward-looking statements are reasonable. However, you should not place undue reliance on such statements. These statements are based on current expectations and speak only as of the date of such statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise. Additional information concerning the risks and uncertainties and other factors that you may wish to consider are described in Item 1A: Risk Factors in our Annual Report on Form 10-K for the fiscal year ended June 25, 2008, and elsewhere in our filings with the Securities and Exchange Commission. A number of factors, many of which are described in Item 1A: Risk Factors in the Form 10-K could cause our actual results to differ materially from the expected results described in our forward-looking statements.

### **PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

*General.* The information below should be read in conjunction with Note 1 to the Financial Statements included in Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 25, 2008.

*Emergence from Bankruptcy Protection.* On February 21, 2005 (the Petition Date), Winn-Dixie Stores, Inc., and 23 then-existing direct and indirect wholly-owned subsidiaries (collectively, the Debtors) filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (Chapter 11 or the Bankruptcy Code) in the United States Bankruptcy Court (the Court). Two of the then-existing wholly-owned subsidiaries of Winn-Dixie Stores, Inc., (collectively with the Debtors, the Company or Winn-Dixie) did not file petitions under Chapter 11. On November 9, 2006, the Court entered its order confirming the Debtors' modified

**Table of Contents**

plan of reorganization (the Plan or the Plan of Reorganization ). Although certain objecting parties appealed the confirmation order, they did not seek a stay of the order. In the absence of a stay, the Debtors were free to implement the Plan notwithstanding the pendency of the appeals. The Plan became effective and the Debtors emerged from bankruptcy protection on November 21, 2006 (the Effective Date ). The appeals remain pending.

*Claims Resolution and Plan Distributions.* As of January 7, 2009, 46.8 million shares had been distributed by the disbursing agent to holders of allowed unsecured claims that totaled \$929.0 million in allowed amounts; and 7.2 million shares were held in reserve by the disbursing agent to satisfy remaining disputed unsecured claims. The claims resolution process remains on-going with respect to certain unsecured, secured, administrative and priority claims. The claims resolution process will continue until all claims are resolved.

**OVERVIEW**

During the second quarter, we continued our focus on merchandising and marketing strategies to achieve profitable sales. Gross margin improved 20 basis points sequentially from the first quarter, reversing a recent trend of lower margins in the second quarter as compared to the first quarter caused in part by heavy holiday promotions in prior years. Gross margin improved 140 basis points and 100 basis points for the 16 and 28 weeks ended January 7, 2009, as compared to the same period in the prior fiscal year, primarily related to product mix changes and promotional activity. Our identical store sales increase for the 16 and 28 weeks ended January 7, 2009, was 0.2% and 1.4%, respectively, compared to the same period in the prior fiscal year resulting from an increase in basket size of 2.8% and 4.0%, respectively, offset by a decrease in transaction count of 2.5% for the quarter and year to date periods. The identical sales increase for the second quarter, though positive, was lower than the first quarter, primarily related to a decline in the rate of increase in the basket size from 5.7% for the first quarter to 2.8% for the second quarter. Operating and administrative expenses increased for the 16 and 28 weeks ended January 7, 2009, due primarily to higher payroll and payroll-related expenses, primarily related to retail payroll, and depreciation charges due primarily to our remodel program. The increase was offset partially by a benefit of \$8.6 million from reductions in our self-insurance reserves, primarily workers' compensation.

**RESULTS OF OPERATIONS**

*Net sales.* Net sales for the 16 weeks ended January 7, 2009, were \$2.3 billion, an increase of \$3.1 million, or 0.14%, compared to the same period in the prior fiscal year. Net sales for the 28 weeks ended January 7, 2009, were \$3.9 billion, an increase of \$58.1 million, or 1.5%, compared to the same period in the prior fiscal year. Net sales primarily related to grocery and supermarket items. In aggregate, sales of the pharmacy, fuel, and floral departments comprised approximately 10% of retail sales for all periods reported in the accompanying Condensed Consolidated Statements of Operations.

