F&D REPORTS Published By INFORMATION CLEARINGHOUSE INC.	**INSOLVENCY SUPPORT CENTER** *Chapter 11 Case Summary*	
Debtor:	**Winn-Dixie Stores, Inc., DIP** **See below for a complete list of affiliates also filing.**	
Status:	**Chapter 11 - emerged**	**Actively following case – Updated December 18, 2006**

U.S. Bankruptcy Court: **Middle District of Florida, Jacksonville Division**
Address: United States Courthouse, 300 North Hogan Street, Suite 3-350, Jacksonville, Florida 32202
Transferred from:
U.S. Bankruptcy Court: Southern District of New York, Manhattan, NY
Address: One Bowling Green New York, NY 10004-1408 Tel.: (212) 668-2870

Transfer Date to Florida: Case No. : Judge	**April 14, 2005** **05-03817** **Hon. Jerry A. Funk**, US Bankruptcy Judge	From Schedules "A" to Petition: Total Assets: **$ 2,235,557,000** Total Liabilities: **$ 1,870,785,000**
Transferred from New York: Filing Date: Case No. : Judge:	 **February 21, 2005** **05-11063 –joint administration** **Hon. Robert D. Drain**, US Bankruptcy Judge	

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Attorneys for Creditors Committee: **Dennis F. Dunne, Esq**. and **Matthew S. Barr, Esq.** Milbank, Tweed, Hadley & McCloy LLP 1 Chase Manhattan Plaza New York, NY 10005 Tel.: (212) 530-5000 Fax: (212) 530-5219 Email: ddunne@milbank.com and mbarr@milbank.com	Creditors Committee Co-Financial Advisors: Alvarez & Marsal 600 Lexington Ave. New York, NY 10022 Tel.: (212)759-4433 Fax: (212)759-5532 Houlihan Lokey Howard & Zukin 245 Park Ave., New York, NY 10167 Tel.: (212) 497-4100 Fax: (212) 661-3070
Office of the United States Trustee - JAX 135 W. Central Blvd., Suite 620 Orlando, FL 32801 Tel.: 407-648-6301	Transferred from: Office of the United States Trustee: **Richard C. Morrissey** 33 Whitehall Street, 21st Fl., New York, NY 10004 Tel.:(212) 510-0500 Fax : (212) 668-2255 Email: richard.morrissey@usdoj.gov

DIP Facility:
The Company is seeking approval of a new $800 million facility to replace the $600 million pre-petition facility. The Interim Order, if approved, will provide access to $600 million immediately with the balance subject to entry of a Final Order. Wachovia Bank National Association will be both Administrative and Collateral Agent as it was in the pre-petition facility. The hearing for interim approval was held on February 22, at 2:00pm. ***(See page 2 for a detailed Analysis of the DIP Facility.)***

Key Dates in Chapter 11 Case, Comment and Date

First Day Orders Hearing……………………………………………………..02/22/05
Schedules and Statements to be filed by the Debtor.......................... 04/07/05
Last Day to File Claims – Bar Date……………………………………………..08/01/05
Deadline to assume or reject unexpired leases................................. When a confirmed Plan becomes effective
Filed Plan of Reorganization………………………………………………….. 06/29/06
Exclusivity for Soliciting Acceptances to Plan……………………………….10/31/06
Hearing to approve Disclosure Statement……………………………………..08/04/06
Confirmation of Plan of Reorganization………………………………………..11/09/06

Creditors Committee Appointed by Office of the US Trustee	
R2 Investments, LDC c/o Amalgamated Gadget, LP	Pepsico & Subsidiaries
Deutsche Bank Trust Company Americas	OCM Opportunities Fund V, L.P.
New Plan Excel Realty Trust, Inc.	Capital Research & Management Company
Kraft Foods Global, Inc.	*Lonestar Partners – added March '06

Forty Largest Trade Creditors as Listed by the Company in its Petitions

Creditor	*Amount*	*Creditor*	*Amount*
Kraft (Kraft Foods, Kraft Pizza, Nabisco)	$15,069,002	Coca-Cola Bottling Works	$ 1,349,229
Pepsico & Subsidiaries	$14,560,373	Schreiber Foods, Inc.	$ 1,348,983
Proctor & Gamble	$ 6,068,365	Campbell Soup Co.	$ 1,325,196
Nestle (Nestle USA, Nestle Purina, Nestle Water)	$ 4,257,179	Georgia Pacific Corp.	$ 1,318,376
General Mills Inc.	$ 3,686,114	Ross Laboratories	$ 1,316,295
Unilever (HPC USA & Best Foods)	$ 3,017,094	Clorox Sales Co - KPD	$ 1,313,037
Florida Coca-Cola	$ 2,953,207	Kellogg Sales Company	$ 1,274,260
ConAgra Grocery Products Co.	$ 2,797,845	Johnson & Johnson	$ 1,268,232
Kimberly Clark	$ 2,393,060	Riverdale Farms	$ 1,228,022
McKee Foods Corporation	$ 2,063,108	Anderson News LLC	$ 1,225,488
Sara Lee Foods	$ 1,979,199	Safe Harbor Seafood	$ 1,154,897
US Bank Corporation	$ 1,850,000	Louisiana Coca-Cola	$ 1,131,296
Gourmet Award Foods Mid Atlantic	$ 1,712,776	Edy's Grand Ice Cream	$ 1,105,270
Good Humor Breyers Ice Cream	$ 1,699,429	Wyeth Consumer Healthcare	$ 1,071,297
Keebler Company	$ 1,690,095	Warner Lambert Consumer Group	$ 1,044,914
CH Robinson Worldwide Inc.	$ 1,567,192	Gerber Products Company	$ 1,044,436
Del Monte Foods USA	$ 1,523,117	Coca-Cola Bottling Co	$ 993,280
Fin Tech	$ 1,500,000	Sanderson Farms	$ 991,457
Powerhouse Produce LLC	$ 1,380,436	DLJ Produce, Inc.	$ 947,961
Gillette Company	$ 1,356,588	Schering Plough Health Care	$ 931,674

Ten Largest Institutional Creditors as Listed by the Company in its Petitions

Creditor	*Amount*	*Creditor*	*Amount*
Wilmington Trust Company, as Indenture Trustee	$300,000,000	Fortis Benefits Insurance Company	$ 1,175,000
Capital Research and Management Company	$ 44,950,000	Goodman & Co. Investment Counsel	$ 1,100,000
Vanguard Group Incorporated	$ 23,585,000	Wellington Management Co. LLC	$ 1,030,000
Ameriprime Funds	$ 9,925,000	Securities Management and Research, Inc.	$ 1,000,000
Reliance Standard Life Insurance Company	$ 2,150,000	Aviva Life Insurance Company	$ 775,000

