WINN DIXIE STORES INC
Form 10-K
August 29, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 29, 2011

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)

Florida	**59-0514290**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5050 Edgewood Court, Jacksonville, Florida	**32254-3699**
(Address of principal executive offices)	**(Zip Code)**

(904) 783-5000

(Registrant s telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	The NASDAQ Stock Market LLC

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

Title of each class

None

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

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

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 þ   No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   Yes ¨   No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer ¨	Accelerated filer þ	Non-accelerated filer ¨	Smaller reporting company ¨

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

The aggregate market value of the common stock held by non-affiliates of the registrant on January 12, 2011, was approximately $356.1 million.

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 þ   No ¨

As of August 11, 2011, 55,822,649 shares of Winn-Dixie Stores, Inc. common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant s Proxy Statement for the 2011 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

Table of Contents

WINN DIXIE STORES, INC.

ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED JUNE 29, 2011

TABLE OF CONTENTS

		Page Number
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	5
Item 1B.	Unresolved Staff Comments	9
Item 2.	Properties	9
Item 3.	Legal Proceedings	9
Item 4.	Reserved	9
PART II		
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	10
Item 6.	Selected Financial Data	12
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	26
Item 8.	Financial Statements and Supplementary Data	27
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	57
Item 9A.	Controls and Procedures	57
Item 9B.	Other Information	62
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	62
Item 11.	Executive Compensation	64
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	64
Item 13.	Certain Relationships and Related Transactions and Director Independence	64
Item 14.	Principal Accounting Fees and Services	64
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	65
Signatures		68

Table of Contents

PART I

The following should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 of this Annual Report on Form 10-K. Unless specified to the contrary, all information herein is reported as of June 29, 2011, which was the end of our most recently completed fiscal year. References such as the Company, we, our and us refer to Winn-Dixie Stores, Inc. and its consolidated subsidiaries.

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 pl

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. Information concerning the risks and uncertainties that you may wish to consider is included in Item 1A: Risk Factors of this Annual Report on Form 10-K and elsewhere in our filings with the Securities and Exchange Commission (the SEC). A number of factors, many of which are described in Item 1A: Risk Factors , could cause our actual results to differ materially from the expected results described in our forward-looking statements.

ITEM 1: BUSINESS
General

Founded in 1925, Winn-Dixie Stores, Inc. is a major food retailer operating primarily under the Winn-Dixie banner. As of June 29, 2011, we operated 484 stores in five states in the southeastern United States.

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). The Plan became effective and the Debtors emerged from bankruptcy protection on November 21, 2006 (the Effective Date).

1

Table of Contents

Under the Plan, 400 million shares of new common stock were authorized under the amended and restated articles of incorporation of Winn-Dixie Stores, Inc. Pursuant to the terms of the Plan, 54 million shares of new common stock were issued to the Company s disbursing agent for distribution to unsecured creditors. All such shares were issued without registration under the Securities Act of 1933, as amended, or state securities laws, in reliance on Section 1145 of the Bankruptcy Code. Subsequent to the Effective Date, the Company s common stock trades on The NASDAQ Stock Market (NASDAQ) under the symbol WINN.

We generate revenues and cash as we sell products to guests in our stores. We earn a profit by selling these products at price levels in excess of our costs, which include procurement, distribution, occupancy and overhead expenses. Our operations are within one reportable segment. The Consolidated Financial Statements set forth in Item 8 below present our results of operations, financial position and cash flows.

Stores

The following chart identifies each of our markets by state and retail market area, the number of stores in each market area and the banners under which they operate as of June 29, 2011. We operate our grocery warehouse stores under the SaveRite banner.

	Total	Winn-Dixie	SaveRite
Florida	**328**	**323**	**5**
Orlando / Daytona	67	66	1
Miami / Fort Lauderdale	72	72	
Tampa /St. Petersburg	60	59	1
Jacksonville	48	45	3
West Palm Beach / Fort Pierce	26	26	
Fort Myers / Naples	14	14	
Mobile / Pensacola / Panama City	26	26	
Tallahassee / Gainesville	15	15	
Alabama	**70**	**70**	
Birmingham	25	25	
Mobile / Pensacola	19	19	
Montgomery	16	16	
Columbus / Dothan	10	10	
Georgia	**21**	**21**	
Louisiana	**51**	**51**	
New Orleans	32	32	
Baton Rouge / Lafayette	19	19	
Mississippi	**14**	**12**	**2**
Total stores as of June 29, 2011	**484**	**477**	**7**

The following chart provides selected information related to our stores for the last five fiscal years:

	2011	2010	2009	2008	2007
Opened during fiscal year		2		2	2
Closed or sold during fiscal year	30	3	6	1	21

In operation at fiscal year-end	484	514	515	521	520
Year-end average supermarket square footage (in thousands)	46.8	46.9	46.8	46.7	46.8

Table of Contents

Strategic Initiatives

Over the last several years, we have focused on creating a fresh and local experience in our stores. Building upon that foundation, we are now working to provide our guests a more meaningful shopping experience that will further evolve and improve our brand image. Our multi-year strategic initiatives include building guest loyalty, growing profitable sales and improving our brand image. We recently introduced a strategic framework to our team members that focuses on a refined company vision, a new set of values and a promise to our guests to make their lives easier and fun.

We believe capital investment in our stores is important to improving our brand image, and in fiscal 2011, we introduced enhancements to our store remodel program. The enhancements include many expanded and upscale attributes that create a more inviting shopping experience in a new format that we refer to as a transformational store. Some of the enhancements are a wood-burning rotisserie, an expanded deli department, a whole bean coffee station, a candy shop, and locally grown produce and other products local to the area. As we continue to refine our store remodel program, we will continue to select strategically stores to transform our brand image for our guests.

Merchandising

Substantially all of our stores offer grocery, dairy, frozen food, meat, seafood, produce, deli, bakery, floral, health and beauty, and other general merchandise items. Certain stores offer pharmacies, distilled spirits and fuel.

We offer national brands as well as many of our own private-label products. These products are delivered from our distribution centers or directly to stores from manufacturers and wholesalers.

Competition

We face competition from both traditional grocery stores and non-traditional grocery retailers such as mass merchandisers, super-centers, warehouse club stores, dollar-discount stores, drug stores, convenience stores, and restaurants. We compete based on price, product quality, variety, location, service, convenience, and store condition. The number and type of competitors varies by location, as does our competitive position across our markets.

Suppliers and Raw Materials Sources

We receive the products sold in our stores from a number of sources. We are not dependent on a single or relatively few suppliers. We believe that the products we sell are available in sufficient quantities to meet guest demand adequately. As with any supermarket, many brands have high consumer recognition. Though we may be able to find alternate suppliers for a particular type of product, we would likely experience negative guest response if we were unable to supply a particular brand of product.

Trademarks

We actively enforce and defend our rights related to our intellectual property portfolio. In addition to the Winn-Dixie trademark, we own approximately 80 other trademarks that are registered or pending as applications in the United States Patent and Trademark Office.