Identical store sales increased 0.2% and 1.4% for the 16 and 28 weeks ended January 7, 2009, respectively, compared to the same periods in the prior fiscal year. We define identical store sales as sales from continuing operations stores, including stores that we remodeled or enlarged during the period and excluding stores that opened or closed during the period.

The increase in our identical store sales for the 16 and 28 weeks ended January 7, 2009, was the result of an increase in basket size (average sales per customer visit on identical store sales) of

**Table of Contents**

2.8% and 4.0% for the 16 and 28 weeks ended January 7, 2009, respectively, offset by a decrease in transaction count (number of customer visits on identical store sales) of 2.5% for both the 16 and 28 weeks ended January 7, 2009.

We believe food price inflation was the largest contributor to the increase in our basket size and our identical store sales increase. Other factors that impacted our identical store sales include, but are not limited to, competitive activity and other general market factors; sales increases in areas impacted by hurricanes and a tropical storm; a sales mix shift from brand name pharmaceutical products to generic; and sales increases related to remodeled stores.

During the 12 weeks ended September 17, 2008, Hurricanes Gustav and Ike and Tropical Storm Fay impacted many of our stores in our operating area. We experienced a sales lift from these storms from pre-storm purchases, reopening stores before certain competitors, and increase in federal assistance partially offset by sales losses during temporary closure resulting in a positive impact on identical sales of 40 and 70 basis points for the 16 and 28 weeks ended January 7, 2009, respectively.

The percentage of generic pharmaceutical products sold versus branded products was higher than the same period in the prior fiscal year, resulting in a negative impact on identical sales of approximately 80 and 90 basis points for the 16 and 28 weeks ended January 7, 2009, respectively.

*Gross Profit on Sales.* Gross profit on sales increased \$33.5 million and \$53.9 million for the 16 and 28 weeks ended January 7, 2009, respectively, compared to the same periods in the prior fiscal year. As a percentage of net sales, gross margin was 28.1% and 26.7% for the 16 weeks ended January 7, 2009, and January 9, 2008, respectively, and 28.0% and 27.0% for the 28 weeks ended January 7, 2009, and January 9, 2008, respectively.

For the 16 weeks ended January 7, 2009, gross margin improved by approximately 140 basis points as compared to the same period in the prior fiscal year. The improvement was attributable primarily to product mix changes and reduced levels of promotional activity (150 basis points) and lower warehouse and transportation costs (30 basis points). These improvements of 180 basis points were partially offset by an increase in the LIFO charge (30 basis points) due primarily to an increase in food inflation and other items (10 basis points).

For the 28 weeks ended January 7, 2009, the gross margin improved by approximately 100 basis points as compared to the same period in the prior fiscal year. The improvement was attributable primarily to product mix changes and reduced levels of promotional activity (110 basis points), lower warehouse and transportation costs (20 basis points), and operational improvements that reduced inventory shrink (10 basis points). These improvements of 140 basis points were offset by an increase in the LIFO charge (30 basis points) due primarily to an increase in food inflation and other items (10 basis points).

Product mix changes resulted from higher percentages of sales of items such as private label products and perishables.

**Table of Contents**

Product losses and warehousing preparation expenses related to Hurricanes Gustav and Ivan and Tropical Storm Fay included in cost of sales were \$2.0 million during the 28 weeks ended January 7, 2009.

*Other Operating and Administrative Expenses.* Other operating and administrative expenses increased \$28.7 million and \$48.1 million for the 16 and 28 weeks ended January 7, 2009, respectively, as compared to the same period in the prior fiscal year. As a percentage of net sales, other operating and administrative expense was 27.6% and 26.3% for the 16 weeks ended January 7, 2009, and January 9, 2008, respectively, and 27.7% and 26.9% for the 28 weeks ended January 7, 2009, and January 9, 2008, respectively.