All Other Names used by the Debtor in the last 6 years	
The Marketplace	Thriftway
Winn-Dixie Marketplace	Sack n' Save
SaveRite	Grocery Bargain Depot
Jitney Jungle	Dixie Spirits

Affiliates also filing for Chapter 11 Protection	
Astor Products, Inc., a Florida corporation	Sunbelt Products, Inc., a Florida corporation
Crackin' Good, Inc., a Florida corporation	Sundown Sales, Inc., a Texas corporation
Deep South Distributors, Inc., a Florida corporation	Superior Food Company, a Florida corporation
Deep South Products, Inc., a Florida corporation	Table Supply Food Stores Co., Inc., a Florida corporation
Dixie Darling Bakers, Inc., a Florida corporation	WD Brand Prestige Steaks, Inc., a Florida corporation
Dixie-Home Stores, Inc., a South Carolina corporation	Winn-Dixie Handyman, Inc., a Florida corporation
Dixie Packers, Inc., a Florida corporation	Winn-Dixie Logistics, Inc., a Florida corporation
Dixie Spirits, Inc., a Mississippi corporation	Winn-Dixie Montgomery, Inc., a Florida corporation
Dixie Stores, Inc., a New York corporation	Winn-Dixie Procurement, Inc., a Florida corporation
Economy Wholesale Distributors, Inc., a Florida corporation	Winn-Dixie Raleigh, Inc., a Florida corporation
Foodway Stores, Inc., a Delaware corporation	Winn-Dixie Stores, Inc., a Florida corporation
Kwik Chek Supermarkets, Inc., a Florida corporation	Winn-Dixie Supermarkets, Inc., a Florida corporation

DIP Facility Analysis: Final Approval Granted 03/18/05

02/22/05 - We have completed our initial review of the motion for Winn Dixie's D.I.P. Financing Order, which will be heard in conjunction with other first day orders today. The Company is seeking approval of a new $800 million facility to replace the $600 million pre-petition facility. The Company had utilized $430 million under the pre-petition facility at the petition date. The Interim

Order, if approved, will provide access to $600 million immediately with the balance subject to entry of a Final Order. Wachovia Bank National Association will be both Administrative and Collateral Agent as it was in the pre-petition facility.

The D.I.P. facility will be secured by a senior, perfected, valid, enforceable and non-avoidable security interest upon all collateral while priming pre-petition liens and providing Adequate Protection. The Order will grant the facility Super Priority Administrative Claim status, subject only to a $12 million professional fee Carve-Out, and authorize the use of Cash Collateral. Winn Dixie Stores, Inc. is the borrower (along with other retail operating entities) while the manufacturing facilities identified by the Company for sale, are listed as guarantors. The D.I.P. financing includes a $300 million subfacility for letters of credit.

There are borrowing base limitations identified. The first is fundamentally 70% of eligible inventory plus 80% of eligible pharmacy receivables. The borrowing base also allows for amounts for real property and leasehold values.

The term is defined as the earlier of: 24 months, the Effective Date of a confirmed Plan, or the last termination date set forth in the Interim or Final Order(s). The Agent may also terminate upon the occurrence of an Event of Default. The interest rate is the Alternate Base Rate (ABR) plus ¼% or LIBOR plus 1¾%, unless based on Leasehold Availability or Supplemental Junior Availability where each rate ratchets up 2% and 5.25%, respectively.

Financial covenants include an excess availability requirement of $300 million at Closing, $200 million prior to approval of a Final Financial Order and $100 million thereafter; minimum EBITDA requirements of at least 80% of Monthly Projections (to be submitted); and limitations on capital expenditures. All defined Events of Default are considered “typical” including maintaining all administrative payment obligations current. Any Event of Default must be cured within 5 days of written notice.

Fees identified in the Order include: 0.375% per annum Unused Line Fee, Subfacility Letter of Credit Fee at 1% per annum on daily outstanding balance from preceding month, Standby Letter of Credit Fee at 1 ¾ % per annum on daily outstanding balance from preceding month, Closing Fee of 1% of maximum non-leasehold availability plus 2.5% of maximum leasehold availability in effect at the closing date, and a Collateral Monitoring Fee of $16,500 per month.

Current Events:

12/18/06 - ***How Many?***… As detailed in our ***Special Update*** issued December 15, **Winn-Dixie** (Jacksonville, FL) began advising its pre-petition unsecured creditors entitled to receive its new common stock that it currently anticipates the initial distribution of the common stock under its Plan of Reorganization will occur on December 21, 2006. A total of 54 million shares may be issued under the Plan to holders of allowed unsecured claims and to the common stock reserve on account of disputed unsecured claims. The common shares came out at $11.25 on November 26 and are currently trading under the symbol WINNV. With a share price of $15.10 at the close of market on Friday, the Company has an equity market value of over $820.0 million, compared to the approximately $750.0 million value anticipated in the Plan when filed.

12/15/06 - Winn-Dixie Stores, Inc. today announced that it has begun advising its pre-petition unsecured creditors entitled to receive its new common stock that it currently anticipates the initial distribution of the common stock under its Plan of Reorganization will occur on December 21, 2006.

Winn-Dixie has selected American Stock Transfer & Trust Company to serve as the Transfer Agent for the New Common Stock to be distributed to holders of allowed unsecured claims under its Plan of Reorganization. Noteholders will receive their distribution of shares through the facilities of the Depository Trust Company, based on instructions from the indenture trustee.

Under the Plan of Reorganization, Winn-Dixie has until January 5, 2007 (or such later date as may be approved by the Bankruptcy Court) to distribute its common stock, and there can be no assurance that the scheduled December 21 distribution will not be delayed

Winn-Dixie emerged from bankruptcy on November 21, 2006. The common stock currently trades on the Nasdaq Global Market on a when-issued basis under the symbol WINNV. The stock price closed at $15.30 yesterday.

11/21/06 - Winn-Dixie Stores, Inc. today announced that it has emerged from bankruptcy. The Company and its domestic subsidiaries officially concluded their Chapter 11 reorganization today after meeting all closing conditions to the Company's Plan of Reorganization, which was confirmed by the U.S. Bankruptcy Court for the Middle District of Florida in an order entered on November 9, 2006.
In conjunction with its emergence from Chapter 11, Winn-Dixie today closed on its new $725.0 million exit financing facility provided by a consortium led by Wachovia Bank. This financing will be available to support the Company as it seeks to make significant investments in its current store base, to develop new stores, and to take other actions to position the business to compete effectively in its markets over the next several years. The company also expects to emerge with only a minimal amount of long-term debt on its balance sheet.
Winn-Dixie Chief Executive Officer and Chairman of the Board Peter Lynch, said, "This is a historic day for the outstanding Associates of Winn-Dixie, who have demonstrated tremendous dedication and focus over the past two years as we have sought to become a better company. While there is much work still to do, it is a day to reflect on the great progress that has been achieved in improving the quality and value of the products and service we provide our customers. We are exiting bankruptcy having achieved the restructuring objectives we set out when the Company first filed its Chapter 11 petition in February 2005. We have reduced our

store footprint to focus on those markets in which we believe we are best positioned for success. We have strengthened our balance sheet through significant reduction in debt and asset sales. We have obtained $725.0 million in new financing to significantly improve our liquidity. And we have enhanced our operating cash flows through a combination of increased sales and expense reductions."