Seasonality

Due to the influx of winter residents to the Southeast, particularly Florida, and increased purchases of food items for the holidays that occur from November through April, our sales are typically higher during these months as compared to the rest of the year.

Working Capital

As of June 29, 2011, working capital was comprised of $887.9 million of current assets and $665.3 million of current liabilities. Normal operating fluctuations in these substantial balances can result in changes to cash flows from operating activities as presented in the Consolidated Statements of Cash Flows that are not necessarily indicative of long-term operating trends. There are no unusual industry practices or requirements related to working capital items.

Environmental Matters

We are subject to federal, state and local environmental laws that apply to store operations, property ownership and property development. We may be subject to certain environmental regulations regardless of whether we lease or own stores or land, or whether environmental conditions were created by the owner, a prior tenant or us. We believe that compliance with such laws and regulations has not had a material effect on our capital expenditures, operating results or competitive position.

Employees

As of June 29, 2011, we employed approximately 47,000 team members, of whom approximately 56% were employed on a part-time basis. None of our team members are covered by a collective bargaining agreement.

Additional Information

We are a Florida corporation, headquartered at 5050 Edgewood Court, Jacksonville, Florida 32254-3699. Our telephone number is 904-783-5000.

Our web site, www.winn-dixie.com, provides additional information about our Company. There you can obtain, free of charge, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all of our other filings with the SEC, including amendments thereto. You can also obtain copies of all of our recent press releases. Our web site also contains important information about our corporate governance practices, including our Code of Conduct, information on the members of our Board of Directors, our Governance Principles and our Board Committee Charters. The information on our web site is not part of and is not incorporated by reference into this Annual Report on Form 10-K.

ITEM 1A: RISK FACTORS

Our business and strategic initiatives are subject to certain risks and uncertainties that could cause actual results to differ materially from expected results. Additional information concerning the risks and uncertainties listed below, and other factors that you may wish to consider, are contained elsewhere in our filings with the SEC.

We operate in a highly competitive industry with low profit margins and actions taken by our competitors can negatively impact our results of operations.

We face competition from both traditional grocery stores and non-traditional grocery retailers such as mass merchandisers, super-centers, warehouse club stores, dollar-discount stores, drug stores, convenience stores, and restaurants. Actions of our competitors can negatively impact our business, particularly competitor investments in their store base and increased competitor promotional activity. Over the past several years, we have experienced a significant number of competitor store openings in our operating regions.

Our industry is highly competitive with low profit margins. Pricing is a significant driver of consumer choice in our industry and we regularly engage in price competition, particularly through our promotional programs. To the extent that our competitors lower prices, through increased promotional activity or otherwise, our ability to maintain gross profit margins and sales levels may be negatively impacted. Several of our primary competitors are larger than we are, have greater financial resources available to them and, therefore, may be able to devote greater resources to invest in pricing and promotional programs.

Actions taken by our competitors may negatively impact our business and we may not have sufficient resources to respond to significant competitor investments in pricing and promotional programs or store base.

Failure to execute successfully our core strategic initiatives could adversely affect our financial condition and results of operations.

Over the last several years, we have focused on creating a fresh and local experience in our stores. Building upon that foundation, we are now working to provide our guests an improved shopping experience that will further evolve and improve our brand image. Our multi-year strategic initiatives include building guest loyalty, growing profitable sales and improving our brand image. We recently introduced an updated strategic framework to our team members that focuses on a refined company vision, a new set of values and a promise to our guests to make their lives easier and fun.

Our financial strategy is intended to achieve a balance between sales and earnings growth. Because many of our operating costs such as rent, utilities and minimum labor staffing levels are largely fixed, low levels of sales productivity negatively impact profitability. Our sales per square foot are significantly less than those of our leading competitors. To achieve levels of profitability consistent with most of our industry peers, we must increase our average sales per square foot, while maintaining or improving gross margin rates.

Our financial condition and results of operations could be adversely affected if we fail to successfully execute these core strategic initiatives or if our initiatives do not meet the expectations of our guests.

Table of Contents

Failure to achieve expected results from our store-remodel program could adversely affect our financial condition and results of operations.

We believe capital investment in our stores is important to improving our brand image. Stores in need of remodeling are at risk of sales erosion, particularly when they compete with newer or better-maintained competitor facilities. We continually refine our remodel strategy using a market-by-market analysis, which considers such factors as the appropriate remodel scope and expected returns. In fiscal 2011, we introduced enhancements to our remodel program to include many expanded and upscale attributes that create a more inviting shopping experience in a new format that we refer to as a transformational store. As we continue to refine our store remodel program, we will continue to select strategically stores to transform our brand image for our guests.

If the remodel program does not meet the expectations of our guests, stay within the time and financial budgets we have forecasted or achieve expected results, our future financial condition and results of operations could be materially adversely affected.

We expect that cash flows from operations and borrowing availability under our credit facility will be sufficient to fund our existing operations and remodel program. However, in the event that our overall liquidity decreases, it may be necessary to reevaluate our liquidity needs, and, to the extent we deem appropriate, review our business operations and capital structure to ensure appropriate overall liquidity. Actions we might take could include, but may not be limited to, capital expenditure reductions that impact the store remodel program, asset sales, or seeking additional capital through issuances of debt or equity securities. Any issuance of debt securities could result in increased interest expense and additional restrictive covenants; any issuance of equity securities could result in dilution of existing shareholders or in new equity securities having rights, preferences or privileges senior to those of existing holders of common stock.

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, weakness in the housing market, inflation in food and energy, and lagging consumer confidence could reduce consumer spending and cause consumers to switch to a less expensive mix of products or trade down to discounters for grocery items. Adverse economic conditions in our markets have affected and could continue to affect our results of operations.

In addition, the current operating environment remains uncertain, and factors such as inflation in food, energy and commodity prices and other operating costs, as well as extended duration or deterioration in current economic conditions could negatively impact our results of operations and financial condition.

Failure to attract, train and retain qualified associates could adversely affect our ability to carry out strategic initiatives and ultimately impact our financial performance.

Table of Contents

The retail food industry is labor intensive. Our ability to meet our labor needs, while controlling wage and labor-related costs, is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force in the markets in which we are located, unemployment levels within those markets, unionization of the available work force, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation.

We must identify, develop, and retain talent to ensure that we can execute our strategic initiatives. Failure to do so could adversely affect our results of operations.

Increased operating costs due to changes in laws and other regulations affecting our industry could adversely affect our results of operations.

We are subject to numerous federal, state and local laws and regulations such as those affecting food manufacturing, food and drug distribution and retailing, labor and environmental practices, accounting standards and taxation requirements.

Ongoing efforts related to the implementation of recently enacted food safety and health care reform legislation create uncertainty about the probability and impact of future regulatory changes. In addition, new mandates, fees and taxes and stricter regulatory oversight can significantly impact operations and compliance costs.