Several items contributed to the increase in operating and administrative expenses for the 16 and 28 weeks ended January 7, 2009, as compared to the same period in the prior fiscal year as follows (in millions):

	16 weeks ended Jan. 7, 2009	28 weeks ended Jan. 7, 2009
Decrease in benefit from self-insurance reserves reduction	\$ 6.9	6.9
Increase (decrease) in:		
Salaries, primarily related to retail labor	13.5	20.1
Depreciation and amortization, primarily related to store remodeling program	4.6	11.4
Utilities, primarily related to higher rates	3.9	7.0
Hurricanes and tropical storm-related expenses	0.8	2.4
Other, net	(1.0)	0.3
	\$ 28.7	48.1

We recorded a benefit of \$8.6 million related to reduction of our self-insurance reserves as a result of our actuarial study performed in the second quarter of fiscal 2009 which primarily related to workers' compensation claims. The second quarter of fiscal 2008 had a similar benefit of \$15.5 million or \$6.9 million higher than that recorded in fiscal 2009.

*Gain on Insurance Settlement.* During October 2008, we reached a final settlement with our insurers related to our claim resulting from hurricanes that occurred in fiscal 2006. Final payments totaling approximately \$25.0 million received during the 16 weeks ended January 7, 2009, exceeded the insurance receivable. Accordingly, we recorded a gain of \$22.4 million in the condensed consolidated statements of operations for the 16 and 28 weeks ended January 7, 2009.

*Impairment Charges.* Impairment charges of \$1.7 million were recorded during the 16 and 28 weeks ended January 7, 2009. Impairment charges of \$0.2 million were recorded during the 16 and 28 weeks ended January 9, 2008. See Part I, Item 1, Note 4 for further discussion of impairment charges.

**Table of Contents**

*Interest Expense (Income), Net.* Interest expense (income), net, is primarily interest on long-term and short-term debt and capital leases, offset by interest income. Interest expense, net was \$1.6 million and \$2.6 million for the 16 and 28 weeks ended January 7, 2009, respectively, compared to interest income, net of \$1.1 million and \$2.5 million for the 16 and 28 weeks ended January 9, 2008, respectively.

The increase in interest expense (income), net for the 16 weeks ended January 7, 2009, was primarily related to lower investment returns due to less invested cash and lower rates of return during the 16 weeks ended January 7, 2009, as compared to the same period in the prior fiscal year. Interest income was \$0.3 million and \$2.5 million for the 16 weeks ended January 7, 2009, and January 9, 2008, respectively.

The increase in interest expense (income), net for the 28 weeks ended January 7, 2009, was primarily related to lower investment returns due to less invested cash and lower rates of return during the 28 weeks ended January 7, 2009, as compared to the same period in the prior fiscal year. Interest income was \$1.0 million and \$5.1 million for the 28 weeks ended January 7, 2009, and January 9, 2008, respectively.

*Income Taxes.* Income tax expense was \$15.3 million for the 16 and 28 weeks ended January 7, 2009, respectively, and \$4.3 million and \$4.2 million for the 16 and 28 weeks ended January 9, 2008, respectively. The effective tax rate was 48.8% and 52.4% for the 16 and 28 weeks ended January 7, 2009, respectively, which differs from statutory rates primarily due to permanent items and the impact of our prior year tax return to provision adjustment recorded in the second quarter of fiscal 2009. The effective tax rate was 51.2% and 56.1% for the 16 and 28 weeks ended January 9, 2008, respectively, which differs from statutory rates primarily due to the impact of our prior year tax return to provision adjustment recorded in the second quarter of fiscal 2008.

We maintain a full valuation allowance against substantially all of our net deferred tax assets. The valuation allowance will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that the net deferred tax assets will be realized.

For the 16 and 28 weeks ended January 7, 2009, we recognized tax attributes that existed as of November 15, 2006, totaling \$16.3 million and \$17.2 million, respectively, and thereby reduced intangible assets by these amounts.

During the 16 weeks ended January 7, 2009, the two-year period during which IRC Section 382(l)(5) would be applicable to a subsequent ownership change expired.

