WINN DIXIE STORES INC
Form PRE 14A
September 08, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

Winn-Dixie Stores, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

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

---

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

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

WINN-DIXIE STORES, INC.

5050 EDGEWOOD COURT JACKSONVILLE, FLORIDA 32254-3699

Notice of Annual Meeting of Shareholders

to be held on November 4, 2009

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

You are invited to attend the 2009 annual meeting of shareholders of Winn-Dixie Stores, Inc. (Winn-Dixie , we , us , our or the Company). Th annual meeting will be held at our headquarters at 5050 Edgewood Court, Jacksonville, Florida at 9:00 a.m. Eastern Time, on Wednesday, November 4, 2009. At the meeting, our shareholders will act on the following matters:

Election of nine directors nominated by the Board of Directors for a term of one year;

Approval of the Winn-Dixie Stores, Inc. Fiscal 2010 Equity Incentive Plan (the 2010 Plan);

Approval of a one-time stock option exchange program for associates other than directors and named executive officers (the Stock Option Exchange Program);

Ratification of the appointment of KPMG LLP (KPMG) as our independent registered public accounting firm for fiscal 2010; and

Any other business that may properly come before the meeting.

The Board of Directors has fixed September 4, 2009 as the record date for the annual meeting. Only holders of our common stock of record at the close of business on that date will be entitled to notice of, and to vote at, the annual meeting.

By Order of the Board of Directors,

Larry B. Appel

Secretary

Jacksonville, Florida

September 21, 2009

Whether or not you expect to attend the annual meeting, please sign and return the enclosed proxy card promptly. Alternatively, you may give a proxy by telephone or over the Internet by following the instructions on your proxy card or in the proxy statement. If you decide to attend the meeting, you may, if you wish, revoke the proxy and vote your shares in person.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholders Meeting to be held on November 4, 2009. The proxy statement and annual report to shareholders are available at https://www.sendd.com/EZProxy/?project_id=330.

Table of Contents

TABLE OF CONTENTS

Table of Contents

WINN-DIXIE STORES, INC.

5050 EDGEWOOD COURT JACKSONVILLE, FLORIDA 32254-3699

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON NOVEMBER 4, 2009

Our annual meeting of shareholders will be held on Wednesday, November 4, 2009, at our headquarters at 5050 Edgewood Court, Jacksonville, Florida, beginning at 9:00 a.m. Eastern Time. The enclosed form of proxy is solicited by our Board of Directors. We anticipate that this proxy statement and the accompanying proxy card will first be mailed to holders of our common stock on or about September 21, 2009.

GENERAL INFORMATION

Why am I receiving this proxy statement and proxy card?

You are receiving this proxy statement and proxy card from us because you own shares of our common stock. This proxy statement describes issues on which we would like you, as a shareholder, to vote. It provides information on these issues so that you can make an informed decision.

When you sign the proxy card or submit your proxy by telephone or Internet, you appoint Peter L. Lynch and Terry Peets as your representatives at the meeting. These representatives will vote your shares at the meeting (or any adjournments or postponements of the meeting) as you have instructed them. With proxy voting, your shares will be voted whether or not you attend the annual meeting. Even if you plan to attend the meeting, it is a good idea to complete, sign and return your proxy card or submit your proxy via telephone or Internet in advance of the meeting just in case your plans change.

If an issue comes up for a vote at the meeting (or any adjournments or postponements of the meeting) that is not described in this proxy statement, these representatives will vote your shares, under your proxy, at their discretion.

Are these proxy materials available over the Internet?

Pursuant to rules adopted by the Securities and Exchange Commission (the SEC), we are permitted to furnish our materials over the Internet to our shareholders by delivering a notice in the mail. While we have opted to continue mailing full printed sets of our proxy materials to our shareholders, you can still access and review our proxy statement and annual report over the Internet at https://www.sendd.com/EZProxy/?project_id=330.

When is the record date?

The Board of Directors has fixed September 4, 2009, as the record date for the annual meeting. Holders of common stock as of the close of business on this date will be entitled to vote at the annual meeting.

How many shares are outstanding? How many votes are permitted per share?

As of the record date, there were 54,683,527 shares of our common stock issued and outstanding. Each share is entitled to one vote. No cumulative rights are authorized and dissenters rights are not applicable to any of the matters being voted upon.

Table of Contents

In accordance with Florida law, a list of shareholders as of the record date will be available at the annual meeting and for ten days prior to the meeting for inspection by any shareholder or the shareholder s agent or attorney at our headquarters, located at 5050 Edgewood Court, Jacksonville, Florida, between the hours of 9:00 a.m. and 5:00 p.m.

What am I voting on?

You are being asked to vote on the following:

- election of nine directors nominated by the Board of Directors for a one-year term, or until their respective successors are duly elected and qualified;
- approval of the 2010 Plan;
- approval of the Stock Option Exchange Program;
- the ratification of the appointment of KPMG as our independent registered public accounting firm for fiscal 2010; and
- any other business that properly may come before the meeting.

Our By-Laws require a shareholder to give advance notice of any proposal intended to be presented at the meeting. The deadline for this notice has passed and we have not received any notices. If any other matter properly comes before the shareholders for a vote at the meeting, however, the proxy holders will vote your shares in accordance with their best judgment.

How do I vote?

Holders of record of our shares have four voting options:

- by telephone toll-free at 1-800-PROXIES (1-800-776-9437);
- over the Internet at www.voteproxy.com;
- by signing your proxy card and mailing it in the enclosed, prepaid and preaddressed envelope; or
- by attending the annual meeting and voting in person.

If you vote by telephone or over the Internet, you will be prompted to enter the voter control number printed on your proxy card above your name and to follow a few simple instructions. Voting by telephone over via the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

If you hold your shares in street name through a bank, broker or other nominee, your ability to vote by telephone or over the Internet depends on the voting processes of the broker, bank or other nominee. These programs are different from the program offered by our transfer agent, American Stock Transfer & Trust Company (American Stock Transfer), for shares registered in the name of the shareholder. Please carefully follow the voting instructions provided by your bank, broker or other nominee on the voting instruction form or proxy card.

Can shareholders vote in person at the annual meeting?

Yes. We will pass out written ballots to any holder of record who wants to vote at the meeting. If your shares are not held in your name, you must request a legal proxy from your stockbroker or the registered owner to vote at the meeting.

Table of Contents

What do I need to bring if I plan to attend the annual meeting in person?

Shareholders will need to register at the meeting to attend the meeting in person. Please bring identification with you. If your shares are not held in your name, you will need to bring proof of your share ownership to the meeting in order to register. You should ask the broker, bank or other institution that holds your shares to provide you with a copy of an account statement or a letter that shows your ownership of Winn-Dixie common stock on September 4, 2009.

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with the transfer agent and/or with stockbrokers. Please vote all of the shares.

What if I change my mind after I return my proxy?

You may revoke your proxy and change your vote at any time before the polls close at the annual meeting. You may do this by:

- voting again by telephone or over the Internet prior to 11:59 p.m. Eastern Time, on November 3, 2009;
- signing another proxy with a later date and mailing it to our transfer agent, American Stock Transfer, as long as American Stock Transfer receives the proxy prior to 11:59 p.m. Eastern Time, on November 3, 2009;
- voting in person at the annual meeting; or
- giving written notice to our Corporate Secretary at the address on the front cover of this proxy statement prior to 11:59 p.m. Eastern Time on November 3, 2009.

How many votes do you need to hold the meeting?

For us to conduct the annual meeting we must have a quorum, which means that a majority of our outstanding shares of common stock as of the record date must be represented at the meeting. Your shares will be counted as represented at the annual meeting if you:

- vote by telephone or over the Internet;
- properly submit a proxy (even if you do not provide voting instructions); or
- attend the annual meeting and vote in person.

How many votes are needed to elect directors?

The nine nominees receiving the highest number of FOR votes cast by the shareholders will be elected as directors, even if those nominees do not receive a majority of the votes cast. This number is called a plurality. A properly executed proxy card marked WITHHOLD with respect to the election of a director will not be voted and will not count FOR the nominee.

How many votes are needed to approve the 2010 Plan, approve the Stock Option Exchange Program and ratify the appointment of KPMG?