Any changes in these laws or regulations could significantly increase our operating costs and adversely affect our results of operations.

We face risks inherent in providing pharmacy services at our stores, and continued reimbursement rate pressures and increased regulatory requirements in the pharmacy industry may adversely affect our business and results of operations.

Pharmacies are exposed to risks such as filling and labeling of prescriptions, adequacy of warnings, unintentional distribution of counterfeit drugs and expiration of drugs. Although we maintain professional liability and errors and omissions liability insurance, from time to time, claims result in the payment of significant amounts, some portions of which may not be covered by insurance.

Sales of prescription drugs reimbursed by third party payers, including Medicare Part D and state sponsored Medicaid agencies, represent a significant portion of our pharmacy sales. Continued reimbursement rate pressures, and increased regulatory requirements related to such third party payers, may adversely affect our business and results of operations.

Food safety issues could negatively impact our brand image and results of operations.

We could be adversely affected if consumers lose confidence in the safety and quality of certain food or drug products, even if the basis for the concern is out of our control. Adverse publicity about these types of concerns, whether or not valid, may discourage consumers from buying our products or cause production and delivery disruptions. The real or perceived sale of contaminated food or drug products by us could result in product liability claims and a loss of the confidence of our guests, which could adversely affect our results of operations.

Disruptions or compromises in our information technology systems could adversely affect our business operations, our reputation with our customers and our results of operations.

We are dependent on large, complex information technology systems for many of our core business processes. Any disruptions in these systems due to security breaches, internal failures of technology, severe damage to the data center or large scale external interruptions in technology infrastructure could adversely affect our results of operations.

Table of Contents

As with most retailers, we receive certain personal information about our customers. A compromise of our security systems that results in customer personal information being obtained by unauthorized persons could require that we expend significant additional resources related to our information security systems. Such a security breach could also adversely affect our reputation with our customers could result in litigation against us or the imposition of penalties and could adversely affect our results of operations.

The concentration of our locations in the southeast increases our vulnerability to severe storm damage, which could adversely affect our results of operations.

Our operations are concentrated in Florida and in other states along the Gulf of Mexico and the Atlantic Ocean, which increases the likelihood of being negatively affected by hurricanes and windstorm activity. Specific risks that we face include the following:

- while we have placed generators in stores we believe are most likely to be at risk from hurricanes and windstorm activity, we have not implemented a comprehensive program to place generators in every store;
- our ability to re-open stores that may close as a result of damage to the store and/or the operating area;
- our ability to continue to distribute products to stores;
- our ability to fund losses of inventory and other costs in advance of receipt of insurance payments; and
- our ability to collect on insurance coverage, which is subject to the solvency of our insurance carriers, their approval of our claims and the timing of claims processing and payment.

Variability in self-insurance liability estimates could significantly impact our results of operations.

We self-insure for workers compensation, general liability, business interruptions, automobile liability, property losses and employee medical coverage up to a set retention level, beyond which we maintain excess insurance coverage. Liabilities are determined using actuarial estimates of the aggregate liability for claims incurred and an estimate of incurred but not reported claims, on an undiscounted basis. Our accruals for insurance reserves reflect certain actuarial assumptions and management judgments, which are subject to a high degree of variability. The variability is caused by factors external to us such as:

- historical claims experience;
- medical inflation;
- legislative changes to benefit levels;
- trends relating to jury verdicts; and
- claim settlement patterns

Any significant variation in these factors could cause a material change to our reserves for self-insurance liabilities as well as earnings.

Litigation or legal proceedings could expose us to significant liabilities and thus negatively affect our financial results.

Table of Contents

We are party to various litigation claims and legal proceedings, including personnel and employment issues, personal injury, and other claims and proceedings arising in the ordinary course of business. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, we establish reserves and/or disclose the relevant litigation claims or legal proceedings as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates, which could adversely affect our results of operations and financial condition.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

Our corporate headquarters are located in Jacksonville, Florida. Our stores are located in the southeastern United States, as further detailed in Item 1. We believe that all of our properties are in adequate condition for their intended use. We lease substantially all of our facilities. Each lease provides for a minimum annual rent, while certain store leases also require contingent rental payments if sales volumes exceed specified amounts.

The following table details the properties utilized in our one reportable segment as of June 29, 2011:

	Owned	Leased	Total
Retail Stores	8	476	484
Distribution Centers	1	5	6
Corporate Headquarters		1	1
Total	9	482	491

A more detailed description of our leasing arrangements appears in Item 8, Note 12.

ITEM 3: LEGAL PROCEEDINGS

See Note 16 to the Consolidated Financial Statements included in Item 8 of this Report for a discussion of legal proceedings.

ITEM 4: RESERVED

Table of Contents

PART II

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

Winn-Dixie s common stock is traded on NASDAQ under the symbol WINN. The number of holders of record of our common stock as of August 11, 2011, was 3,994. Approximately 75% of our outstanding common stock is held in street name by depositories or nominees on behalf of beneficial holders.

We did not pay dividends during fiscal 2011 or fiscal 2010. Under the terms of our Credit Agreement, we are restricted from paying dividends.

We did not repurchase any of our equity securities during the fourth quarter of fiscal 2011.

The following table shows the quarterly high and low sales prices of the Company s common stock for fiscal 2011 and fiscal 2010:

	2011		2010	
	High	**Low**	**High**	**Low**
First Quarter	$ 10.44	6.25	16.00	12.36
Second Quarter	$ 7.46	5.95	15.08	9.80
Third Quarter	$ 7.20	6.05	13.17	8.90
Fourth Quarter	$ 9.56	6.53	13.90	9.60

The following table presents information about our common stock that may be issued under equity-based compensation plans as of June 29, 2011:

Plan Category	**(a) Number of securities to be issued upon exercise of outstanding options warrants and rights (in thousands)**	**(b) Weighted-average exercise price of outstanding options, warrants and rights [(1)] ($)**	**(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)) (in thousands)**
Equity compensation plans approved by shareholders	6,302	14.18	1,728
Equity compensation plans not approved by shareholders			
Total	6,302	14.18	1,728

(1) The weighted average exercise price does not take into account 2.3 million shares issuable related to restricted stock units, which have no exercise price.

[Table of Contents](#)

The following graph shows the cumulative total shareholder return for the Company s common stock during the period from November 22, 2006, to June 29, 2011. Five-year historical data is not presented because the Company s stock began trading on NASDAQ on November 22, 2006, following the Company s emergence from bankruptcy.

The graph also shows the cumulative returns of the Standard & Poor s 500 Index and the Standard & Poor s 500 Food Retail Index. The Standard & Poor s 500 Food Retail Index replaced a peer group of food retailers used in the prior fiscal years, which included Supervalu Inc., The Kroger Co., Safeway Inc., and The Great Atlantic and Pacific Tea Company Inc. The established industry index is designed to represent and measure the retail food sub-industry.