As of January 7, 2009, we had NOL carryforwards for federal income tax purposes of approximately \$550 million that will begin to expire in fiscal 2025. There is no limitation currently imposed on the utilization of our NOLs.

As of January 7, 2009, we had \$15.5 million of unrecognized tax benefits which, if recognized, \$2.0 million of this amount would change the effective tax rate.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Summary**

As of January 7, 2009, we had \$632.1 million of liquidity, comprised of \$487.0 million of borrowing availability under the Credit Agreement and \$145.1 million of cash and cash equivalents. We anticipate our capital expenditures for the remainder of fiscal 2009 will be funded substantially by cash flows from operations, working capital improvements, and cash on hand. We believe that we have sufficient liquidity through borrowing availability, available cash and cash flows from operating activities to fund our cash requirements for existing operations and capital expenditures for the remainder of fiscal 2009. Based on borrowing availability and anticipated improvement in operating results, we believe that we will have sufficient resources beyond fiscal 2009 to operate our business and fund our capital-spending program.

**Credit Agreement**

On the Effective Date, Winn-Dixie Stores, Inc., and certain of our subsidiaries entered into an Amended and Restated Credit Agreement ( Credit Agreement ). The Credit Agreement, to be used for working capital and general corporate purposes, provides for a \$725.0 million senior secured revolving credit facility, of which a maximum of \$300.0 million may be utilized for letters of credit. The Credit Agreement matures November 21, 2011, at which time all amounts then outstanding under the agreement will be due and payable. At our request, under certain conditions the facility may be increased by up to \$100.0 million. Obligations under the Credit Agreement are guaranteed by substantially all of our subsidiaries and are secured by senior liens on substantially all of our assets. The Credit Agreement contains certain covenants, including an EBITDA financial covenant which is tested only when Excess Availability falls below \$75.0 million. This Form 10-Q contains only a general description of the terms of the Credit Agreement and is qualified in its entirety by reference to the full Credit Agreement (filed as Exhibit 10.1 to the Form 8-K filed on November 28, 2006) and Amendment 1 to the Credit Agreement (filed as Exhibit 10.1 to the Form 8-K filed on September 5, 2008). The following capitalized terms have specific meanings as defined in the Credit Agreement: Agent, Borrowing Base, Capital Expenditures, EBITDA, Excess Availability, and Reserves.

We had no material borrowings on the Credit Agreement, other than fees charged by the lender, during the 28 weeks ended January 7, 2009. As of January 7, 2009, no amount was outstanding.

Borrowing availability was \$487.0 million as of January 7, 2009, as summarized below (in thousands):

	<b>January 7, 2009</b>
Lesser of Borrowing Base or Credit Agreement capacity <sup>1</sup>	\$ 536,997
Outstanding borrowings	
Excess Availability	536,997
Limitation on Excess Availability <sup>2</sup>	(50,000)
<b>Borrowing availability</b>	<b>\$ 486,997</b>

<sup>1</sup> Net of Reserves of \$186.6 million, including \$168.8 million related to outstanding letters of credit.

<sup>2</sup> Assumes the Credit Agreement's EBITDA covenant is met or is not being tested.



**Table of Contents**

As shown in the table above, availability under the Credit Agreement was determined net of Reserves, which are subject to revision by the Agent to reflect events or circumstances that adversely affect the value of the Borrowing Base assets. Accordingly, a determination by the Agent to increase Reserves would reduce availability.

Letters of credit are considered reserves against the borrowing availability. As of January 7, 2009, letters of credit totaling \$168.8 million were issued under the Credit Agreement. Outstanding letters of credit related primarily to insurance programs including workers' compensation.