The 2010 Plan and the Stock Option Exchange Program will be approved and the appointment of KPMG will be ratified if the votes cast FOR the proposals exceed the votes cast AGAINST the proposals. A properly executed proxy card marked ABSTAIN with respect to any proposal will not be voted and will not count FOR or AGAINST the proposal. Abstentions with respect to a proposal are counted for purposes of establishing a quorum.

Table of Contents

Will my shares be voted if I do not sign and return my proxy card, vote by telephone or over the Internet?

If you are a shareholder of record and you do not sign and return your proxy card, vote by telephone or over the Internet or attend the annual meeting and vote in person, your shares will not be voted and will not count in deciding the matters presented for shareholder consideration in this proxy statement.

If your shares are held in street name through a bank or broker and you do not provide voting instructions before the annual meeting, your bank or broker may vote your shares on your behalf under certain circumstances. Brokerage firms have the authority under certain rules to vote shares for which their customers do not provide voting instructions on routine matters.

The election of directors and the ratification of the appointment of KPMG are considered routine matters under these rules. Therefore, brokerage firms are allowed to vote their customers shares on these matters if the customers do not provide voting instructions. If your brokerage firm votes your shares on these matters because you do not provide voting instructions, your shares will be counted for purposes of establishing a quorum to conduct business at the annual meeting and in determining the number of shares voted FOR or AGAINST the routine matters.

The approval of the 2010 Plan and the Stock Option Exchange Program are not considered routine matters. When a proposal is not a routine matter and the brokerage firm has not received voting instructions on such a proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote. Broker non-votes will be counted for purposes of establishing a quorum but not for the number of shares voted FOR or AGAINST a non-routine proposal.

We encourage you to provide instructions to your brokerage firm by voting your proxy. This action ensures your shares will be voted at the meeting in accordance with your wishes.

How are votes counted?

Your shares will be voted as you indicate. If you just sign your proxy card with no further voting instructions, your shares will be voted:

FOR the nine director nominees;

FOR the 2010 Plan;

FOR the Stock Option Exchange Program; and

FOR the ratification of the appointment of KPMG as our independent registered public accounting firm.

Voting results will be tabulated and certified by our transfer agent, American Stock Transfer.

Where can I find the voting results of the meeting?

We will announce preliminary voting results at the meeting. We will publish the final results in our Quarterly Report on Form 10-Q for the second quarter of fiscal 2010, which will be filed with the SEC.

Who will pay for the costs of soliciting proxies?

We will bear the cost of soliciting proxies. In an effort to have as large a representation at the meeting as possible, our directors, officers and employees may solicit proxies by telephone or in person in certain circumstances. To further assist us in our efforts, we have engaged Georgeson Inc. to solicit proxies for an estimated fee of $9,500 plus expenses. Upon request, we will reimburse brokers, dealers, banks, voting trustees and their nominees who are holders of record of our common stock on the record date for the reasonable expenses incurred for mailing copies of the proxy materials to the beneficial owners of such shares.

Table of Contents

How can I obtain an additional copy of the Annual Report on Form 10-K for fiscal 2009?

Our Annual Report on Form 10-K for fiscal 2009, which includes audited financial statements, accompanies this proxy statement. You may obtain additional copies of the Form 10-K by selecting SEC/Section 16 Filings on the Investors page of our website at *www.winn-dixie.com*.

At the written request of any shareholder who owns common stock on the record date, we will provide, without charge, an additional paper copy of the Form 10-K, including the financial statements and financial statement schedules but not including exhibits. If requested, we will provide copies of the exhibits for a reasonable fee. Requests for additional paper copies of the Form 10-K should be directed to:

Winn-Dixie Stores, Inc.

5050 Edgewood Court

Jacksonville, Florida 32254-3699

Attention: Shareholder Relations

Email: *shareholderrelations@winn-dixie.com*

What is householding and how does it affect me?

Householding is a program approved by the SEC which allows the delivery of only one package of proxy materials to you if there are multiple shareholders residing at the same address, unless we have received contrary instructions from one or more of the shareholders. This means you will receive an envelope containing one set of proxy materials and a separate proxy card for each shareholder account in the household. Proxy materials may include an annual report and a proxy statement. Householding saves us money by reducing printing and postage costs. It also creates less paper for you to manage and is environmentally friendly.

We will deliver promptly, upon oral or written request, a separate copy of the proxy materials to any shareholder residing at an address to which only one copy was mailed. Shareholders residing at the same address who do not wish to participate in householding may contact us to request multiple copies of the proxy materials in the future. Shareholders residing at the same address and currently receiving multiple copies of the proxy materials may contact us to request to participate in householding in the future. For requests relating to householding, please contact Shareholder Relations, 5050 Edgewood Court, Jacksonville, Florida 32254-3699, telephone number (904) 783-5000, email address *shareholderrelations@winn-dixie.com*.

OUR BOARD OF DIRECTORS

GENERAL INFORMATION ABOUT OUR BOARD

What is the size of our Board of Directors and who is currently serving on the Board?

Our Articles of Incorporation require that our Board consist of a minimum of seven and a maximum of 12 members. Currently, our Board consists of nine directors. The current members of the Board are Evelyn V. Follit, Charles P. Garcia, Jeffrey C. Girard, Yvonne R. Jackson, Gregory P. Josefowicz, Peter L. Lynch, James P. Olson, Terry Peets and Richard E. Rivera.

Is the Board divided into classes?

No. Our Board is not divided into classes. Each member of our Board is elected annually to serve a one-year term, or until their respective successor is duly elected and qualified.

Table of Contents

INFORMATION ABOUT OUR BOARD OF DIRECTORS

The following is information about our Board of Directors as of June 24, 2009:

Name, Principal Occupation for the Past Five Years and Directorships	Age
Evelyn V. Follit	62
2007 to present, President, Follit Associates (a corporate technology assessment and executive career strategy practice)	
2005 to 2007, retired	
1997 to 2005, Senior Vice President and Chief Information Officer, Radio Shack Corporation (a consumer electronics retail company)	
Director of Beall s, Inc. (a retail department store company)	
Director since 2006	
Charles P. Garcia	48
2009 to present, Managing Director, Merchant Banking Division, Cabrera Capital Markets, LLC (a full service broker-dealer)	
2007 to present, Chairman, Aetna Miami Advisory Council (advisory board reporting to the CEO of Aetna)	
2006 to 2009, Senior Managing Director, Hispanic Capital Markets Group, a division of vFinance Investments, Inc. (an investment banking group focused on the global Hispanic market)	
1997 to 2006, Chief Executive Officer of Sterling Financial Group of Companies (a financial services and investment banking firm)	
Chair, Board of Visitors, U.S. Air Force Academy (a military service academy)	
Director since 2006	
Jeffrey C. Girard	61
2004 to present, retired	
2002 to 2004, Vice Chairman, Finance and Administration at Shopko Stores, Inc. (a multi-department general merchandise retailer)	
Director since 2006	

Yvonne R. Jackson	59

2006 to present, President and Principal of BeecherJackson (a human resources management consulting firm)

2002 to 2005, Senior Vice President and Chief People Officer of Pfizer, Inc. (a worldwide pharmaceutical company)

1999 to 2002, Senior Vice President and Chief People Officer of Compaq Computer Co. (a computer manufacturing and marketing company)

1993 to 1999, Senior Vice President and Chief People Officer, Burger King Corporation (a fast food retailer)

Member of the Advisory Council of PricewaterhouseCoopers (a public accounting firm)

Chair, Board of Trustees of Spelman College (a liberal arts college)