In accordance with the Plan, the previous common stock trading under WNDXQ was cancelled and the Company will issue new shares of Winn-Dixie common stock in payment of bankruptcy claims. These new shares will be issued within the next 45 days. The new shares have been approved for quotation on the NASDAQ National Market System. Beginning on November 22, 2006, the new shares will trade on a "when-issued" basis under the symbol WINNV and under WINN after issuance.

The Company will issue the new shares to the Company's unsecured creditors holding allowed claims and to a reserve for disputed claims (or, to the extent not used for that purpose, for distribution to unsecured creditors at a later date). The Company estimates that following the distribution of the new shares, there will be approximately 54.5 million shares of the new common stock outstanding (inclusive of the reserve, but exclusive of approximately 5.5 million additional shares reserved for issuance under a management incentive plan).

11/10/06 – MOR For Period Ended 10/18/2006 - After closing out the first quarter with the first positive month of EBITDA in four months, the Company began the second quarter taking three steps backward as EBITDA was negative $6.0 million for the month ended October 18, 2006. Despite a full year of positive comps and a year and a half to fix the business and shed unwanted overhead, the Company has yet to prove it can be profitable. The Company finally received Court confirmation on its Plan of Reorganization yesterday and expects to emerge within 30 days; about a month later than originally planned. Inventory levels continue to increase; up $50 million from last month and % of inventory financed by vendors has also increased to 49.1%. This is approaching the Company's stated 2007 goal of 51% but expectations of pushing that to 54% and 62% over the next two years will be a reach if performance trends don't improve quickly. Second quarter comps will be telling as the Company begins to lap positive comps from last year. The second half will also begin the Company's first efforts at meaningful store renovations in some time. The bonds have been hovering between $70 and $75 (closing at $72 yesterday), signaling about a 25% discount in the value of the Company from the value estimated in the plan of reorganization. The Company has an exit facility with Wachovia ready to go and the beefed up inventory helps increase the borrowing base. Liquidity post-emergence should approach $400 million. However, confidence in the Company's future can't be all that high right now, and if the #2 grocery chain in the country (Albertsons) can decide to maximize its value by selling assets piecemeal, then Winn Dixie should also be considering this at some point in its future.

11/09/06 – First Quarter ended 09/20/06 - The fiscal 2007 first quarter was the fourth consecutive quarter of positive comps for Winn Dixie DIP. The Company must now show they can build year-over-year sales growth, and more importantly show that it can register profitable sales. The month ended September 20 was the first with positive EBITDA in the last four, while the Company returned to negative EBITDA in October. The Company projects positive comps for 2007 but less than the 5.1% seen in the latest quarter. It also expects competitive openings to continue to impact its comp store sales performance. The Company's plan of reorganization was confirmed today by the Court and the Company now expects to emerge within 30 days. We then expect another six weeks before the new stock is distributed. Liquidity is not an issue for the short-term, but the lack of steady margin improvement is certainly a concern as the Company has had a year and a half in bankruptcy to correct these issues. The bonds are trading in the low $70's, which shows that the bond market perceives the Company's enterprise value somewhere below the $750 million anticipated in the Plan.

11/09/06 - Winn-Dixie Stores, Inc. DIP today announced that the U.S. Bankruptcy Court for the Middle District of Florida has entered an order confirming the Company's Plan of Reorganization.

With this action, Winn-Dixie expects to emerge from Chapter 11 within 30 days. Following a confirmation hearing held on October 13, the Honorable Jerry A. Funk today issued a ruling affirming that the Company had met all of the necessary statutory requirements to confirm its Plan. The Plan will become effective -- and the Company will emerge from bankruptcy -- once all closing conditions to the Plan and to the Company's exit financing have been met.

As previously announced, Winn-Dixie has a commitment for $725 million in exit financing from a consortium led by Wachovia Bank. The Company expects to emerge from Chapter 11 protection with sufficient financing and liquidity to make significant investments in its current store base, to develop new stores, and to take other actions to position the business to compete effectively in its markets over the next several years. The Company also expects to emerge with only a minimal amount of long-term debt on its balance sheet.

Winn-Dixie President and Chief Executive Officer Peter Lynch said: "We are very pleased that the court has confirmed our Plan of Reorganization and that Winn-Dixie's emergence from Chapter 11 is now just around the corner. This is an exciting time for everyone at the company. We will continue to work hard to build on the turnaround we have started and to accelerate our momentum."

Lynch continued, "When Winn-Dixie emerges from bankruptcy, the company will be in a stronger and more financially stable position. We will be able to increase the level of investment in our stores and pursue other initiatives to improve and add value to our business. Our focus will remain on providing outstanding service and products to our customers."

10/26/06 - Monthly Operating Report For Period Ended 9/20/06 issued. Winn Dixie DIP's creditors voted to approve the Company's plan of reorganization on October 9, 2006. A Court hearing regarding confirmation of the plan was held on October 13 with approval expected any day now. This would presumably pave the way for emergence in mid-November. Comp-store sales for the quarter ended September 20, 2006, were a positive 5.1% and represents the fourth straight quarter of comps between 5% and 10%. However, such sales improvements have not been translating into profitability as of yet. Particularly, this was the first month of positive EBITDA in the last four months. These trends have signaled to the bond market that the Company may not be as far along in its recovery as it should be or its projections would indicate. The bonds have been hovering around $70, signaling a 27% discount in the value of the Company from the value assigned/estimated in the plan of reorganization. That said, along with the sales growth, inventory and accounts payable have been slowly growing and liquidity should not be an issue for the foreseeable future. With an exit facility ready to go that will provide more flexibility than the current DIP facility, the Company's liquidity post-emergence should approach $400 million. However, it's not the cash in the wallet that is of concern but the amounts that yet must be invested into the store base, and invested wisely and productively.

10/16/06 - Winn-Dixie, DIP (Jacksonville, FL) completed the proposed sale of its distribution center and dairy operation in Montgomery, AL. The purchase price was $6.0 million. With this sale, the Company now operates five distribution centers.
In other news, the Company agreed to extend the contract of CEO Peter Lynch. If approved, Mr. Lynch would earn $1.25 million per year, beginning on the restructuring date and extending through June 30, 2010. He would also be eligible to receive annual bonuses totaling another $1.25 million and a "special" bonus totaling $2.0 million.
At last Friday's confirmation hearing US Bankruptcy Court Judge Jerry Funk did not indicate when he will issue a final ruling; however, an attorney representing Winn-Dixie said he expects a decision within 10 – 15 days. If the Plan is approved, the attorney anticipates it would be about two more weeks before the Company could emerge from chapter 11, possibly by mid-November. Management remains "confident" the Plan will be confirmed.