Data and graph provided by Zacks Investment Research, Inc. Copyright© 2011, Standard & Poor s, a division of The McGraw-Hill Companies, Inc. All rights reserved. Used with permission.

Table of Contents

ITEM 6: SELECTED FINANCIAL DATA

Upon emergence from bankruptcy protection, we adopted the fresh-start reporting provisions of the American Institute of Certified Public Accountants Statement of Position 90-7, Financial Reporting for Entities Under the Bankruptcy Code effective November 15, 2006, which was the end of our immediately preceding accounting period. Under fresh-start reporting, a new reporting entity was deemed to have been created, and all assets and liabilities were revalued to their fair values, which resulted in material adjustments to the historical carrying amount of reorganized assets and liabilities. Accordingly, our Consolidated Financial Statements for periods prior to November 15, 2006, are not comparable to our Consolidated Financial Statements for periods on or after November 15, 2006.

References to the Successor refer to Winn-Dixie on or after November 15, 2006, after application of fresh-start reporting. References to the Predecessor refer to Winn-Dixie prior to November 15, 2006. References such as the Company, we, our and us refer to Winn-Dixie Stores, I and its consolidated subsidiaries, whether Predecessor and/or Successor, as appropriate.

We derived the financial data below from our Consolidated Financial Statements included in Item 8 of this report and from our previously issued consolidated financial statements. We reclassified all necessary data to reflect discontinued operations, as described in Note 13 of the Consolidated Financial Statements. The following table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements, included in Item 7 and Item 8, respectively, of this report.

	Successor					Predecessor
	Fiscal					
In millions, except per share data	2011	2010[1]	2009	2008	32 weeks ended June 27, 2007	20 weeks ended Nov. 15, 2006
Results of continuing operations:						
Net sales	$ 6,881	6,980	7,079	6,975	4,322	2,554
Gross profit	$ 1,918	1,992	2,017	1,905	1,180	678
Operating and administrative expenses	$ 1,939	1,950	1,953	1,878	1,138	743
(Loss) income before reorganization items and income taxes	$ (33)	32	76	29	46	(88)
Reorganization items, net gain	$					(334)
(Loss) income from continuing operations	$ (30)	37	40	15	29	260
Net (loss) income per share from continuing operations:						
Basic and Diluted	$ (0.54)	0.67	0.74	0.28	0.54	1.84
Financial data as of fiscal period end:						
Capital expenditures	$ 93	189	223	229	69	24
Working capital	$ 223	241	295	314	441	433
Total assets	$ 1,800	1,838	1,815	1,776	1,699	1,719
Capital lease obligations - long term	$ 32	20	24	18	19	9
Shareholders equity	$ 864	924	879	826	797	759

(1) Fiscal 2010 was comprised of 53 weeks.

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

Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements and statements of our business strategies, all of which are subject to certain risks. Item 7 should be read in conjunction with the information contained in Forward-Looking Statements at the beginning of this report and with the Consolidated Financial Statements and Notes thereto included in Item 8. When multiple factors are provided as the explanation for business results, we quantify the approximate effect of each factor to the extent that it is practical for us to do so. References such as the Company, we, our and us refer to Winn-Dixie Stores, Inc., and its consolidated subsidiaries.

OVERVIEW

Summary

Fiscal 2011 was a challenging economic environment. We focused on balancing sales and margin in our pricing and promotional programs and implementing sustainable merchandising and marketing initiatives tailored to the needs of our guests. As a result, our identical store sales were positive for the fourth quarter and essentially flat for fiscal year 2011, as compared to the corresponding prior year period. Our identical stores sales were impacted positively by inflation and several key company initiatives (such as our fuelperks!® Rewards program, the rollout of our computer generated ordering system and our remodel program), offset by competitive activity, other general market factors and the continued mix shift from brand name pharmaceutical products to generics. Identical store sales for fiscal 2011 decreased 0.1% as compared to fiscal 2010. Gross profit as a percentage of net sales for fiscal 2011 decreased 0.6% compared to fiscal 2010 due to a higher LIFO charge in fiscal 2011 and the effect of our pricing and promotional programs. Operating and administrative expenses decreased due to an extra week in fiscal 2010 offset by increases in payroll and payroll related expenses, depreciation and in general liability claims losses.

As we announced in July 2010, in order to lower our cost structure, improve efficiency, and build the right foundation for our business, we reviewed both our retail operations and support structure. As a result, we decided to exit 30 non-remodeled, underperforming stores. In addition, we eliminated approximately 120 positions in our corporate and field support staff. The store closures and position eliminations were substantially complete by the end of the first quarter of fiscal 2011.

Table of Contents

RESULTS OF OPERATIONS

Continuing Operations

Fiscal year ended June 29, 2011 (fiscal 2011), comprised of 52 weeks, as compared to fiscal year ended June 30, 2010 (fiscal 2010), comprised of 53 weeks

Dollar amounts in millions	Fiscal 2011	Fiscal 2010	Increase (Decrease)	%
Net sales	$ 6,881	6,980	(99)	-1.4%
Impact of extra week in fiscal 2010		(113)	113	
Other revenue	(50)	(44)	(6)	
Sales in 2 new and 3 closed stores	(48)	(31)	(17)	
Identical store sales	$ 6,783	6,792	(9)	-0.1%
Basket size (average sales per guest visit on identical store sales)				1.3%
Transaction count (number of guest visits on identical store sales)				-1.5%
Gross profit on net sales	$ 1,918	1,992	(74)	-3.7%
% of net sales	27.9%	28.5%	-0.6%	
Operating and administrative expenses	$ 1,939	1,950	(11)	-0.6%
% of net sales	28.2%	27.9%	0.3%	

Net Sales. Net sales for the 52 weeks ended June 29, 2011, decreased as compared to the prior year due primarily to an extra week of sales in fiscal 2010. Identical store sales were essentially flat in fiscal 2011 as compared to fiscal 2010.

We define identical store sales as sales from continuing operations stores, including stores that we remodeled or enlarged during the year and excluding stores that opened or closed during the year. Identical store sales comparisons were measured on a 52-week basis while the net sales comparison was based on 52 weeks in fiscal 2011 and 53 weeks in fiscal 2010.

Identical store sales were impacted positively by inflation and key company initiatives (such as our fuelperks!® Rewards program, computer generated ordering system and our remodel program), offset by competitive activity, other general market factors and the continued mix shift from brand name pharmaceutical products to generics.

During fiscal 2011, food inflation was the largest factor that impacted identical store sales. We experienced sizable cost increases in several commodities that, in most cases, we were able to pass through. In fiscal 2010, inflation had an insignificant impact on the full year identical store sales.

Gross Profit on Net Sales. Gross profit as a percentage of net sales for the 52 weeks ended June 29, 2011, decreased due primarily to a higher LIFO charge recognized in fiscal 2011 compared to fiscal 2010 (30 basis points) and the effect of pricing and promotional activity (20 basis points) and other items (10 basis points).