Director since 2006

Table of Contents

Name, Principal Occupation for the Past Five Years and Directorships	Age
Gregory P. Josefowicz	56
Currently serves as a Director of PetSmart, Inc. (a pet supply/services company) and United States Cellular Corp. (a telecommunications company) 2006 to February 2008, Senior Level Consultant to Borders Group, Inc. (a book, movies and music retail company) 1999 to 2006, President, Chief Executive Officer and Chairman of Borders Group, Inc. Director since 2006	
Peter L. Lynch	57
2004 to present, President and Chief Executive Officer of Winn-Dixie 2003 to 2004, a private investor 1999 to 2003, held various positions with Albertson s, Inc. (a food and drug retailing company), including President and Chief Operating Officer and Executive Vice President-Operations Director since 2004	
James P. Olson	59
2006 to present, retired 2002 to 2006, Senior Vice President, Operations, PepsiCo International (a consumer food and beverage company) 1999 to 2002, Vice President, Operations, Ernest & Julio Gallo Winery (a retail wine manufacturing company) Director since 2007	
Terry Peets	64
2007 to present, a private investor 2000 to 2007, Senior Advisor to JP Morgan Partners (now CCMP Capital, an investment banking company) 2000 to 2002, Chairman of the Board of Bruno s Supermarkets, Inc. (a food retailing company)	

Chairman of the Board and Director of World Kitchen, LLC (a kitchen products manufacturing and marketing company), the City of Hope National Cancer Center (a biomedical research, treatment and educational institution) and the Beckman Research Institute (a biomedical research institution)

Director since 2006

7

Table of Contents

Name, Principal Occupation for the Past Five Years and Directorships	Age
Richard E. Rivera	62
2009 to present, President and CEO of Real Mex Restaurants, Inc. (a casual dining Mexican restaurant chain)	
2004 to present, President and Chief Executive Officer of Rubicon Enterprises, LLC (a restaurant consulting, development and management company)	
1997 to 2004, served in various capacities at Darden Restaurants, Inc. (a dining restaurant company), including President and Chief Operating Officer from 2002 to 2004 and President of Red Lobster from 1997 to 2002	
Director of the National Restaurant Association (a restaurant trade organization)	
Director since 2006	

CORPORATE GOVERNANCE

BOARD STRUCTURE

How does the Board determine which directors are independent?

Our Corporate Governance Principles require that two-thirds of the members of the Board be independent as defined under listing standards of The NASDAQ Stock Market (NASDAQ). Under these independence criteria, a director will not be considered independent if he or she has a material relationship with us. Relationships we consider material include employment by us within the last three years, affiliation with our auditors within the last three years, being a part of an interlocking directorate within the last three years, being an officer or employee of a company that does substantial business with us or having a family member that meets one of these criteria.

What was the Board s determination with respect to director independence?

The Board of Directors reviewed the independence of each director in September 2009. As a result of the review, the Board affirmatively determined that the following directors are independent: Evelyn V. Follit, Charles P. Garcia, Jeffrey C. Girard, Yvonne R. Jackson, Gregory P. Josefowicz, James P. Olson, Terry Peets and Richard E. Rivera. Peter L. Lynch is not independent because he is our employee.

How many times did the Board meet in fiscal 2009?

During the fiscal year ended June 24, 2009, the Board of Directors held 12 meetings. All members of the Board during the fiscal year attended at least 90% of the total number of meetings of the Board and any committees of which he or she was a member.

Does the Board have a lead director?

Yes. Pursuant to our Corporate Governance Principles, a lead director is selected by a majority vote of the independent directors. After reviewing the strengths and qualifications of its independent members, the independent directors selected Gregory P. Josefowicz as the lead director in September 2007.

Table of Contents

Do the independent directors of the Board meet during the year?

Yes. Under our Corporate Governance Principles, the independent directors meet at each face-to-face Board meeting without any representative of management being present. The lead director, or in the absence of the lead director one of our Committee chairs, presides at these sessions.

Does the Board have a policy with respect to attendance at the annual meeting of shareholders?

Although the Board understands that there may be situations that prevent a director from attending an annual meeting, the Board strongly encourages all directors to make attendance at the annual meeting a priority. All nine members of our Board of Directors attended our annual meeting of shareholders in 2008.

How can shareholders communicate with the Board?

Shareholders who wish to communicate directly with members of the Board, the Chairman, the lead director or any chairperson of a Board Committee may do so by writing directly to those individuals, in care of the Corporate Secretary, Winn-Dixie Stores, Inc., 5050 Edgewood Court, Jacksonville, Florida 32254-3699. Our Corporate Secretary notifies the Chairman of all communications. If the correspondence is not addressed to a particular member, the communication will be reviewed with the Chairman, unless the correspondence relates to the Chairman, in which case the correspondence will be reviewed with the lead director. Our Corporate Secretary reviews all communications before forwarding to the appropriate Board member.

For shareholder communications relating to our accounting, internal accounting controls, or audit matters, please call 1-877-91W-DIAL (1-877-919-3425). Your call will be confidential and you may remain anonymous. The Audit Committee of our Board of Directors will be notified directly of your call.

DIRECTOR COMPENSATION

How were the directors compensated in fiscal 2009?

Our non-employee directors receive retainer fees and cash meeting fees which are paid quarterly in arrears at the end of each fiscal quarter and an annual equity compensation grant of restricted stock units. Compensation is reviewed annually in November. Directors who are employees do not receive additional compensation for serving on the Board. Compensation for non-employee directors in fiscal 2009 consisted of:

- an annual retainer of $50,000 for serving on the Board;
- an additional annual retainer of $20,000 for the lead director;
- an additional annual retainer of $20,000 for the Audit Committee chairperson;
- an additional annual retainer of $10,000 for the other Committee chairpersons;
- in-person meeting fees of $1,500 per meeting for Board meetings and $1,000 per meeting for Committee meetings;
- telephonic meeting fees of $750 per meeting for Board and Committee meetings; and
- an annual equity compensation grant of restricted stock units with a fair market value of $105,000.

Table of Contents

Fiscal 2009 Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[(1)(2)]	Total ($)
Evelyn V. Follit	$ 69,250	$ 137,425	$ 206,675
Charles P. Garcia	$ 73,750	$ 137,425	$ 211,175
Jeffrey C. Girard	$ 89,250	$ 137,425	$ 226,675
Yvonne R. Jackson	$ 85,750	$ 137,425	$ 223,175
Gregory P. Josefowicz	$ 90,250	$ 137,425	$ 227,675
James P. Olson	$ 80,250	$ 137,425	$ 217,675
Terry Peets	$ 88,750	$ 137,425	$ 226,175
Richard E. Rivera	$ 74,750	$ 137,425	$ 212,175

(1) The amounts shown in the stock awards column reflect the dollar amount recognized for fiscal 2009, in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R) with respect to all restricted stock unit awards that remained unvested during any part of fiscal 2009. Each non-employee director received the following awards of restricted stock units: 5,047 on February 22, 2007, 5,319 on November 8, 2007 and 9,563 on October 23, 2008. These awards had a grant-date fair value of $84,638, $104,997 and $105,002, respectively. They vest one year from the date of grant, except that the February 2007 grant vests ratably over three years from the date of grant. The grant-date fair value of all restricted stock unit awards is equal to the closing price of the Company s stock on the grant date as more fully described in Note 12 to our consolidated financial statements for fiscal 2009 included in our Form 10-K.

(2) As of June 24, 2009, each of our non-employee directors held 11,278 unvested restricted stock units.

Do you reimburse your directors for expenses?

We reimburse directors for travel expenses incurred in attending Board and Committee meetings. Each member of the Board is also encouraged to attend director education programs, and we reimburse their expenses in participating in these programs up to $6,000 in any calendar year.

May directors defer the payment of the fees they earn?

Each calendar year, under our Directors Deferred Compensation Plan, a director may elect to defer payment of all or any part of their cash fees. At the election of the director, fees are (i) credited to an Income Account , (ii) credited to a Stock Equivalent Account , or (iii) divided in any manner between these accounts. The Income Account pays interest at the end of each calendar quarter equivalent to the prime interest rate then in effect at Wachovia Bank, N.A., a Wells Fargo company, and is computed on the basis of the average closing monthly credit balance in the participant s account.

Fees elected to be deferred to the Stock Equivalent Account are converted into the maximum number of shares of our common stock which could be purchased with the equivalent dollar amount at the closing market price of the common stock on the date the fees would have been paid, and held in an account on behalf of the participant. These shares are appropriately adjusted in the event of any stock dividends, stock splits or any other similar changes in our common stock. Payments from these accounts are payable in either a lump-sum payment or in annual installments upon termination of service as a director.

No deferred payment elections were made by our directors for calendar year 2009.