10/10/06 - Today, Winn-Dixie Stores, Inc., DIP, reported that creditors voted yesterday in favor of approving the Company's Plan of Reorganization. The next step is a hearing Friday in which the U.S. Bankruptcy Court will be asked to approve the plan. Approval by creditor class, including vendor, noteholder and landlord claims were 96.7%, 80.5% and 99.5%, respectively, based on value of total claims in the class.

10/10/06 - Winn-Dixie, DIP (Jacksonville, FL) proposed a new board of directors to run the chain as it emerges from Chapter 11. The designees include current president and CEO Peter Lynch, who is expected to serve as chairman, as well as Ronald E. Elmquist (president and CEO of Qualserve and a director of **RadioShack**), Evelyn V. Follit (director at Catalina Marketing and GetConnected), Charles P. Garcia (president of the Sterling Hispanic Capital Markets Group at vFinance), Jeffrey C. Girard (former vice chairman, finance and administration at **ShopKo Stores**), Yvonne R. Jackson (founder and president of BeecherJackson), Gregory P. Josefowicz (former chairman, president and CEO of **Borders Group** and a director of **PetSmart**), Terry Peets (senior advisor to J.P. Morgan Partners and a director of Berry Plastics, Pinnacle Foods Group, Ruiz Foods, and WKI Holding Company), and Richard E. Rivera (president and CEO of Rubicon Enterprises and a director of the National Restaurant Association).

10/02/06 - Putting a damper on the hope that **Winn-Dixie, DIP** (Jacksonville, FL) might emerge from Chapter 11 next month, the US Trustee in the case filed an objection to the proposed Plan of Reorganization, questioning provisions which would allow the Company to pay certain professional fees without first obtaining Court approval. The Trustee also took issue with management's plan to grant liability releases to Wachovia Bank, the members of the Creditors Committee, and present and former directors, officers and employees of the Company.
Management expects to resolve these issues in advance of the October 13 confirmation vote.

9/25/06 - Winn-Dixie, DIP (Jacksonville, FL) requested Bankruptcy Court authorization to sell its distribution center and dairy operation in Montgomery, AL to Montgomery Warehouses. The stalking horse bid was $6.0 million, with a proposed breakup fee of $120,000. Objections are due today and competing bids are due tomorrow. If any higher bids are received, the Company will host an auction on September 28.

Approval of the sale will be considered at an October 5 hearing.

9/18/06 - Winn-Dixie, DIP (Jacksonville, FL) is spending $25.0 million to rehabilitate two New Orleans, LA area stores that were closed by Hurricane Katrina. One store is scheduled to reopen on September 29, followed by the second on October 13. Following these reopenings, 11 of the 45 local Winn-Dixie stores will still be closed due to the hurricane.
In other news, the Company is seeking Bankruptcy Court approval to sell two stores (Pembroke Pines and West Palm Beach, FL) to Fine Foods Gourmet for $1.0 million. A hearing on the matter is scheduled for September 21.

09/18/06 - Monthly Operating Report For Period Ended 8/23/06 issued - Sales continue to follow the geography and head south at Winn Dixie DIP falling 4.3% in August from the previous month. However, the most alarming figure in last month's results was the significant decline in EBITDA to negative $9.1 million. That brings the cumulative EBITDA loss for the past three months to $22.0 million after about four months where it appeared that EBITDA was about to start making some positive strides. Skepticism has increased after not only showing a fading operating trend but a 10-K NT (Not Timely) filing for its annual results. The outlook is reflected in the falling bond prices, which were down 5% last week and are now trading at $70, well below the $90 level of a few months ago. These developments raise doubt over the $750 million enterprise valuation provided by the Company in its reorganization plan. Despite the valuation issue, the voting period for the Plan is set for September 25, a hearing for Court confirmation of the Plan is scheduled for October 13 and the Company still anticipates emerging by late October. The completed sale of the Bahamas assets in early August resulted in proceeds of about $50.0 million which boosted cash levels to $272.0 million. In reality, liquidity is not an issue; however, the Company lacks the funds required for a serious capital reinvestment plan.
Albert Furst, Vice President. (800) 789-0123 ext. 147.

9/12/06 – Winn-Dixie, DIP, today announced that while preparing its annual financial statements, it discovered it had not utilized certain carrybacks in fiscal 2005 that are expected to result in aggregate tax benefits of approximately $11.5 million. Additionally, the Company reached a tentative settlement agreement with the IRS on the amounts assessed for the 2000 - 2002 tax years. The Company is working on appropriate adjustments to reflect the carrybacks and settlement adjustments in its financial statements. The Company is also completing the reclassification of discontinued operations due to the exit during fiscal 2006 of approximately 350 stores and four distribution centers as well as the pending sale of its ownership interest in Bahamas Supermarkets Limited.

Due to the Chapter 11 filing and the additional and critical demands that the filing has placed on the time and attention of senior management, the significant time to finalizing its plan and soliciting creditors for approval and completing the two items described above, the Company has been unable to complete all work necessary to timely file the annual report on Form 10-K without unreasonable effort or expense. The Company expects to file its Form 10-K on or before September 26, 2006, the fifteenth calendar day following the prescribed due date.

9/05/06 - Winn-Dixie, DIP (Jacksonville, FL) received Bankruptcy Court approval to extend its exclusive period to solicit acceptances to its Reorganization Plan by 60 days as reported last Wednesday. The period is now scheduled to expire on October 31. The previous expiration date was August 29. This extension effectively pushes the Company's emergence date to at least the end of the year.

08/30/06 - Winn-Dixie, DIP, received court approval to extend the exclusive period to solicit acceptances of its plan of reorganization to the earlier of the entry of an order confirming the plan or October 31, 2006. The prior exclusivity period was to expire yesterday.

08/28/06 - *Thank You, Winn-Dixie*… As detailed in the July 31 issue of this publication, **Associated Grocers of Florida** (Miami, FL) purchased an 800,000 square-foot distribution center in Pompano Beach, FL from **Winn-Dixie, DIP** (Jacksonville, FL) for $51.0 million. According to published reports, AG experienced a 20% increase in productivity since it shifted operations from two smaller DCs in Miami, FL (totaling 517,000 square feet) to the new facility.

08/21/06 -Winn-Dixie, DIP (Jacksonville, FL) is seeking Bankruptcy Court approval to extend its exclusive period to solicit acceptances to its Reorganization Plan by 60 days. If approved at a hearing scheduled for August 24, the period would expire October 31. The period is currently to set to expire August 29. Objections are due tomorrow. Such an extension would effectively push the Company's potential emergence date to at least the end of the year.