Table of Contents

Operating and Administrative Expenses. The table below details the changes in operating and administrative expenses for fiscal 2011 as compared to fiscal 2010. Fiscal 2011 operating and administrative expenses include 52 weeks compared to 53 weeks in fiscal 2010 (dollar amounts in millions).

Increase (decrease)	As Reported	Estimated Fiscal 2010 week 53	52 week basis
Depreciation	$ 12.2		12.2
Insurance [(1)]	7.1	1.5	8.6
Payroll and payroll-related expenses	(3.6)	19.8	16.2
Share-based compensation	(6.8)	0.3	(6.5)
Occupancy cost	(8.8)	4.1	(4.7)
Other, net	(11.4)	9.0	(2.4)
	$ (11.3)	34.7	23.4

(1) Includes cost of claims, premiums, administrative and other costs related to general liability, workers compensation and auto liability coverage, as well as premiums on property loss and other lines of coverage. Insurance costs related to employee medical are included in payroll and payroll-related expenses.

Operating and administrative expenses decreased in fiscal 2011 as compared to fiscal 2010 due primarily to an extra week of expense in fiscal 2010 offset by increases in payroll and payroll related expenses, depreciation and self-insurance. During fiscal 2011 and fiscal 2010, we recorded adjustments to our prior year self-insurance reserves as a result of the actuarial studies performed in the second and fourth quarters of each fiscal year. The reserve increase in fiscal 2011 negatively impacted operating and administrative expense by $6.6 million, while the reserve decrease in fiscal 2010 positively impacted operating and administrative expense by $10.9 million. The $17.5 million increase in reserve adjustments in fiscal 2011 as compared to fiscal 2010 was partially offset by a decrease in the cost of insurance premiums and a reduction in the amount of workers compensation and general liability claims occurring in fiscal 2011.

Impairment Charges. Impairment charges of $5.2 million and $4.6 million were recorded in fiscal 2011 and fiscal 2010, respectively. See Item 8, Note 6 for further discussion of impairment charges.

Interest Expense, net. Interest expense is primarily interest related to our credit facility and capital leases, offset by interest income. Interest expense, net was $7.2 million and $4.7 million for fiscal 2011 and fiscal 2010, respectively.

The increase in interest expense, net was primarily related to the acceleration of debt issue costs totaling $0.8 million associated with the amended and restated $600.0 million credit facility, an increase in capital lease interest for new leases in fiscal 2011 and a decrease in capitalized interest as compared to fiscal 2010. See Item 8, Note 9 for further description of interest expense, net.

Income Taxes. Income tax benefit for fiscal 2011 was $3.2 million, which resulted in an effective tax rate benefit of 9.8% on continuing operations. The rate reflected our ability to carry back certain net operating losses while maintaining a full valuation allowance and certain refundable credits. Income tax benefit for fiscal 2010 was $4.3 million, which resulted in an effective tax rate benefit of 13.3% on continuing operations. The rate reflected our ability to carry back certain net operating losses while maintaining a full valuation allowance, certain refundable credits and the benefit of a reduction of uncertain tax positions.

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.

As of June 29, 2011, we had $776.5 million of net operating loss (NOL) carryforwards for federal income tax purposes that will begin to expire in fiscal 2025 and NOL carryforwards for state income tax purposes of $996.3 million that will begin to expire in fiscal 2019. In addition, we had tax credit carryforwards of $37.9 million for federal income tax purposes, which will begin to expire in fiscal 2023.

As of June 29, 2011, we had $551 thousand of unrecognized tax benefits; if recognized, none of this amount would change our effective income tax rate. We do not anticipate that we will record any significant change in the unrecognized tax benefit during fiscal 2012.

Generally, the statute of limitations remains open for our federal and state income tax returns for our fiscal 2009 through 2011 tax years.

Table of Contents

Fiscal year ended June 30, 2010 (fiscal 2010), comprised of 53 weeks, as compared to fiscal year ended June 24, 2009 (fiscal 2009), comprised of 52 weeks

Dollar amounts in millions	Fiscal 2010	Fiscal 2009	Increase (Decrease)	%
Net sales	$ 6,980	7,079	(99)	-1.4%
Impact of extra week in fiscal 2010	(113)		(113)	
Other revenue	(44)	(35)	(9)	
Sales in new and closed stores	(31)	(64)	33	
Identical store sales	$ 6,792	6,980	(188)	-2.7%
Basket size (average sales per guest visit on identical store sales)				-0.7%
Transaction count (number of guest visits on identical store sales)				-2.1%
Gross profit on net sales	$ 1,992	2,017	(25)	-1.3%
% of net sales	28.5%	28.5%	%	
Operating and administrative expenses	$ 1,950	1,953	(3)	-0.1%
% of net sales	27.9%	27.6%	0.3%	

Net Sales. Net sales for the 53 weeks ended June 30, 2010, decreased as compared to the prior year due to a decrease in our identical store sales and the loss of sales from six stores we closed during fiscal 2009, offset by an extra week of sales in fiscal 2010 and sales from two new stores.

We define identical store sales as sales from continuing operations stores, including stores that we remodeled or enlarged during the year and excluding stores that opened or closed during the year. Identical store sales comparisons were measured on a 52-week basis while the net sales comparison was based on 53 weeks in fiscal 2010 and 52 weeks in fiscal 2009.

Identical store sales were impacted negatively by competitive activity and other general market factors, non-recurring storm-related sales occurring in fiscal 2009 (40 basis points), and the continued mix shift from brand name pharmaceutical products to generics (50 basis points), partially offset by sales increases related to remodeled stores.

During fiscal 2010, inflation had an insignificant impact on the decrease in identical store sales as compared to fiscal 2009, whereas inflation was the largest contributor to the increase in fiscal 2009 identical store sales as compared to fiscal 2008. This change in trend resulted from deflation in certain categories and low inflation in others experienced in fiscal 2010 as compared to fiscal 2009.

Gross Profit on Net Sales. Gross profit as a percentage of net sales for the 53 weeks ended June 30, 2010 was unchanged as compared to fiscal 2009. While gross margin was impacted negatively from pricing and promotional programs (30 basis points), it was impacted positively by the small LIFO benefit recognized in fiscal 2010 compared to a charge in the prior year (20 basis points) and other items (10 basis points).

17

Table of Contents

Operating and Administrative Expenses. The table below details the changes in operating and administrative expenses for fiscal 2010 as compared to fiscal 2009. Fiscal 2010 operating and administrative expenses include 53 weeks compared to 52 weeks in fiscal 2009 (dollar amounts in millions).