**Historical Cash Flow Data**

The table below sets forth certain Condensed Consolidated Statements of Cash Flows data for the 28 weeks ended January 7, 2009, and January 9, 2008, (in thousands):

	28 weeks ended	
	January 7, 2009	January 9, 2008
Cash provided by (used in):		
Operating activities	\$ 36,464	52,221
Investing activities	(83,354)	(152,848)
Financing activities	(9,329)	449

*Operating Activities.* For the 28 weeks ended January 7, 2009, net cash provided by operating activities was \$36.5 million, due primarily to operating cash flows and changes in working capital items. Insurance proceeds collected in the 28 weeks ended January 7, 2009, totaled \$28.9 million of which \$11.3 related to operating activities and \$17.6 million related to property and equipment and is classified as an investing activity. For the 28 weeks ended January 9, 2008, net cash provided by operating activities was \$52.2 million due to operating cash flows and changes in working capital items.

*Investing Activities.* For the 28 weeks ended January 7, 2009, and January 9, 2008, net cash used in investing activities was \$83.4 million and \$152.8 million, respectively, due primarily to expenditures for our store-remodeling program. During the 28 weeks ended January 7, 2009, we collected \$17.6 million of proceeds from insurance claims related to investing activities.

*Financing Activities.* For the 28 weeks ended January 7, 2009, net cash used in financing activities of \$9.3 million related primarily to a decrease in book overdrafts. For the 28 weeks ended January 9, 2008, net cash provided by financing activities of \$449 thousand related primarily to an increase in book overdrafts.

*Capital Expenditures.* In fiscal 2009, we expect capital expenditures to total approximately \$250 million, of which approximately \$150 million is budgeted for our store-remodeling program. In fiscal 2009 and future fiscal years, we plan to remodel approximately 75 stores annually.

In addition to the store-remodeling program, we anticipate that during fiscal 2009 we will spend approximately \$100 million on other capital expenditures, including maintenance and other store-related projects, information technology projects, new stores, back-up generators and logistics projects.

**Table of Contents**

**CRITICAL ACCOUNTING ESTIMATES**

Our critical accounting estimates for the second quarter of fiscal 2009 are consistent with those included in our annual report on Form 10-K for the fiscal year ended June 25, 2008. See Note 9 of Notes to Condensed Consolidated Financial Statements in this Form 10-Q for a description of recent accounting pronouncements and the impact on our financial statements.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

As of January 7, 2009, we had no derivative instruments that increased our exposure to market risks for interest rates, foreign currency rates, commodity prices or other market price risks. We do not use derivatives for speculative purposes. Our current exposure to market risks results primarily from changes in interest rates, principally with respect to our Credit Agreement, which is a variable rate financing agreement. As of January 7, 2009, we had no borrowing outstanding under the Credit Agreement. We currently do not use swaps or other interest rate protection agreements to hedge this risk.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

As of January 7, 2009, the Chief Executive Officer and the Chief Financial Officer, together with a disclosure review committee appointed by the Chief Executive Officer, evaluated the Company's disclosure controls and procedures. Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of January 7, 2009, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

***Changes in Internal Control over Financial Reporting***

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended January 7, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**Part II Other Information**

**Item 1. Legal Proceedings**

See Part I, Item 1, Note 8 for a discussion of legal proceedings.

**Item 1A. Risk Factors**

The risks described below and in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended June 25, 2008, could materially and adversely affect our business, financial condition and results of operations. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended June 25, 2008, except as mentioned below. Additional information concerning those risks and uncertainties and other factors that you may wish to consider are contained elsewhere in our filings with the Securities and Exchange Commission.

**Adverse economic conditions could negatively affect our results of operations and financial condition.**

The retail food industry is sensitive to changes in overall economic conditions that impact consumer spending and purchasing habits. General economic conditions in our market areas such as higher levels of unemployment, tightening of consumer credit, higher consumer debt levels, weakness in the housing market, energy and other inflation, and higher tax and interest rates could reduce consumer spending or change consumer preferences regarding products, store locations and other factors.

In addition, general economic conditions could affect our key business partners and their ability to provide goods or services.