08/16/06 - Monthly Operating Report For Period Ended 7/26/06 issued - For a company that is preparing to emerge from bankruptcy, most would expect some improved earnings results or at least a solid trend on which to build. However, Winn Dixie DIP's July results were disheartening as EBITDA was again negative, the third month in the last four (and May was only slightly positive). Sales were up slightly and overhead margin was reduced, but gross margin was down another 70 basis points. The Company's plan of reorganization was submitted early last month and received Court approval last week. However, the lack of operating improvement has raised speculation over the $750 million enterprise valuation and as such the bonds, which were as high as $88 not too long ago, have been slumping and are now at about $75. As we mentioned just last month; 'should performance falter, the Company's value and the estimated recoveries could both head south'. Liquidity remains adequate and an exit revolving credit facility has been arranged but the Company still does not have the capital for an expanded reinvestment program. The voting period for all claimholders regarding the plan of reorganization ends September 25 and the Company intends to seek Court confirmation on October 13 and emerge later that month.

08/14/06 - *Done with a Dozen*… Inching toward emergence from Chapter 11, **Winn-Dixie, DIP** (Jacksonville, FL) completed the sale of its nine City Markets and three Winn-Dixie stores in the Bahamas. As previously detailed, BSL Holdings Limited, a Bahamian investor group, agreed to purchase the units for approximately $54.0 million. However, Winn-Dixie will not receive all the proceeds as it owned only 78% of the Bahamian operation.
In other news, US Bankruptcy Court Judge Jerry Funk approved fee and expense applications from 19 professional firms totaling $16.6 million.

08/07/06 - As indicated in our ***Special Update*** issued August 4, **Winn-Dixie, DIP** (Jacksonville, FL) received court approval of its Disclosure Statement last week and is now free to solicit acceptances.

08/04/06 - As indicated in our Winn-Dixie Stores, Inc. DIP monthly operating report issued on July 7, a Court hearing was set for today to consider the adequacy of the disclosure statement with respect to its joint plan of reorganization. We have confirmed that today the Court did in fact rule that Winn-Dixie's Disclosure Statement was adequate for the purposes of soliciting creditor approval for the Plan of Reorganization. A confirmation hearing for the Court to consider approval of the Plan has been scheduled for October 13. Later this month Winn-Dixie will begin mailing notice of the proposed confirmation hearing and begin the process of soliciting approvals for the Plan from qualified claim holders. The official committee of unsecured creditors in Winn-Dixie's Chapter 11 proceedings has provided a letter to the Company, to be mailed to creditors with the Disclosure Statement, recommending that creditors vote in favor of the Plan of Reorganization. Assuming the requisite approvals are received and the Court confirms the Plan under the Company's current timetable, Winn-Dixie will emerge from Chapter 11 protection in late October or early November 2006.

The Company also amended its DIP credit agreement for a fifth time, effective August 2, 2006. Under the amendment, "Qualified Cash" of up to $75.0 million will be added to the calculation of "Excess Availability", thus potentially increasing availability under this facility.

07/31/06 - ***New HQ***… As detailed during our coverage of the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, **Associated Grocers of Florida** (Miami, FL) purchased the Company's 790,000 square-foot distribution center in Pompano Beach, FL for $51.0 million, well above its stalking horse bid of $39.3 million. In connection with the purchase, Associated will shift its corporate offices to the new facility and close its two warehouses in Miami. According to the Company, most operations have already been moved. The Miami facilities are expected to close next month.
In other Winn-Dixie news, the Company received Bankruptcy Court approval of its proposed $725.0 million exit financing agreement with Wachovia Bank.

07/19/06 – Monthly Operating Report For Period Ended 6/28/06 issued - After showing some EBITDA improvements in February and March, and stalling in the next two months, June was not kind to Winn-Dixie as EBITDA fell to negative $8.5 million; its worst showing since a negative $21.8 million reported the previous July. Sales were down another 3% month to month, but the Company has not yet provided comp-store sales performance for the month or fourth quarter after strong comps in the second and third quarters. Net debt levels were essentially unchanged from last month, but cash levels were up about $25 million as $55 million in asset sales offset capital spending and $16 million used in operations. Borrowing availability under the DIP facility was also up about $15 million with a $25 million boost in inventory and corresponding impact on the borrowing base. As expected, Winn-Dixie filed its plan of reorganization on June 29, which included a substantive consolidation of the debtors and a compromise on payouts to various unsecured creditors who will be receiving new equity in the newly reorganized Winn Dixie. Estimated recoveries according to the plan, which includes 70.6% for vendors/suppliers, are based on a $749 million equity value for Winn Dixie. Projections for the initial fiscal 2007 period, which began this month, call for $7.3 billion in sales and a weak $110 million in EBITDA (1.5% EBITDA margin). However, performance will need to start improving quickly if even these unspectacular goals are to be achieved. Should performance falter, the Company's value and the estimated recoveries could both head south.

07/07/06 - Winn-Dixie's, DIP, recently filed plan of reorganization (see our ***Special Update*** issued June 29) represents the culmination of extensive negotiations between the Company and various creditor groups, which ultimately resulted in a settlement of the substantive consolidation issue with the creditors committee and the ad hoc committees representing the trade vendors and retirees. The plan proposes a compromise relating to whether the liabilities and assets of the Debtors should be substantively consolidated for purposes of distributions under the plan. Following court approval, a hearing is scheduled for August 4, creditors will vote on the final plan by early October, setting the stage for Winn-Dixie to emerge shortly thereafter.

The estimated range of reorganization value of Winn-Dixie in the plan is approximately $625 million to $890 million, with a midpoint value of $759 million, as of an assumed emergence date. Based upon the assumed range of the reorganization value and an assumed total funded debt amount of approximately $10 million, an imputed estimate of the range of equity value for the Reorganized Debtors is between $615 million and $880 million, with an approximate mid-point value of $749 million. Based upon a reorganized equity value of $749 million, the issuance of approximately 50 million total shares to creditors, and claims information as of June 26, 2006, the recoveries in accordance with the compromise to unsecured creditor constituencies will be as set forth in the below chart. Please note that the information below and the valuation estimates in this paragraph may change based on greater or lesser claim amounts, the allocation of claims within categories and changes to valuation assumptions. In addition, all recoveries are subject to dilution arising from equity (i.e., stock grants or options) issued to management.