COMMITTEE STRUCTURE

What are the Committees of the Board?

The Board of Directors currently has three committees: Audit, Nominating and Corporate Governance and Compensation. Charters for each of these committees, as well as our Corporate Governance Principles, are available under the Corporate Governance section of our Investors page of our website at *www.winn-dixie.com*.

Table of Contents

AUDIT COMMITTEE

Who are the members of the Audit Committee, and how many times did the committee meet during fiscal 2009?

The current members of the Audit Committee are Jeffrey C. Girard, Evelyn V. Follit, Charles P. Garcia and Gregory P. Josefowicz. Mr. Girard serves as the chairperson of the committee. The committee met eight times during fiscal 2009.

What are the responsibilities of the Audit Committee?

The Board of Directors has adopted a charter which sets forth the responsibilities of the committee. The Audit Committee is responsible for oversight of:

- the integrity of our financial statements and financial reporting;
- the integrity and effectiveness of our disclosure controls and internal controls;
- our compliance with applicable law, regulatory requirements, our Code of Business Conduct and Ethics and other risk management programs and policies;
- the independence, qualifications and performance of our internal auditors and our independent registered public accounting firm; and
- the approval of related party transactions.

In addition, the Audit Committee reviews the scope and results of audits and selects and evaluates our independent registered public accounting firm. It also reviews the scope of internal audits, systems of internal controls and accounting policies and procedures.

What are the qualifications for serving on the Audit Committee?

The Audit Committee is composed of no less than three directors, one of whom serves as chairperson and all of whom are independent under NASDAQ listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Each member of the committee must be able to read and understand fundamental financial statements, including our balance sheet, statement of operations and statement of cash flow. In addition, at least one member of the committee must be designated by the Board as an audit committee financial expert as defined by the SEC.

In addition, because of the demanding role and responsibility of serving on an audit committee, no member of the Audit Committee may serve on more than two other audit committees of publicly traded companies. In the event a member of the committee accepts membership on more than two other such audit committees, he or she shall immediately submit his or her resignation from the Audit Committee to the chairperson of the Nominating and Corporate Governance Committee.

The Board has determined that each of the members of the Audit Committee meets the independence requirements and the qualifications of reading and understanding fundamental financial statements as required by the Audit Committee Charter.

Has the Board designated an audit committee financial expert?

Yes. The Board has determined that Charles P. Garcia, Jeffrey C. Girard and Gregory P. Josefowicz are audit committee financial experts, as that term is defined by the SEC.

Table of Contents

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Who are the members of the Nominating and Corporate Governance Committee, and how many times did the committee meet during fiscal 2009?

The current members of the Nominating and Corporate Governance Committee are Terry Peets, Charles P. Garcia and James P. Olson. Mr. Peets serves as the chairperson of the committee. The committee met five times during fiscal 2009.

What are the responsibilities of the Nominating and Corporate Governance Committee?

The Board of Directors has adopted a charter which sets forth the responsibilities of the committee. The Nominating and Corporate Governance Committee is responsible for oversight of:

- Board and committee composition and practices;
- our corporate governance practices, including the content of our governance documents, such as the charters for all Board committees, our Articles of Incorporation, By-Laws, Code of Business Conduct and Ethics and other compliance policies, and our other relevant policies and procedures;
- director evaluation and educational programs; and
- director compensation.

The Nominating and Corporate Governance Committee reviews the selection criteria for directors and the selection of nominees to serve as directors; evaluates the performance of the Board of Directors, together with the Chairman and lead director; and develops, reviews, evaluates and makes recommendations to the Board of Directors with respect to corporate governance issues.

What are the qualifications for serving on the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee is composed of no less than three directors, one of whom serves as chairperson and all of whom are independent in accordance with NASDAQ listing standards. The Board has determined that each of the members of the Nominating and Corporate Governance Committee meets these qualifications.

What does the Nominating and Corporate Governance Committee consider in selecting nominees to the Board?

The committee selects director candidates on the basis of their character, integrity, judgment, and business, government, legal and other relevant experience. Financial expertise is also a relevant criterion. We desire a Board that is diverse in nature and experience.

We believe our Company s interests are best served by maintaining a Board of Directors exhibiting stability, knowledge of our business operations and knowledge of the retail food industry generally. Directors must be willing to devote sufficient time to carry out their duties and responsibilities effectively. When a director s principal occupation or business association changes substantially during his or her tenure, that director must notify the Board by submitting a letter to the Chairman of the Board and the chairperson of the Nominating and Corporate Governance Committee offering to resign. The committee will review whether the change in status is consistent with the criteria for Board membership and make a recommendation to the Board for action, if any, to be taken in response.

During fiscal 2009, Charles P. Garcia and Richard E. Rivera each had a change in principal occupation. As required, each submitted written notification to the Chairman of the Board and the chairperson of the Nominating and Corporate Governance Committee and a determination was made that their change in employment status required no action by the Board.

12

Table of Contents

Will the Nominating and Corporate Governance Committee consider shareholder recommendations for director?

Yes. The Nominating and Corporate Governance Committee will consider recommendations for director candidates from our shareholders on the same basis as recommendations from other sources.

What are the procedures for submission of a shareholder recommendation for director?

Any shareholder who wishes to submit a recommendation for a director candidate should direct a written communication to the Nominating and Corporate Governance Committee, in care of our Corporate Secretary, at the address on the front cover of this proxy statement.

Any shareholder who wishes to recommend a director nominee to be considered for election at the Company s annual shareholders meeting or a special meeting of the shareholders must submit a proper and timely request as follows:

Timing For consideration at the annual shareholders meeting, a shareholder s written notice of nomination must be delivered and/or received at the principal executive offices of the Company not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual shareholders meeting; provided, however, that in the event that the annual shareholders meeting is called for a date that is not within 30 days before or after such anniversary date, a timely notice by the shareholder must be received not later than the close of business on the tenth day following the day on which such notice of the date of the annual shareholders meeting was mailed or announced to the public. For consideration at a special meeting of the shareholders, a shareholder s written notice of nomination must be delivered and/or received at the principal executive offices of the Company not later than the close of business on the tenth day following the day on which the notice of the date of the special meeting was mailed or publicly announced, whichever occurs first. An adjournment or postponement of an annual shareholder s meeting or the announcement thereof does not commence a new time period for a shareholder to give notice as described above.

Information To be in proper written form, a shareholder s notice to the Secretary must set forth the following information for both the nominee(s) and the shareholder giving notice:

- the name, age, principal occupation, business address (or record address) and residence address;
- the class or series and number of shares of capital stock of the Company which are beneficially owned, the date such shares were acquired and the investment intent of such acquisition for the nominee;
- the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the shareholder giving notice or by any shareholder associated person, a description of derivative positions held directly or indirectly or beneficially held by the shareholder giving notice or any shareholder associated person, and whether and the extent to which a hedging transaction has been entered into by or on behalf of the shareholder giving notice or any shareholder associated person;
- any other information that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for a contested election of directors;
- a description of all arrangements or understandings between the shareholder giving such notice and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder;

a representation that the shareholder giving notice intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice; and

Table of Contents

a representation as to whether the shareholder giving notice intends to deliver a proxy statement or form of proxy to the holders of a sufficient number of the Company s outstanding shares to elect such nominee or otherwise to solicit proxies from shareholders in support of the nomination. Such notice must be accompanied by a written consent of each proposed nominee being named as a nominee and to serve as a director if elected.

Address The principal executive offices of the Company to which the information described above should be sent can be found on the front cover of this proxy statement.

Any shareholder who submits a nomination pursuant to the procedures above is required to update and supplement the information disclosed in their notice, if necessary, so that the information provided or required to be provided in such notice is true and correct as of the record date of the meeting at which the nomination will be voted upon.

Any shareholder who submits a nomination as described above is also required to comply with all applicable rules and regulations of the Exchange Act governing director nominations.

COMPENSATION COMMITTEE

Who are the members of the Compensation Committee, and how many times did the committee meet during fiscal 2009?

The current members of the Compensation Committee are Yvonne R. Jackson, James P. Olson, Terry Peets and Richard E. Rivera. Ms. Jackson serves as the chairperson of the committee. The committee met 16 times in fiscal 2009.