Significant changes in consumer spending and purchasing habits or disruptions in our key business partners' ability to provide goods or services could negatively affect our results of operations and financial condition.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Submission of Matters to a Vote of Security Holders**

The 2008 Annual Meeting of Shareholders of the Company took place on November 5, 2008.

Three matters were submitted to a vote at the meeting:

1. Election of the nine current directors for terms expiring at the 2009 shareholders meeting.

**Table of Contents**

2. Approval of the Winn-Dixie Stores, Inc. Employee Stock Purchase Plan (the ESPP ).

3. Ratification of the appointment of KPMG LLP as the independent registered public accounting firm for fiscal 2009.

With respect to the election of directors, the votes were as follows:

	Shares For	Shares Against/Withheld
Evelyn V. Follit	42,011,981	8,218,067
Charles P. Garcia	42,011,918	8,218,130
Jeffrey C. Girard	42,011,860	8,218,188
Yvonne R. Jackson	42,010,992	8,219,056
Gregory P. Josefowicz	42,011,289	8,218,759
Peter L. Lynch	41,927,792	8,302,256
James P. Olson	42,012,571	8,217,477
Terry Peets	42,006,896	8,223,152
Richard E. Rivera	42,007,636	8,222,412

With respect to the ESPP, the vote was: 43,198,027 shares for; 2,670,317 shares against/withheld; 82,082 shares abstained; 4,279,622 broker non-votes.

With respect to the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year 2009, the vote was: 50,076,078 shares for; 125,472 shares against/withheld; 28,496 shares abstained.

**Item 5. Other Information**

Not applicable.

**Table of Contents**

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>	<b>Incorporated by Reference From</b>
2.1	Order Confirming Joint Plan of Reorganization of Winn-Dixie Stores, Inc. and Affiliated Debtors entered November 9, 2006.	Previously filed as Exhibit 99.2 to Form 8-K on November 15, 2006, which Exhibit is herein incorporated by reference.
3.1	Amended and Restated Certificate of Incorporation of Winn-Dixie Stores, Inc.	Previously filed as Exhibit 3.1 to Form 8-A/A on November 21, 2006, which Exhibit is herein incorporated by reference.
3.2	Amended and Restated By-Laws of Winn-Dixie Stores, Inc.	Previously filed as Exhibit 3.1 to Form 8-K on November 12, 2008, which Exhibit is herein incorporated by reference.
10.1	Winn-Dixie Stores, Inc. Employee Stock Purchase Plan.	Previously filed as Appendix A to the Company's proxy statement on September 22, 2008, which is herein incorporated by reference.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	

**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WINN-DIXIE STORES, INC.

Date: February 11, 2009

/s/ BENNETT L. NUSSBAUM

**Bennett L. Nussbaum**

*Senior Vice President and Chief Financial Officer*

*(Principal Financial Officer and Duly Authorized Officer)*

Date: February 11, 2009

/s/ D. MICHAEL BYRUM

**D. Michael Byrum**

*Vice President, Corporate Controller and Chief Accounting Officer*

*(Principal Accounting Officer)*

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>	<b>Incorporated by Reference From</b>
2.1	Order Confirming Joint Plan of Reorganization of Winn-Dixie Stores, Inc. and Affiliated Debtors entered November 9, 2006.	Previously filed as Exhibit 99.2 to Form 8-K on November 15, 2006, which Exhibit is herein incorporated by reference.
3.1	Amended and Restated Certificate of Incorporation of Winn-Dixie Stores, Inc.	Previously filed as Exhibit 3.1 to Form 8-A/A on November 21, 2006, which Exhibit is herein incorporated by reference.
3.2	Amended and Restated By-Laws of Winn-Dixie Stores, Inc.	Previously filed as Exhibit 3.1 to Form 8-K on November 12, 2008, which Exhibit is herein incorporated by reference.
10.1	Winn-Dixie Stores, Inc. Employee Stock Purchase Plan.	Previously filed as Appendix A to the Company's proxy statement on September 22, 2008, which is herein incorporated by reference.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	