• Noteholder Claims 62.69 shares per $1,000 of Allowed Claim

• Landlord Claims 46.26 shares per $1,000 of Allowed Claim

• Vendor/Supplier Claims 46.26 shares per $1,000 of Allowed Claim

• Retirement Plan Claims 38.75 shares per $1,000 of Allowed Claim

• Other Unsecured Claims 34.89 shares per $1,000 of Allowed Claim

The reorganized Winn-Dixie will issue to holders of allowed unsecured claims the new common shares on the initial distribution date, which shall be no later than 45 days following the effective date of emergence (currently anticipated to be late October). The number of shares assumes an aggregate initial distribution of approximately 50 million shares and unsecured claims in an aggregate amount of $985.4 million, which is the current estimate of allowed unsecured claims. If such estimate is accurate, then based upon the estimated reorganized equity value, it is projected that the initial distribution will produce the following recoveries for each Class: 95.6% for Noteholder Claims, 70.6% for Landlord Claims, 70.6% for Vendor/Supplier Claims, 59.1% for Retirement Plan Claims, and 53.2% for Other Unsecured Claims. These recoveries are subject to possible decrease as a result of the potential allowance of disputed claims. Therefore, the plan proposes to establish a common stock reserve. Winn-Dixie, in consultation with the creditors committee, will seek to determine a maximum potentially allowable amount for all disputed claims, obtaining orders of the Bankruptcy Court where necessary to estimate or fix the maximum amount, and will set aside shares in the common stock reserve to ensure the same distribution (in terms of shares per $1,000 allowed daim) to holders of disputed unsecured claims as was received by holders of allowed unsecured claims in the initial distribution. Based upon the contingencies associated with the disputed claims, it is not possible at this time to estimate the final percentage recovery to be realized by holders of allowed unsecured claims or the per share value of the new common stock, which will ultimately depend on the number of shares issued on account of the disputed claims. The previously estimated recovery values (70.6% for Vendor/Supplier claims) are based on an equity value of $749 million and an aggregate of 50 million shares issued. The fact remains that additional shares will almost certainly be issued to satisfy disputed claims and pursuant to the establishment of a management equity incentive plan, which absent any appreciation in per share value, can only dilute the estimated recovery values.

Winn-Dixie also provided some clues to its future in its proposed plan of reorganization. Building on its new slogan, “Getting Better All the Time,” CEO Peter Lynch said the Company will continue to work on the basics including cleaning up stores, offering better customer service, and focusing on perishables. Lynch noted these changes helped drive recent identical store sales at the retailer's 527 stores in Florida, Georgia, Alabama, Louisiana and Mississippi. The Company is implementing merchandising initiatives to improve its customers’ shopping experience and help drive sales and profit growth. The Company’s approach is to launch initiatives department by department to facilitate training of the store staff. During the third and fourth quarters of fiscal 2005, the Company launched the first set of sales initiatives, which focused on the Company’s produce department and its meat department. The Company implemented sales initiatives at additional departments during fiscal 2006, including its floral and bakery departments.

Pursuant to the plan, the Company presented financial projections through fiscal year 2011. The projections were developed based on the following key assumptions:

- Sales are assumed to grow at a rate of 5.2% - 7.1% over the course of the projection period due to operating initiatives (merchandising, marketing, customer service), store remodels and new store openings.

- Overall gross margin is expected to improve until 2009 and remain constant thereafter. As part of its turnaround strategy, the Company has implemented a shrink task force that has lowered shrink levels in recent periods.

- SG&A margin is expected to decrease due to improved operating performance and cost savings. The projections also include estimates of unreimbursable losses related to potential hurricanes.

- Working capital changes will reflect an increase in accounts payable due to improved vendor turns. Days payables outstanding are expected to increase during fiscal 2007 and 2008 as vendors restore payable terms that are in line with what the Company perceives as normal industry practice.

- Capital expenditures are expected to range between 2.0% - 2.8% of sales, including for store remodeling activity beginning in fiscal 2007 and new store openings in fiscal 2008 and each year thereafter.

- Winn-Dixie received a commitment for up to $725 million in exit financing from Wachovia Bank. The exit financing, which will replace the Company's current debtor-in-possession (DIP) credit facility on the effective date of a plan of reorganization, is expected to increase cash availability substantially. The exit facility is expected to be secured by substantially all the assets of the Company.

- Estimated adjustments to the financial statements have been made to reflect fresh start accounting.

Details of the projections are as follows:

(Dollars In Millions)	Fiscal 2007	Fiscal 2008	% Change	Fiscal 2009	% Change	Fiscal 2010	% Change	Fiscal 2011	% Change
Operating Performance:									
Sales	$ 7,329.4	$ 7,711.4	*5.2%*	$ 8,240.6	*6.9%*	$ 8,824.9	*7.1%*	$ 9,348.8	*5.9%*
Gross Margins	27.8%	27.9%	*0.1%*	28.0%	*0.1%*	28.0%	*0.0%*	28.0%	*0.0%*
SG&A Margin	26.3%	25.5%	*-0.8%*	24.7%	*-0.8%*	23.9%	*-0.8%*	23.3%	*-0.6%*
EBITDA (1)	$ 108.7	$ 180.7	*66.2%*	$ 272.2	*50.7%*	$ 362.0	*33.0%*	$ 438.5	*21.1%*
EBITDA Margin	1.5%	2.3%	*0.8%*	3.3%	*1.0%*	4.1%	*0.8%*	4.7%	*0.6%*
Int. Exp. (Income)	$ 6.0	$ 8.4	*38.6%*	$ 8.3	*-1.1%*	$ 5.8	*-29.6%*	$ 5.1	*-13.0%*
Net Income (Loss)	$ (53.2)	$ 13.1	*124.6%*	$ 59.2	*353.0%*	$ 103.7	*75.3%*	$ 137.2	*32.3%*
Times Interest Earned	18.03	21.62	*19.9%*	32.92	*52.3%*	62.18	*88.9%*	86.56	*39.2%*
Capital Expenditures	$ 149.8	$ 217.8	*45.4%*	$ 222.3	*2.1%*	$ 209.4	*-5.8%*	$ 220.2	*5.2%*
Working Capital & Liquidity Indicators:									
Cash and Equivalents (2)	$ 67.7	$ 34.4	*-49.2%*	$ 34.4	*0.0%*	$ 58.2	*69.4%*	$ 156.0	*167.9%*
Inventory	$ 487.2	$ 511.9	*5.1%*	$ 546.3	*6.7%*	$ 585.0	*7.1%*	$ 619.7	*5.9%*
% Inventory financed by vendors	51.1%	54.2%	*3.1%*	61.6%	*7.4%*	61.6%	*0.0%*	61.6%	*0.0%*
Inventory turnover (annualized)	10.86	11.13	*2.5%*	11.21	*0.7%*	11.23	*0.2%*	11.17	*-0.5%*
Accounts Payable	$ 249.0	$ 277.7	*11.5%*	$ 336.3	*21.1%*	$ 360.2	*7.1%*	$ 381.6	*5.9%*
Days Payable Outstanding	16.93	17.98	*6.2%*	20.41	*13.5%*	20.41	*0.01%*	20.41	*0.01%*
Working capital	$ 247.3	$ 227.0	*-8.2%*	$ 222.3	*-2.1%*	$ 281.1	*26.5%*	$ 414.6	*47.5%*
Debt & Leverage Ratios:									
Total Debt	$ 7.0	$ 42.8	*508.6%*	$ 32.1	*-24.9%*	$ 5.0	*-84.3%*	$ 4.5	*-9.9%*
Stockholders' Equity	$ 743.3	$ 756.4	*1.8%*	$ 815.6	*7.8%*	$ 919.3	*12.7%*	$ 1,056.5	*14.9%*
Total debt to TTM EBITDA	0.06	0.24	*266.2%*	0.12	*-50.2%*	0.014	*-88.2%*	0.010	*-25.7%*

(1) Does not include amortization of future non-cash stock based compensation.