What are the responsibilities of the Compensation Committee?

The Board of Directors has adopted a charter which sets forth the responsibilities of the committee. The Compensation Committee is responsible for oversight of:

- our compensation programs;
- evaluation and compensation of the Chief Executive Officer and other executive officers;
- administration of our equity-based incentive plans; and
- talent review and management succession planning.

The Compensation Committee approves our compensation strategy to ensure that this strategy supports organization objectives and shareholder interests. The Compensation Committee also supports the Board of Directors in establishing the salary, annual incentive, long-term incentive, and benefit plans for the Chief Executive Officer and Chief Financial Officer.

What are the qualifications for serving on the Compensation Committee?

The Compensation Committee is composed of no less than three directors, one of whom serves as chairperson and each of whom is independent as required under NASDAQ listing standards. In addition, all members of the committee must be non-employee directors as defined under Rule 16b-3 of the Exchange Act and outside directors for purposes of Section 162(m) of the Internal Revenue Code (the Code).

Each member of the Compensation Committee must have business experience that, in the opinion of the Board of Directors, qualifies him or her to evaluate senior management compensation, equity-based compensation plans, benefit plans and management succession planning.

The Board has determined that each of the members of the Compensation Committee meets these qualifications.

14

Table of Contents

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are Yvonne R. Jackson, James P. Olson, Terry Peets and Richard E. Rivera. During fiscal 2009, no member of the Compensation Committee was a current or former officer or employee of Winn-Dixie, had any direct or indirect material interest in or relationship with us outside of his or her position as a director and no executive officer of Winn-Dixie served as a director or as a member of the compensation or equivalent committee of another entity, one of whose executive officers served as a director of Winn-Dixie or on Winn-Dixie s Compensation Committee.

OTHER GOVERNANCE MATTERS

Does the Company have a Code of Conduct?

Yes. We have a Code of Business Conduct and Ethics (the Code of Conduct) which applies to directors, executive officers and associates. The Code of Conduct is the foundation of our Compliance and Ethics Program and expresses our commitment to:

- conduct business in compliance with all applicable laws and regulations;
- meet high standards of business conduct and ethics;
- deal fairly with customers, associates, investors, business partners and competitors; and
- maintain a safe and healthy work environment.

Among other things, the Code of Conduct provides guidance on avoiding conflicts of interest, protecting Company assets, complying with applicable laws and regulations, and reporting concerns without fear of retaliation.

Does the Company have a Code of Ethics for Senior Executive and Financial Officers?

Yes. We have a Code of Ethics for Senior Executive and Financial Officers that compliments our Code of Conduct. Among other things, the Code of Ethics for Senior Executive and Financial Officers promotes honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in public communications; and compliance with applicable laws, rules and regulations.

Are the directors and executive officers required to certify compliance with the codes?

Yes. All of our directors and executive officers are required to certify compliance with the Code of Conduct at least annually. In addition, our Chief Executive Officer and senior financial officers are required to certify compliance with the Code of Ethics for Senior Executive and Financial Officers at least annually. The Nominating and Corporate Governance Committee and the Board of Directors must unanimously approve in advance any waiver of any provision of either of these codes for any member of the senior management team. The circumstances surrounding, and basis for, any waiver will be publicly disclosed on our website.

Where can I find copies of the codes?

The Code of Conduct and the Code of Ethics for Senior Executive and Financial Officers are available under the Corporate Governance section of the Investors page of our website at *www.winn-dixie.com*. In addition, the Code of Ethics for Senior Executive and Financial Officers was filed with the SEC as an exhibit to our Form 10-K for fiscal 2009. We will provide any of our shareholders a copy of these documents without charge upon written request to Shareholder Relations at the following address:

Winn-Dixie Stores, Inc.

5050 Edgewood Court

Jacksonville, Florida 32254-3699

Attention: Shareholder Relations

Email: *shareholderrelations@winn-dixie.com*

Table of Contents

PROPOSAL 1 ELECTION OF DIRECTORS

Which directors are standing for election this year?

The Board of Directors, on the recommendation of the Nominating and Corporate Governance Committee, has nominated all nine of the current directors for election at the annual meeting to hold office until the 2010 Annual Meeting of Shareholders or until their successors are duly elected and shall qualify. The nominees are: Evelyn V. Follit, Charles P. Garcia, Jeffrey C. Girard, Yvonne R. Jackson, Gregory P. Josefowicz, Peter L. Lynch, James P. Olson, Terry Peets and Richard E. Rivera.

What if a nominee is unable or unwilling to serve?

Should any one or more of these nominees become unable or unwilling to serve (which is not anticipated), the Board of Directors may designate substitute nominees, in which event the persons named in the proxy will vote proxies that otherwise would be voted for the named nominees for the election of the substitute nominee or nominees.

What is the recommendation of the Board?

The Board of Directors recommends a vote FOR the nine nominees.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis (CD&A) provides information regarding the compensation philosophy and practices implemented by our Compensation Committee (the Committee) in fiscal 2009 for the following named executive officers (NEOs):

- Peter L. Lynch Chairman and Chief Executive Officer (CEO);
- Bennett L. Nussbaum Senior Vice President, Chief Financial Officer;
- Dan Portnoy Senior Vice President, Chief Merchandising & Marketing Officer;
- Larry B. Appel Senior Vice President, Human Resources & Legal, General Counsel; and
- Frank O. Eckstein Senior Vice President, Retail Operations.

The Committee s charter outlines the Committee s responsibilities and can be found under the Corporate Governance section of the Investors page of our website at *www.winn-dixie.com.*

Key Committee Considerations in Fiscal 2009

During the fiscal year, the Committee focused on (1) the design of long-term incentives focused on driving financial performance of Winn-Dixie, (2) the creation of the Stock Option Exchange Program to better incent key associates and reduce our equity overhang (further described below), (3) the development of the 2010 Plan, and share usage and future year grants under the 2010 Plan, and (4) the implementation of compensation recovery provisions.

Designing Incentives to Drive Performance Our Long Term Incentive (LTI) plan, which, in fiscal 2009, was granted under the Winn-Dixie Stores, Inc. Amended and Restated Equity Incentive Plan (the 2007 Plan), is designed to support the interests of shareholders through performance-based vesting and to retain executives through service-based vesting. Our LTI plan is comprised of stock options, time-based restricted stock units (RSUs) and performance-based RSUs. Stock options provide economic value only if the price of our stock has increased over the strike price at the time the option is exercised. Similarly, performance drives vesting of a significant portion of the RSUs granted, which vest based on achievement of a performance target related to our long-term sales. In fiscal 2009, 64% of the LTI grant was performance-based, split 40% in stock options and 24% performance-based RSUs. For fiscal 2010 the Committee plans to increase the performance-based LTI to 70%.

Stock Option Exchange Program Equity is an essential part of our total compensation package for our key associates and, accordingly, when the Company s stock price growth is flat or down, our associates individually experience its impact through the structure of their total compensation. The Company s current stock price and the country s economic situation provide a considerable challenge to maintaining associate motivation, as well as raising retention concerns. Stock options lose their retentive value even if the stock price decreases are due to factors outside the Company s control. In an effort to address these concerns, the Committee is recommending a Stock Option Exchange Program for shareholder approval in this proxy statement. The Stock Option Exchange Program is discussed further under the caption Proposal 3 Approval of the Stock Option Exchange Program for Associates Other Than Directors and Named Executive Officers .

The successful execution of the Stock Option Exchange Program would significantly reduce our overhang , meaning the equity awards outstanding but not exercised, plus equity awards available to be granted, divided by total common shares outstanding at the end of the year. Underwater stock option awards have little or no retentive value but remain in overhang until they are exercised, expire or are cancelled. Under the Stock Option Exchange Program, we expect that a reduction in overhang will occur because participating associates will receive fewer new stock options than the number of stock options being surrendered.