Increase (decrease)	As Reported	Estimated Fiscal 2010 week 53	52 week basis
Payroll and payroll-related expenses	$ 8.1	19.8	(11.7)
Insurance [(1)]	4.7	1.5	3.2
Occupancy Cost	1.5	4.1	(2.6)
Hurricane expenses	(2.6)		(2.6)
Utilities	(5.5)	2.6	(8.1)
Other, net	(9.0)	6.7	(15.7)
	$ (2.8)	34.7	(37.5)

(1) Includes cost of claims, premiums, administrative and other costs related to general liability, workers compensation and auto liability coverage, as well as premiums on property loss and other lines of coverage. Insurance costs related to employee medical are included in payroll and payroll-related expenses.

Operating and administrative expenses decreased in fiscal 2010 as compared to fiscal 2009 due primarily to lower employee medical and payroll related expenses and lower fuel rates for utilities, offset by an extra week of expenses in fiscal 2010.

Gain on Insurance Settlement. We incurred losses and damage due to hurricanes in fiscal 2006, particularly in the New Orleans and coastal Mississippi areas due to Hurricane Katrina. During fiscal 2009, we reached a final settlement with our insurers related to our claim resulting from these hurricanes. Final payments on this claim totaling approximately $25.0 million received during fiscal 2009 exceeded the insurance receivable. Accordingly, we recorded a gain of $22.4 million in the consolidated statements of operations during fiscal 2009. There were no material gains on insurance settlements in fiscal 2010.

Impairment Charges. Impairment charges of $4.6 million and $5.2 million were recorded in fiscal 2010 and fiscal 2009, respectively. See Item 8, Note 6 for further discussion of impairment charges.

Interest Expense, net. Interest expense is primarily interest related to our credit facility and capital leases, offset by interest income. Interest expense, net was $4.7 million and $5.0 million for fiscal 2010 and fiscal 2009, respectively.

The decrease in interest expense, net was primarily related to lower interest expense offset by lower interest income during fiscal 2010, as compared to fiscal 2009. Interest income was $0.3 million and $2.1 million for fiscal 2010 and fiscal 2009, respectively. See Item 8, Note 9 for further description of interest expense, net.

Income Taxes. Income tax benefit for fiscal 2010 was $4.3 million, which resulted in an effective tax rate benefit of 13.3% on continuing operations. The rate reflected our ability to carry back certain net operating losses while maintaining a full valuation allowance and recording certain refundable credits and the benefit of a reduction of uncertain tax positions. Income tax expense for fiscal 2009 was $36.2 million. The income tax expense will not result in significant cash payments due to the availability of net operating loss (NOL) carryforwards, as further described below. The effective tax rate for fiscal 2009 was an expense of 47.4% on continuing operations, which differs from statutory rates due primarily to permanent items and the impact of an adjustment due to the finalization of the prior year tax return.

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.

As of June 25, 2009, we adopted Accounting Standards Codification Topic 805, Business Combinations, whereby increases or decreases in the valuation allowance for deferred tax assets increase or decrease tax expense. Prior to the adoption, decreases in the valuation allowance for deferred tax assets that existed at the time of emergence from bankruptcy did not decrease income tax expense but instead reduced intangible assets.

Discontinued Operations

In evaluating whether store closures qualify for discontinued operations classification, we consider each store to be a component of a business, as this is the lowest level at which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes. If the cash flows of a store to be exited will not be significant to our ongoing operations and cash inflows of our nearby stores are not expected to increase significantly because of the exit, the results of operations of the store are reported in discontinued operations. Costs incurred to dispose of a location are included in loss on disposal of discontinued operations only if the location qualifies for discontinued operations classification; otherwise, such costs are reported as continuing operations.

During fiscal 2011, we closed 30 non-remodeled, underperforming stores. Results of operations for the 30 stores were classified as discontinued operations. Net sales from discontinued operations for fiscal 2011, fiscal 2010 and fiscal 2009 were $49.1 million, $267.6 million and $287.8 million, respectively. For fiscal 2011, the loss on disposal of discontinued operations consisted of $7.6 million net gain on sale or retirement of assets, including pharmacy prescription files, $31.4 million of lease termination costs and $3.6 million of other costs.

The following table presents the detail of liability activity for costs related to closed stores.

	Total	Lease Termination Costs	Other Closing Costs
Balance at June 30, 2010	$ (12,490)	(12,490)	
Expense	(37,995)	(34,321)	(3,674)
Cash payments	16,522	12,848	3,674
Balance at June 29, 2011	$ (33,963)	(33,963)	

The balance at June 30, 2010, includes $4.8 million of closed store lease liability related to stores closed prior to the 30 closures and $7.7 million of accrued expenses related to the leases of the 30 closures that were reclassified to the closed store lease liability in fiscal 2011. The expense amount includes leases added to the accrual and the effect on operations from the accretion of the present value of the expected future rental payments, and adjustments due to the settlement of certain leases. The cash payments include payments made for rent and related costs.

LIQUIDITY AND CAPITAL RESOURCES

Summary

As of June 29, 2011, we had $553.7 million of liquidity, comprised of $345.9 million of borrowing availability under the Credit Agreement and $207.8 million of cash and cash equivalents. 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 through fiscal 2012. Based on anticipated cash flow from operations and borrowing availability, we believe that we will have sufficient resources beyond fiscal 2012 to operate our business and fund our capital expenditures.

Credit Agreement

On November 21, 2006, Winn-Dixie Stores, Inc., and certain of its subsidiaries entered into an Amended and Restated Credit Agreement. This credit agreement provided for a $725.0 million senior secured revolving credit facility, of which a maximum of $300.0 million could be utilized for letters of credit. Obligations under the credit agreement were guaranteed by substantially all of our subsidiaries and were secured by senior liens on substantially all of our assets.

On March 18, 2011, Winn-Dixie Stores, Inc. and certain of its subsidiaries entered into a Second Amended and Restated Credit Agreement (Credit Agreement). The Credit Agreement, to be used for working capital and general corporate purposes, provides for a $600.0 million (Maximum Credit) senior secured revolving credit facility, of which a maximum of $300.0 million may be utilized for letters of credit. The Credit Agreement matures March 18, 2016, at which time all principal amounts 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 certain of our subsidiaries and are secured by senior liens on substantially all our assets. Debt issuance costs of $9.0 million are being amortized over the term of the Credit Agreement. This Form 10-K 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 March 21, 2011). The following capitalized terms have specific meanings as defined in the Credit Agreement: Agent, Borrowing Base, Minimum Excess Availability, Maximum Credit and Reserves.

We had no borrowings on the Credit Agreement, other than fees charged by the lender, during fiscal 2011 and fiscal 2010. Costs associated with the Amended and Restated Credit Agreement were also included in the borrowings for fiscal 2011. As of June 29, 2011, no amount was outstanding.

Table of Contents

Borrowing availability was $345.9 million as of June 29, 2011, as summarized below (in thousands):

	June 29, 2011
Borrowing Base [1]	$ 544,897
Outstanding letters of credit	(144,460)
Minimum Excess Availability	(54,490)
Outstanding borrowings	
Borrowing availability	$ 345,947

[1] The lesser of the value of collateral or the Maximum Credit net of Reserves.

As shown in the table above, the Borrowing Base under the Credit Agreement is 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.