(2) Cash flow for fiscal 2007 includes $46.3 million from the sale of the Bahamian operations and $122.2 million cash used at emergence from Chapter 11.

The Company plans to remodel approximately 50 stores in 2007, and has set its sights on opening new stores in 2008, primarily in its existing markets. The Company also has a new store prototype in the works. The chain will retain Peter Lynch (who was brought in shortly before it filed Chapter 11 in February 2005) as its president and CEO and once the plan is confirmed, a new nine-member board of directors will be appointed which will include Mr. Lynch.

Clearly, the reorganization process will allow Winn-Dixie to emerge with a significantly stronger financial position, with virtually no debt while also building its cash levels through asset sales. However, upon emergence, operations will continue to be at a competitive disadvantage, despite whatever modest store improvement initiatives have been implemented to date. EBITDA margin is projected to improve to just 1.5% for fiscal 2007, from a current rate of just barely positive over the past five months. Capital investments will be needed to support the projected improvements in sales and subsequent EBITDA growth. According to the Company projections, we estimate capital investments will include $75-$150 million annually for store investments over the next five years. We also expect that the chain will need to spend at least $1.5 million per store on remodels, which will include at least half the chain. This begs the question: Is Winn-Dixie's planned investment too little and too late? It may well be that Winn-Dixie will need to assume some additional debt (risk) to support a more aggressive store investment plan if it is to truly expect any definite improvements. The fact remains that the generic initiatives announced to date represent little more than Grocery Retailing 101 and to succeed long term this company must find a point of differentiation in order to capture and maintain a niche as their primary competitors have done.

07/03/06 - *Pay Day…* Last Thursday **Winn-Dixie, DIP** (Jacksonville, FL) filed its Chapter 11 Reorganization Plan (for details please refer to our July 29 ***Special Update***). As part of the Plan, Winn-Dixie will repay noteholders, landlords, retirees and other unsecured creditors with about 50 million shares of the Company's new stock. Unsecured creditors can expect to recover between 53.2% and 95.6% on their claims. Emergence is not expected until at least late October.

6/29/06 - Winn-Dixie Stores, Inc. today announced that it has filed its proposed Plan of Reorganization and related Disclosure Statement with the U.S. Bankruptcy Court for the Middle District of Florida. A hearing is scheduled for August 4, 2006 to seek approval of the Disclosure Statement and related voting solicitation procedures. Assuming these milestones are achieved, Winn-Dixie expects to emerge from Chapter 11 reorganization as soon as late October 2006.

The proposed Plan of Reorganization represents the culmination of extensive negotiations with various creditors and creditor groups in Winn-Dixie's Chapter 11 cases. Creditors have been divided over whether these cases should be substantively consolidated or not. Litigation of that issue would have been complex and expensive, delaying Winn-Dixie's emergence from Chapter 11 for a substantial period of time. Accordingly, the Official Committee of Unsecured Creditors (the Creditors Committee), with Winn-Dixie's support, successfully negotiated a settlement of the substantive consolidation issue. The Creditors Committee and the Company have garnered the support of ad hoc committees representing the interests of trade vendors and retirees. Winn-Dixie's Plan of Reorganization incorporates the substantive consolidation settlement.

Winn-Dixie also announced that it has received a commitment for up to $725 million in exit financing from Wachovia Bank. The exit financing will replace the Company's current $800 million debtor-in-possession (DIP) credit facility on the effective date of a Plan of Reorganization and is expected to increase Winn-Dixie's cash availability substantially.

According to the Company, it expects to emerge from its reorganization with sufficient financing and liquidity to make significant investments in its current store base, to selectively open new stores, and to take other actions to position the business to compete effectively in its markets over the next several years. The Company also expects to emerge with only a minimal amount of long-term debt on its balance sheet.

Winn-Dixie president and CEO Peter Lynch said, "The filing of the Plan of Reorganization and Disclosure Statement represents an important milestone in our Chapter 11 cases. We are hopeful that all parties involved in our Chapter 11 cases will agree that this plan represents an appropriate resolution of a variety of complex issues, including potential disputes regarding substantive consolidation. Winn-Dixie now is positioned to emerge from bankruptcy as soon as late October. Upon emergence, Winn-Dixie will be in a stronger and more financially stable position. We will have only a minimal amount of long-term debt on our balance sheet and, between our projected cash flow and new exit financing, we will be able to make significant investments in our stores and our business to ensure that we can continue to provide outstanding service and products to our customers and compete effectively in our markets."

Business Plan

The Disclosure Statement includes Winn-Dixie's five-year business plan. The business plan highlights actions the Company has already taken to enhance its operational and financial performance including merchandising and marketing initiatives, such as a focus on improving the perishables offering to reinforce the stores' image of freshness and quality and communicating the branding message of "Getting better all the time." Other completed actions include a reduction of the store footprint to focus on regions where Winn-Dixie's market share and profitability provide the best foundation for growth, a major redesign of the field and corporate overhead structure, and an annual cost reduction of approximately $100 million. The Company currently operates 527 stores in Florida, Alabama, Louisiana, Georgia, and Mississippi, as well as 12 stores in the Bahamas that are in the process of being sold.

In its business plan, Winn-Dixie projects additional growth in revenue (fueled by continued increases in identical store sales and, beginning in 2008, new store openings), gross margin and EBITDA during the five-year period.

Details of Proposed Plan of Reorganization

The Plan of Reorganization and Disclosure Statement may be modified prior to the approval of the Disclosure Statement and as a result of the confirmation process. Key elements of the Plan of Reorganization, as currently proposed and subject to approval by the Bankruptcy Court, include:

- The Company and its subsidiaries will be deemed substantively consolidated for purposes of the Plan of Reorganization and distribution under the Plan of Reorganization in accordance with the settlement negotiated by the Creditors Committee, which include different levels of recovery for different categories of unsecured creditors, based on their relative rights and the strengths of their positions on the substantive consolidation issue and other matters. **Accordingly, the estimated recovery percentage is 95.6% for bondholders, 70.6% for trade and landlord claims, and between 53%-59% for all other claims.** Previously, F&D Reports had estimated a recovery range for trade claims, assuming a substantive consolidation of assets, of 48% - 77%.