Future Year LTI Grants Previously, our LTI grants have been made based on individual dollar award values which are then converted to an actual number of shares and/or stock options based on the closing price of our common stock on NASDAQ on the date of grant and, for options, a Black-Scholes ratio. Beginning in fiscal 2010, the Committee will utilize a share-based allocation in which the number of shares to be granted annually is established and is intended to remain constant each year (although the Committee would retain the discretion to change future grant sizes if it determines doing so would be appropriate). In establishing the number of shares to be granted to each individual, the Committee considered the median value of LTI grants made by peer group companies, discounted by 10% to reflect recent compensation trends. In valuing shares and options, the Committee considered Black-Scholes valuation models and future value models. Ultimately, share allocations were established by the Committee based on its analysis of all available data.

Compensation Recovery The Committee also considered the inclusion of compensation recovery provisions for certain payments to senior executives. The Committee considered the types of executives to be covered, types of compensation to be covered, and whether or not the recovery would be applied retroactively. The Committee adopted a policy implementing a compensation recovery policy at its May 2009 meeting. See Compensation Recovery Policy below in this proxy statement.

Compensation Philosophy

Our compensation and benefits programs are designed and managed with the following objectives in mind:

- **Attract** the caliber of talent needed to optimize our performance: Our goal is to target total compensation at the median of our compensation peer groups described in more detail below. However, our compensation philosophy provides us with the flexibility to pay a higher level of compensation to attract high performing and high potential candidates into key positions.

- **Motivate** performance toward key short-term and long-term business objectives: Our annual cash incentive plan, known as the Annual Incentive Plan (AIP), focuses participants on achieving our annual plan for Adjusted EBITDA and sales, which we believe are key indicators of performance. The

Table of Contents

AIP also includes individual performance measures to focus each participant on key initiatives that drive business performance. Our equity incentive program, the LTI plan, drives long-term achievement of our business plans.

Retain key associates who are crucial to our success: The flexibility to pay above the 50^{th} percentile of competitive compensation to high performing and high potential associates helps to retain key associates who can most help achieve our business goals.

Align management and associates with the interests of shareholders: Our equity-based compensation programs are designed to align the interests of management with those of shareholders. In fiscal 2009, the Committee approved two programs designed to align management with shareholder interests. First, the Committee included sales per square foot as a key performance criteria for grants of performance restricted shares awarded under the 2007 Plan. The Committee believes achieving improved sales per square foot performance is a key driver of our long-term business plan. Second, the Employee Stock Purchase Plan became effective January 1, 2009, allowing all associates to purchase stock at a 5% discount and perform as Company owners.

Compensation Mix

As part of its review of compensation philosophy, the Committee reviewed in fiscal 2009 the mix of our compensation programs, including base salary, annual cash incentives, long-term equity incentives, and the portion of total compensation that is at risk .

Our mix of target incentive opportunities historically has been weighted slightly more toward annual incentives relative to our peer group. This emphasis on annual cash incentives began in fiscal 2004, approximately one year before our bankruptcy filing, when cash incentives were perceived to be a better motivator of performance.

At risk compensation consists of annual cash incentives and long-term equity incentives, including stock options and performance restricted stock. These incentives are at risk as compensation is not received unless our stock price appreciates over time and we achieve the established Company performance goals. Stock options have no economic value if our stock price does not increase.

In fiscal 2009, the Committee decreased the target cash bonus percentage in the AIP for newly hired (or promoted) senior vice presidents from 80% to 60% of base salary. In addition, the emphasis within the AIP on Company performance metrics as compared to individual performance measures was increased such that 80% of the bonus is now based on Company performance, which the Committee believes better aligns executive pay with business performance and shareholder interests. The Committee will continue to review the mix within our compensation programs and adjust it in the future as the Committee believes appropriate given our short-term and long-term business goals.

Compensation Consultant

In accordance with the Committee s charter, the Committee has the authority to engage, retain and terminate a compensation consultant. The compensation consultant may not perform other services for the Company unless those services are pre-approved by the Committee, and the Committee is updated regularly as to the status of such services.

The Committee has retained Steven Hall & Partners as its independent compensation consultant to assist the Committee in creating and implementing executive compensation strategies. During fiscal 2009, Steven Hall & Partners did not provide any other services to the Company. Management may continue to use other outside consultants to assist with the day-to-day management of our programs and in the development of proposals for review by the Committee and its independent consultant.

Table of Contents

The independent compensation consultant attended every Committee meeting at the invitation of the Chair and has assisted the Committee with: obtaining, analyzing, and presenting competitive peer company market data and relevant information relating to total compensation and bonus and equity incentive programs; compensation recovery provisions; volatility measures; current equity values; and LTI program design.

Peer Group

The Committee believes benchmarking can be a useful tool to help gauge the compensation level for our executive talent. Benchmarking allows the Committee to compare the competitiveness of our compensation practices for our NEOs with the practices in the grocery and retail industries. However, benchmarking is not used in isolation. The Committee also considers other factors, such as individual and Company performance, in determining our NEOs compensation.

Steven Hall & Partners has conducted a peer group analysis on an annual basis since fiscal 2008 at the request of the Committee. For fiscal 2009, the focus was to determine if any changes to the prior year groups were needed. In fiscal 2009, as in prior years, two groups of peer companies were presented to the Committee:

(1) a comparator group of 11 companies based on revenue one-half to three times our revenues to be utilized as the primary peer group when the Committee considers individual executive cash and long-term compensation decisions (the Comparator Group); and

(2) a group of seven additional companies that were not included in the Comparator Group primarily because of revenue, but that are analyzed and considered by the Committee to provide context in all matters for which the Comparator Group is utilized (the Other Relevant Companies Group).

All companies, in both the grocery, non-grocery and drug store industries, were selected by Steven Hall & Partners and approved by the Committee because they were considered to be competitors with respect to the talent and experience required to serve on our executive team. The Committee believes, based on the recommendation of its compensation consultant, that the companies listed in each group represent the broad group of executive talent for which we compete.

Comparator Group

BJ s Wholesale Club, Inc.	Kohl s Corporation	The Pantry, Inc.
Circuit City Stores, Inc.	Longs Drug Stores Corporation	Staples, Inc.
Family Dollar Stores, Inc.	Nash Finch Co.	Whole Foods Market, Inc.
The Great Atlantic & Pacific Tea Company, Inc.	Office Depot, Inc.	

Other Relevant Companies Group

CVS Caremark Corporation	Safeway, Inc.	Target Corporation
The Kroger Co.	Supervalu, Inc.	Walgreen Co.
Rite Aid Corporation		

With respect to changes in the peer groups between fiscal 2009 and fiscal 2008, Rite Aid Corporation was moved from the Comparator Group to the Other Relevant Companies Group due to a significant increase in Rite Aid s revenue as compared to the prior year. Also, Pathmark Stores, Inc. had been included in the fiscal 2008 Comparator Group but was eliminated in fiscal 2009 because it was acquired by The Great Atlantic & Pacific Tea Company, Inc. For fiscal 2010 peer groups, we anticipate that Circuit City Stores, Inc. will be eliminated due to its bankruptcy filing and that Longs Drug Stores Corporation will be eliminated due to its acquisition by CVS Caremark Corporation.

Table of Contents

We have not established a formula or pre-set methodology to allocate NEO compensation among the elements of total direct compensation (salary plus annual cash incentive plus long-term equity compensation). However, the Committee generally has established the base salary level of each NEO slightly above the 50th percentile for similar positions at companies in our peer groups. Our annual cash incentive targets have historically been closer to the 75th percentile while our LTI award targets are at the 50th percentile.

ELEMENTS OF COMPENSATION

The Committee carefully considers the purpose of the compensation programs in achieving overall program goals. Our compensation programs include:

- Base salary;
- Annual cash incentives;
- Long-term equity incentives; and
- Various benefits and perquisites.

Base Salary

The primary purpose of our base salary program is to provide competitive levels of pay to attract and retain the executive and management talent needed to make our Company successful.

The Committee conducted its fiscal 2009 review of our NEOs base salaries in September 2008. The Company was performing at expected levels despite the general economic downturn affecting the U.S. economy, and our executive leadership team was recognized to have contributed significantly to those results. In evaluating the base salaries of our NEOs, the Committee considered all of the peer group data described above, as well as survey data published by Mercer, Watson Wyatt, Hewitt and other third party survey sources, recommendations from the CEO, individual performance and Company business performance. The Committee did not assign a particular weight to any of these factors. Based on this review, the Committee approved the following salary increases for Messrs. Portnoy, Appel and Eckstein. The Committee recommended for approval by the Board, and the Board approved, the following base salary adjustments for Messrs. Lynch and Nussbaum.