As of June 29, 2011, letters of credit totaling $144.5 million were issued under the Credit Agreement. Outstanding letters of credit relate primarily to insurance programs including workers compensation programs. Minimum Excess Availability is the greater of 10% of the Borrowing Base or $40.0 million.

Historical Cash Flow Data

The table below presents certain Consolidated Statements of Cash Flows data for fiscal 2011, fiscal 2010 and fiscal 2009 (in thousands):

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Cash provided by (used in):			
Operating activities	$ 144,399	172,019	199,556
Investing activities	(79,174)	(187,744)	(196,269)
Financing activities	(9,788)	(14,771)	(21,739)

Operating Activities. Net cash provided by operating activities for fiscal 2011 was due primarily to operating cash flows and working capital changes primarily from working capital initiatives focused on improving vendor payment terms and inventory reduction. Net cash provided by operating activities for fiscal 2010 and fiscal 2009 was due primarily to operating cash flows and working capital changes primarily from working capital initiatives focused on improving vendor payment terms, inventory reduction and account receivable collections. In fiscal 2011, we paid $15.4 million related to the settlement of bankruptcy tax claims offset by collections of $3.7 million related to income tax refunds. In fiscal 2009, we collected $28.9 million of proceeds from insurance claims of which $11.3 million related to operating activities and $17.6 million related to property and equipment, which is classified as an investing activity. We did not have any proceeds from insurance claims in fiscal 2011 and fiscal 2010. Cash flows from operating activities related to discontinued operations for fiscal 2011, fiscal 2010 and fiscal 2009 primarily relate to the loss from discontinued operations included on the Consolidated Financial Statements.

Investing Activities. For fiscal 2011, net cash used in investing activities related primarily to our store-remodeling program and investments in technology. For fiscal 2010 and fiscal 2009, net cash used in investing activities related primarily to expenditures for our store-remodeling program. In fiscal 2011, we received proceeds from asset sales related to the closure of 30 stores including pharmacy prescription files of $10.1 million. In fiscal 2009 we collected $17.6 million of proceeds from insurance claims related to investing activities. We did not have any proceeds from insurance claims in fiscal 2011 and fiscal 2010.

Financing Activities. For fiscal 2011, net cash used in financing activities related primarily to payments on capital leases of $12.1 million and $8.5 million in debt issue costs associated with the amended and restated $600.0 million credit facility offset by an increase in book overdrafts of $10.8 million. For fiscal 2010 and fiscal 2009, net cash used in financing activities related primarily to payments on capital leases of $11.4 million and $9.1 million, respectively. Also in fiscal 2010 and fiscal 2009, net cash used in financing activities was impacted by decreases in our book overdraft position.

Capital Expenditures. In fiscal 2012, we expect capital expenditures to total approximately $200.0 million, of which approximately $125.0 million is for our store-remodeling program and new stores. We anticipate spending approximately $75.0 million on other capital expenditures, including retail store maintenance, information technology, and other projects.

Table of Contents

OUTLOOK AND TRENDS

We recognize the need to adjust our business model to meet the changing needs and expectations of our guests. We regularly assess the trends present in the markets in which we compete. Generally, it is difficult to predict if a trend will continue and it is possible that new trends will develop which will affect an existing trend. We believe the following economic and/or industry trends are likely to continue for at least the next fiscal year:

- New competitive store openings will continue in our markets including traditional grocery stores, supercenters, drug stores, dollar-discount stores and restaurants.
- Consumer spending behavior will continue to be impacted by the general economic environment.
- Pricing will continue to be a significant driver of consumer choice in the industry.
- The percentage of generic pharmaceuticals sales to branded pharmaceuticals is expected to continue to increase.

We expect to continue to focus on building guest loyalty, growing profitable sales and improving our brand image over the long term. In addition, we believe the following plans and business specific trends will have an impact on our business during fiscal 2012.

- We will continue to focus on our guest shopping experience and innovative merchandising and marketing initiatives to make our guest s lives easier and fun.
- We will continue our store-remodeling program with plans to enhance our capital investment in strategically selected stores to improve our brand image. We expect to spend approximately $125.0 million in fiscal 2012 on our store- remodeling program and new stores.
- We will continue to focus on cost management.
- We will continue to focus on balancing our pricing and margin decisions to drive profitable sales.
- We will continue our business focus on our corporate brand products.

Table of Contents

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

We assume various financial obligations and commitments in the normal course of our operating and financing activities. Contractual obligations represent known future cash payments that we will be required to make under existing arrangements, such as debt and lease agreements. The table below presents the scheduled payments due under our contractual obligations as of June 29, 2011:

Contractual Obligations

		Payment due by period			
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt [1]	$				
Capital leases	50.8	13.3	24.5	11.7	1.3
Operating leases	1,274.9	205.8	365.1	289.0	415.0
Purchase obligations [2]	161.3	150.8	10.5		
Retirement plans [3]	12.6	1.3	2.4	2.4	6.5
Other	39.4	25.1	9.0	2.1	3.2
Total	$ 1,539.0	396.3	411.5	305.2	426.0

1 Excludes: $144.5 million of letters of credit outstanding under the Credit Agreement; and Borrowing Availability of $345.9 million.

2 We enter into supply contracts to purchase products for resale in the ordinary course of business. These contracts may include specific merchandising obligations related to the products and, if so, typically include either a volume commitment or a fixed expiration date; pricing terms based on the vendor s published list price; termination provisions; and other standard contractual considerations. Contracts that are cancelable within 60 days are excluded. Contracts that are either non-cancelable or are less specific as to our obligations upon cancellation are included above. When applicable, we used anticipated purchase volumes to allocate the purchase obligation to the indicated periods. The amounts above include open purchase orders of $137.2 million.

3 Payments for retiree plans are based on actuarial projections related to our post-retirement benefits.

IMPACT OF INFLATION

Inflation impacts our operating costs including, but not limited to, cost of goods, supplies, utilities, occupancy costs, and labor expenses. We typically seek to mitigate these effects by passing along inflationary increases in costs through increases in the selling prices of our products. To the extent we pass through cost increases in the form of higher selling prices, our sales are positively impacted. If we are unable to pass through cost increases, we may experience pressure on our gross margins. We also seek to mitigate cost inflation through strategically managing pricing and promotions, lowering overhead costs, and/or by increasing productivity.

CRITICAL ACCOUNTING 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, as well as disclosure of contingent assets and liabilities. We believe that the policies below are our critical accounting policies, as they are most important to the portrayal of our financial condition and results, and require management s most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of inherently uncertain matters.

24

Merchandise Inventories. Merchandise inventories are stated at the lower of cost or market. Approximately 85% of the Company s merchandise inventories are valued using the dollar-value, link-chain last-in, first-out (LIFO) method. This method requires management to estimate cumulative price indices driven by the change in current year costs as well as the change in the dollar value inventory on hand. Unanticipated changes in the current year costs may materially affect our LIFO reserve. The remaining merchandise inventories, which consist of pharmacy, produce, deli and bakery are valued at first in, first out (FIFO) method.