Name	Fiscal 2009 Salary	Percent Increase over Fiscal 2008 Salary
Peter L. Lynch	$ 1,312,500	5.0%
Bennett L. Nussbaum	$ 583,200	4.1%
Dan Portnoy	$ 550,000	4.8%
Larry B. Appel	$ 520,000	9.4%
Frank O. Eckstein	$ 409,900	3.8%

Generally our NEOs received salary increases of approximately 4% 5%. The terms of Mr. Lynch s employment contract state that his base salary is reviewed by the Board from time to time and may be increased based on Mr. Lynch s performance. In fiscal 2009, the Board approved a base salary increase of 5%, increasing his annual base salary to $1,312,500. Mr. Lynch had not received a base salary increase since December 2006. The Committee recognized the significant contributions Mr. Lynch has made to the Company in deciding to approve the increase. For fiscal 2009, Mr. Appel received an initial base salary increase of 4.2%. In December 2008, Mr. Appel assumed the leadership role over the Human Resources function and received an additional increase for that significant added responsibility, for a total base salary increase of 9.4% as compared to fiscal 2008.

Annual Cash Incentives Under AIP

AIP Description Our AIP is intended to motivate performance toward short-term business objectives. Performance objectives are established each year for each participant in the AIP based on a combination of key annual Company and individual financial, strategic and operational goals. For financial and operational

Table of Contents

performance objectives (and other performance objectives wherever it is possible to do so), the achievement level required for the participant to receive the target bonus payout is typically established consistent with our annual budget. Achievement levels for a threshold payout (50% of the target payout) and superior payout (150% of the target payout) are also developed for each performance objective. Under the AIP, if the achievement falls between two of the stated performance achievement levels, the bonus payment is interpolated between the corresponding bonus levels. Consistent with the fiscal 2008 AIP, the Committee has determined that, if the Company does not achieve, at a minimum, the prior year s Adjusted EBITDA, then no participant would be eligible to receive a payout above target with respect to his or her individual performance objectives.

For fiscal 2009, there were no changes to the target bonus as a percent of salary for any of our NEOs. Target bonus for the CEO is 100% of base salary and 80% for the other NEOs. In the future, newly hired (or promoted) senior vice presidents target bonus will be 60% of base salary with superior payout increased from 150% of target bonus to 200% of target bonus. However, our existing NEOs will not be affected by this change.

Performance objectives and the related achievement levels are established by the Committee immediately prior to or during the first quarter of each fiscal year. Following the conclusion of the fiscal year, actual performance for each performance objective is analyzed by the Committee in comparison to the previously established achievement levels to calculate bonus payouts.

Selection of Performance Objectives Performance objectives are primarily based on objective, quantifiable, financial measures. In fiscal 2007, a common bonus metric, Adjusted EBITDA, was introduced as a minimum 20% of each executive s bonus opportunity. In fiscal 2008, the Committee introduced a second common bonus metric, sales, and increased the weighting of the two common metrics to a minimum of 60% of each executive s bonus opportunity. For fiscal 2009, the Committee increased the weighting of Adjusted EBITDA and sales to 80% of each executive s bonus opportunity. Individual performance objectives are weighted at 20% of each executive s bonus opportunity.

The Committee believes Adjusted EBITDA and sales are key drivers of our business success and incorporating them as common metrics into the AIP provides a clear focus for all members of our executive team on these critical measures of business performance.

Fiscal 2009 AIP Targets were set so that performance required to qualify for payouts at target was achievable but challenging and performance required to qualify for a superior payout was difficult to achieve. For fiscal 2009, our net sales as reported were $7.4 billion, which did not meet the threshold performance target. Consequently, none of our NEOs received a bonus for the sales portion of the AIP. Adjusted EBITDA as reported and described in our earnings release was $164.2 million, which exceeded both the prior year s Adjusted EBITDA and the superior performance target for fiscal 2009. Accordingly, all of our NEOs achieved a superior payout on this measure. For individual performance objectives not based on financial metrics, payouts were based on the Committee s discretion. The Committee assessed each individual s achievement of individual performance objectives and determined a payout at or in between threshold, target and superior award levels. The Committee s recommendation regarding each individual performance objective for Messrs. Lynch and Nussbaum were approved by the Board.

The Committee approved the following in establishing the individual performance objectives and determining payouts for our NEOs for the fiscal 2009 AIP.

Mr. Lynch s individual performance objective is based on his level of enterprise leadership, as determined by the Committee and the Board. Components of enterprise leadership include succession planning, building key talent and bench strength within the Company, and developing a comprehensive strategic plan. Consistent with the recommendation of the Committee, the Board approved a superior level of achievement for Mr. Lynch s enterprise leadership objective, resulting in a superior payout for his individual objective.

Table of Contents

Mr. Nussbaum s individual performance objectives are based on the state of the Company s investible cash without going into the credit line, as well as expense reduction in relation to the budget. Consistent with the recommendation of the Committee, the Board approved Mr. Nussbaum s objectives at the superior levels based on the achievement of $157 million in cash and $21.1 million in expense reduction over planned expenditures. These levels of achievement resulted in a superior payout for his individual objectives.

Mr. Portnoy s individual performance objectives were initially based on achieving the planned lift for offensive remodels, as well as private brand penetration. Because remodel store sales were negatively impacted by general economic conditions, which negatively impacted Mr. Portnoy s bonus due to the Company not achieving sales objectives, and because under Mr. Portnoy s leadership we managed gross margin rates to achieve a 63% increase in Adjusted EBITDA compared to fiscal 2008 despite the sales shortfall, the Committee determined that an individual performance measure based on gross margin rate management would better reflect Mr. Portnoy s leadership contributions in fiscal 2009. Consistent with the recommendation of the CEO, the Committee determined Mr. Portnoy s achievement of 28.46% gross margin, excluding self-insurance reserve of 0.02%, relative to target performance of 27.7% was a superior performance. Also, Mr. Portnoy s achievement of 21.8% private label penetration relative to a target performance of 21.2% was a superior performance. These levels of achievement resulted in a superior payout for his individual objectives.

Mr. Appel s individual performance objectives established at the beginning of the fiscal year were based on achieving our budgeted rate of inventory shrinkage as a percentage of sales and achieving our budgeted expense for bad checks. As a result of Mr. Appel s assumption of leadership of our Human Resources function during fiscal 2009, the Committee revised his individual performance measures to be based on his level of leadership of the Human Resources function. Consistent with the recommendation of the CEO, the Committee determined Mr. Appel s achievement with respect to the leadership of the Human Resources function was a superior performance and correspondingly resulted in a superior payout for his individual objective.

Mr. Eckstein s individual performance objectives are based on achieving our budgeted rate of inventory shrinkage as a percentage of sales and achieving our targeted number of hires for Deli/Food Service managers. The shrink rate is a key component of our total gross margin rate and improving the performance of Deli/Food Service managers is a key Company initiative. The Committee determined Mr. Eckstein s achievement of 2.34% shrinkage relative to a target of 2.35% warranted a payout of 105%, slightly above target for this individual objective. Similarly, his achievement of driving Deli/Food Service performance resulted in an 80% payout, between threshold and target for this individual objective.

Table of Contents

The following table summarizes the metric weightings, performance objectives, performance targets, achievement levels and bonus payouts for each of our NEOs under the AIP in fiscal 2009:

Name	Target Bonus As % of Salary	Target Bonus	Performance Objectives Metric	Weighting	Target Performance ($000)	Achievement As % of Target	Bonus Payout
Peter L. Lynch	100%	$ 1,312,500	Adjusted EBITDA	50%	$ 135.0	150%	$ 984,375
			Sales	30%	$ 7,465.0	0%	$ 0
			Enterprise Leadership	20%	(1)	150%	$ 393,750
							$ 1,378,125
Bennett L. Nussbaum	80%	$ 466,560	Adjusted EBITDA	50%	$ 135.0	150%	$ 349,920
			Sales	30%	$ 7,465.0	0%	$ 0
			Cash/Borrowings	10%	$ 0.0	150%	$ 69,984
			Expense Reduction	10%	$ 15.0	150%	$ 69,984
							$ 489,888
Dan Portnoy	80%	$ 440,000	Adjusted EBITDA	50%	$ 135.0	150%	$ 330,000
			Sales	30%	$ 7,465.0	0%	$ 0
			Gross Margin Rate	10%	27.7%	150%	$ 66,000
			Private Label	10%	21.2%	150%	$ 66,000
							$ 462,000
Larry B. Appel	80%	$ 409,023	Adjusted EBITDA	50%	$ 135.0	150%	$ 306,767
			Sales	30%	$ 7,465.0	0%	$ 0
			HR Leadership	20%	(1)	150%	$ 122,707
							$ 429,474
Frank O. Eckstein	80%	$ 327,920	Adjusted EBITDA	50%	$ 135.0	150%	$ 245,940
			Sales	30%	$ 7,465.0	0%	$ 0
			Shrink% of Sales	10%	2.35%	105%	$ 34,432
			Deli/Food Service Managers	10%	(1)	80%	$ 26,234
							$ 306,605

(1) The results for these components are determined by the Committee and Board of Directors at their discretion. The target performance is not reduced to a numerical value.

Fiscal 2010 AIP The fiscal 2010 AIP, similar to the fiscal 2009 AIP, continues to weigh performance criteria based on 50% Adjusted EBITDA, 30% sales and 20% individual performance measures. The sales measure in fiscal 2010 will reflect an identical store sales increase. The achievement of individual performance measures will be determined based on an assessment of overall performance rather than performance under one or two criteria. This assessment will be made at the discretion of the Committee for the NEOs other than the CEO and CFO; the Committee will recommend payouts for the CEO and CFO for approval by the Board.

Long-Term Equity Incentives

Fiscal 2009 Program Our LTI program is designed to align the incentives of our executives with the interests of our shareholders and provide competitive long-term incentive opportunity to ensure continued attraction and retention of executives.

We did not make a broad-based LTI grant in fiscal 2008. The initial post-bankruptcy grant to our NEOs made during fiscal 2007 was valued at 1.75 times an annual grant and was intended by the Committee to cover both fiscal 2007 and fiscal 2008.

In September 2008 annual grants were made to eligible associates. The LTI grants consisted of 40% stock options and 60% RSUs (split 40% as performance restricted stock units and 60% as time restricted stock units.) Stock options and time restricted stock units vest ratably over four years. Performance restricted stock units vest to the extent that our sales per square foot performance goal is achieved.

The Committee believes strongly that performance measures are key to our stock awards and will focus participants on the financial achievements of the Company and stock price.

Table of Contents

All LTI grants are made pursuant to our 2007 Plan. Under the 2007 Plan, stock options have a seven-year term. However, all grants vest immediately following a change in control, as defined in the 2007 Plan. The exercise price of each stock option equals the closing price of our stock on NASDAQ on the date of grant.

The Grants of Plan-Based Awards for Fiscal 2009 table later in this proxy statement shows stock option and RSU grants made to our NEOs in fiscal 2009.

Perquisites

We offer perquisite lump sum allowances to executives based on their position in our Company. The allowance is intended to provide executives with opportunities for services considered to be perquisites, while maintaining reasonable limits on the extent perquisites comprise executive compensation. The primary purpose of this program is to ensure that our pay levels and programs are competitive with the market so we continue to attract and retain the talent we need to be successful. The perquisite program comprises a relatively small part of the overall executive compensation package. The annual cash perquisite allowance paid to Mr. Lynch in fiscal 2009 was $45,000. We provided an annual allowance in fiscal 2009 of $25,000 to our senior vice presidents, including the other NEOs. In addition, the NEOs were provided an additional $5,000 perquisite allowance upon completion of an executive physical.

Mr. Lynch s pre-emergence employment agreement provides that he is permitted to utilize company-chartered aircraft for reasonable personal travel. In March 2007, the Board of Directors approved a policy governing Mr. Lynch s personal use of company-chartered aircraft, which was overseen in fiscal 2009 by the Nominating and Corporate Governance Committee.

Non-qualified Deferred Compensation Plan

We do not maintain any deferred compensation plans for our NEOs other than the deferred compensation plan provided for in Mr. Lynch s employment agreement. That plan provided for a one-time grant of deferred compensation units at the time of the initial, post-bankruptcy LTI grant to Mr. Lynch. The deferred compensation award value for Mr. Lynch is included in the Fiscal 2009 Non-qualified Deferred Compensation table later in this proxy statement. No further grants under the plan are anticipated.

Health and Welfare Benefits

We provide customary health and welfare benefits to our associates so that our overall compensation package is competitive. We offer medical, vision, and disability insurance plans, in which NEOs can participate on the same basis as all other associates. We also provide life insurance for our salaried /full-time associates in an amount equal to one times annual salary, which is provided on the same basis to our NEOs.

Employee Stock Purchase Plan

Effective January 1, 2009, we implemented an Employee Stock Purchase Plan (ESPP) that gives associates the opportunity to purchase shares of Company stock at a discounted price. All associates are eligible to participate as of their first day of employment and may contribute through after-tax payroll deductions of 1% to 15%. We feel strongly that the ESPP gives our associates the ability to align with our shareholders by sharing in the growth of our stock price. All NEOs are eligible to participate in this program on the same basis as all of our other associates.

Severance Plans

Effective January 31, 2008, the Company adopted an Executive Severance Plan for our NEOs other than Mr. Lynch, as well as other key associates. The Plan provides for both basic and change-in-control severance benefits. A severance arrangement for Mr. Lynch is included in his employment agreement that was approved by the bankruptcy court and the Committee that was in place prior to our emergence from Chapter 11. The details of the Executive Severance Plan and Mr. Lynch s severance arrangement are provided under the Potential Payments Upon Termination section later in this proxy statement.

Table of Contents

STOCK GRANT PRACTICES

Our stock grant policy is as follows:

The Committee will not delegate its authority to make grants; all awards are made through a Committee action.

The exercise price of all stock options is the closing price of our common stock on NASDAQ on the date of the Committee action authorizing the grant.

All annual or regularly occurring grants of stock options will be made on the first day that a trading window is open under our Insider Trading Policy (or the first subsequent date that the Committee is able to meet) or the date of a regularly scheduled, in-person Committee meeting.

Awards of restricted stock or RSUs made in conjunction with stock option grants are made on the same date as the option grants.

Non-recurring stock grants, such as new hires or promotions, are made on the earlier of the next regularly scheduled Committee meeting or the time of the next annual or regularly recurring LTI grant, except that, at the discretion of the Committee, grants upon hiring of an executive officer may be made on or as soon as possible after the initial date of employment.

The Committee has approved individual dollar award values which are then converted to an actual number of shares and/or stock options based on the closing price of our common stock on NASDAQ on the date of grant.

STOCK OWNERSHIP GUIDELINES

On March 15, 2007, the Board of Directors approved a stock ownership policy for the CEO, senior vice presidents, group vice presidents, and non-employee directors to encourage significant share ownership and further align the personal interests of our Board members and executives with shareholders.

The stock ownership guidelines for non-employee directors were increased in fiscal 2008 from four times to six times their annual cash retainer in recognition of the increase in equity compensation for non-employee directors in fiscal 2008 from $70,000 to $105,000 in RSUs. Each non-employee director is now required to hold Company shares valued at six times his or her annual cash retainer.

Each covered individual is required to own a multiple between two and six times (depending on the individual s position) his or her individual base salary (or in the case of non-employee directors, annual cash retainer) as follows:

Position	Threshold Stock Ownership Level	Percent of Net Shares Required to be Held Until Threshold is Achieved
Board of Directors	6x Cash Retainer	100%
CEO	5x Base Salary	50%
SVP	3x Base Salary	50%
GVP	2x Base Salary	50%

All shares owned outright, as well as all unvested RSUs, count toward this goal; stock options, vested and unvested, do not. Until these threshold ownership levels are achieved, executives must reta