The retail inventory method is used for non-perishable inventory at the stores to estimate inventory cost. This method requires management to estimate a cost to retail ratio, based on a selected product mix of non-perishable inventory, to mark retail inventory down to cost. The retail inventory method includes certain judgments and estimates that could impact the ending inventory valuation at cost.

Allowances for inventory shortages are estimated based on physical inventory counts and historical information. Any changes in these estimates could have a significant impact on merchandise inventory reserves.

Long-lived Assets. We review our long-lived assets, such as property, plant and equipment and intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. When such events occur, we compare the carrying amount of the asset to our best estimate of the net undiscounted cash flows expected to result from the use and eventual disposition of the asset. If this comparison indicates that there is impairment, we record an impairment loss for the excess of net book value over the fair value of the impaired asset. We estimate the fair value based on the best information available, including prices for similar assets and the results of other valuation techniques.

Factors such as changes in economic conditions and changes in operating performance significantly affect our judgments and estimates related to the expected useful lives and cash flows of long-lived assets. Adverse changes in these factors could cause us to recognize a material impairment charge.

Intangible Assets. We report intangible assets in accordance with ASC Topic 350, Intangibles Goodwill and Other, which requires that an intangible asset with indefinite useful economic life not be amortized, but instead be separately tested for impairment at least annually using a fair-value approach. Intangible assets subject to amortization are reviewed for impairment whenever events or circumstances indicate the carrying value of an asset may not be recoverable. The evaluation of possible impairment of intangible assets is affected by factors such as changes in economic conditions and changes in operating performance. These factors could cause us to recognize a material impairment charge as we assess the ongoing expected cash flows and carrying amounts of intangible assets.

Self-insurance. We self-insure for certain insurable risks, primarily workers compensation, business interruptions, general liability, automobile liability and property losses, as well as employee medical benefits. We obtain insurance coverage for catastrophic property and casualty exposures, as well as risks that require insurance by law or contract. We estimate the liabilities related to self-insured programs with the assistance of an independent actuary. The accounting estimates for self-insurance liabilities include both known and incurred but not reported insurance claims and reflect certain actuarial assumptions and management judgments regarding claim reporting and settlement patterns, judicial decisions, legislation, economic conditions and the effect of our Chapter 11 filings. Unanticipated changes in these factors may materially affect our results of operations and financial position.

Closed Facility Lease Liability. For closed store and warehouse facilities that are no longer used in our current operation but are under non-cancelable long-term leases, we record a liability based upon the present value of expected payments over the remaining lease term, net of estimated sublease income, using a discount rate based on a credit-adjusted risk-free rate. Expected payments generally include lease payments, real estate taxes, common area maintenance charges, insurance and utility costs. Our estimate of future expected payments is based on experience and knowledge of the real estate market for each closed facility and existing economic conditions. Adjustments are made for changes in estimates in the period in which the changes become known.

While individual closed facility liabilities are deemed to be adequate, it is possible that real estate market and economic conditions could cause changes in our assumptions and may require adjustments to the liability.

Income Taxes. We recognize deferred tax assets and liabilities for estimated future tax consequences that are attributable to differences between the financial statement bases of assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using the enacted tax rates for the year in which we expect those temporary differences to be recovered or settled. We adjust the valuation allowance against our net deferred tax assets based on our assessment of the likelihood of realization of such assets in the future; such adjustments may be material. Although we believe that the estimates and judgments used to prepare our various tax returns are reasonable and appropriate, such returns are subject to audit by the respective tax authorities.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 29, 2011, 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 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. However, as of June 29, 2011, we had no amount outstanding under the Credit Agreement. We currently do not use swaps or other interest rate protection agreements to hedge this risk.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WINN-DIXIE STORES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS,

SUPPORTING SCHEDULES AND SUPPLEMENTARY DATA

Consolidated Financial Statements and Supplementary Data:

Report of Independent Registered Public Accounting Firm	28
Consolidated Statements of Operations	30
Consolidated Balance Sheets	31
Consolidated Statements of Cash Flows	32
Consolidated Statements of Shareholders Equity	33
Notes to Consolidated Financial Statements	34
Financial Statement Schedule:	
Schedule II - Consolidated Valuation and Qualifying Accounts	56

All other schedules are omitted either because they are not applicable or because information required therein is shown in the Consolidated Financial Statements or Notes thereto.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Winn-Dixie Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Winn-Dixie Stores, Inc. and subsidiaries as of June 29, 2011 and June 30, 2010, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the years in the three-year period ended June 29, 2011. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Winn-Dixie Stores, Inc. and subsidiaries as of June 29, 2011 and June 30, 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended June 29, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respect, the information set forth therein.

As discussed in notes 7 and 17 to the consolidated financial statements, the Company adopted the provisions of ASC Topic 805 Business Combinations as of June 25, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Winn-Dixie Stores, Inc. s internal control over financial reporting as of June 29, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 29, 2011 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

KPMG LLP

August 29, 2011

Jacksonville, Florida

Certified Public Accountants

Table of Contents

This page intentionally left blank.

29

Table of Contents

WINN-DIXIE STORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended June 29, 2011, June 30, 2010, and June 24, 2009

Amounts in thousands except per share data	**2011**	**2010***	**2009**
Net sales	$ 6,880,776	6,980,118	7,079,127
Cost of sales, including warehouse and delivery expenses	4,962,508	4,988,193	5,061,960
Gross profit on net sales	1,918,268	1,991,925	2,017,167
Operating and administrative expenses	1,938,902	1,950,205	1,952,984
Gain on insurance settlement			(22,430)
Impairment charges	5,174	4,592	5,174
Operating (loss) income	(25,808)	37,128	81,439
Interest expense, net	7,217	4,650	4,978
(Loss) income from continuing operations before income tax	(33,025)	32,478	76,461
Income tax (benefit) expense	(3,233)	(4,306)	36,209
Net (loss) income from continuing operations	(29,792)	36,784	40,252
Discontinued operations:			
Loss from discontinued operations	(12,958)	(7,887)	(752)
Loss on disposal of discontinued operations	(27,380)		
Income tax benefit			(289)
Net loss from discontinued operations	(40,338)	(7,887)	(463)
Net (loss) income	$ (70,130)	28,897	39,789
Basic (loss) earnings per share:			
(Loss) earnings from continuing operations	$ (0.54)	0.67	0.74
Loss from discontinued operations	(0.72)	(0.14)	(0.01)
Basic (loss) earnings per share	$ (1.26)	0.53	0.73
Diluted (loss) earnings per share:			
(Loss) earnings from continuing operations	$ (0.54)	0.67	0.74
Loss from discontinued operations	(0.72)	(0.15)	(0.01)
Diluted (loss) earnings per share	$ (1.26)	0.52	0.73

&n