- Substantially all of the unsecured liabilities of the Company will be discharged in exchange for distribution of common equity of the reorganized company, allocated to the unsecured creditors in accordance with the substantive consolidation compromise.

- A portion of the common equity of the reorganized company will be set aside for use in a long-term incentive plan to be provided to certain key Winn-Dixie Associates. That plan may consist of a combination of stock grants and options.

- On the effective date of the Plan of Reorganization, a new Board of Directors will be appointed. The initial New Board will be comprised of nine directors.

- Administrative claims and priority claims will be paid in full as required by the Bankruptcy Code, unless otherwise agreed by the holders of such claims. Secured claims may be reinstated on original terms, satisfied on deferred payment terms, or paid in full at the election of the Company.

- "Convenience Class" will be defined as claims under $3,000, including creditors who elect to reduce their claims to $3,000, and will receive cash payments equal to 67% of the amount of their claims. Creditors with claims under $100 will be paid in cash, in full.

- Current holders of Winn-Dixie's equity will not receive any distributions following emergence and their equity interests will be cancelled once the Plan of Reorganization becomes effective. Similarly, subordinated claims, including stock-related claims, will not receive any distributions and will be discharged.

CEO Retention

The reorganized company expects to enter into a new employment agreement with Peter Lynch, pursuant to which he will continue to serve as the president and CEO of Winn-Dixie after the Effective Date of the Plan of Reorganization. Lynch has expressed a strong desire to continue serving in these roles after the Company emerges from Chapter 11. To this end, the Winn-Dixie Board, Creditors Committee and Lynch are negotiating the terms of a new employment agreement for Lynch. His current retention agreement expires on August 31, 2006.

06/21/06 - Monthly Operating Report For Period Ended 5/31/06 issued

6/19/06 - In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, the exclusivity date to file a Plan of Reorganization is set to expire on June 29. According to a spokesman for the Company, if Winn-Dixie files its Plan by that date, a court hearing would be held on August 4 to address related matters. A vote on the Plan would follow and management could expect to emerge from bankruptcy protection in late October.

The Company has been negotiating with creditors over how to treat unsecured claims, and whether the debtors' bankruptcy estates should be consolidated. Last week, we reported in an ***ISC Chapter 11 Case Update*** that Winn-Dixie asked the Court to deny a motion filed by the Ad Hoc Trade Committee to substantively consolidate the Chapter 11 case, claiming such an action would deprive the Company of its exclusivity to file a Plan. Apparently, under a compromise agreed to with the Creditors Committee, which is comprised mainly of non-trade creditors, the Company hopes to file its Plan of Reorganization before the end of the month. The Ad Hoc committee's motion, supported by confidential information provided by Winn-Dixie and, therefore, intended to be filed under seal, also received an objection from the Internal Revenue Service. The IRS argued it couldn't determine whether to support a substantive consolidation if the reasons were not made public. A hearing on the matter was continued until further notice.

6/16/06 – Third Quarter Update Issued – Analytical Overview - After several extensions of its exclusivity date to file a plan of reorganization, Winn Dixie, DIP is now approaching the one and a half years that many expected before the Company would emerge from bankruptcy. The latest extension of the Company's exclusive period to file a plan is June 29, 2006 with acceptances due by August 29. The primary issue requiring resolution is the subcon issue. The Company is attempting to work some type of compromise into its plan to appease all creditors and avoid lengthy litigation although there are no promises that they will be able to achieve this goal. However, at this point the Company still indicates that they intend to file a plan by June 29th and anticipates emerging in late October.

Operationally, top line growth is showing some traction but EBITDA margin remained a very weak 0.3%.

Margin improvements achieved from less inventory shrink were given back in promotional pricing, reduced vendor allowances and investments in labor costs. The Company has built some cash ($132.0 million) as a result of asset sales, with more to come, and has access to another $154.0 million through its DIP credit agreement. This may be enough to push a plan through and emerge from bankruptcy but is questionable if it is enough to succeed. Capital spending of $19.0 million through three quarters is microscopic and the Company has acknowledged a need to spend $1.4 million per store on remodels, which would likely include at least several hundred stores. The other unwelcome variable is that hurricane season is now upon them once again. With insurance premiums rising $20.0 million, higher deductibles and a ceiling on future claim payouts, the Company is sure hoping 2006 shows more compassion than the previous two years.

Albert Furst, Vice President. (800) 789-0123 ext. 147.

6/15/06 - On June 13, 2006, Winn-Dixie, DIP asked the Court to deny, or at least abate the Ad Hoc Trade Committee's motion to substantively consolidate the Debtor's estate as filed on May 11, 2006. The Debtor stated that one of the most significant issues remaining in reaching a consensual reorganization plan relates to whether the Debtors' estates should be substantively consolidated. They also stated that they and the Official Committee of Unsecured Creditors were working for the past several months on a compromise of the issue that the Debtors would propose as part of its plan of reorganization, which is not due until June 29, 2006. The Debtor believes that granting substantive consolidation would "preclude the possibility of alternative methods of reorganization" and that the compromise would help avoid protracted litigation over the issue.

In March 2006 several trade creditors, along with a group of claims traders, formed what they called the ad hoc committee of trade creditors to investigate substantive consolidation. The Official Committee of Unsecured Creditors is comprised of mostly non-trade entities.

6/12/06 - Winn-Dixie, DIP (Jacksonville, FL) sold its former distribution center in Charlotte, SC. Terms were not disclosed, but the 1.1 million square-foot facility, including land and buildings, is assessed at $26.6 million for tax purposes.

6/05/06 - Winn-Dixie, DIP (Jacksonville, FL) recently filed a series of motions seeking Bankruptcy Court approval to auction a distribution center in Montgomery, AL, a warehouse in Louisville, KY, a store in Stockbridge, GA and four tracts of land in Florida. A hearing to consider the requests is scheduled for June 15. According to the Company, it has received stalking horse bids totaling $7.2 million for the Florida, Georgia and Kentucky properties, and is seeking at least $7.0 million for the Alabama facility.

In other news, an attorney for Winn-Dixie recently said the Company is making "significant progress" on resolving any remaining issues standing in the way of its Plan of Reorganization. The comment came as several agenda items regarding the Ad Hoc Trade Committee's plan to substantively consolidate the grocer's pre-petition claims were continued at last Thursday's hearing. Reportedly, the Company, the Creditors Committee, the Ad Hoc Committee and various other groups continue to negotiate on the matter. A co-counsel for the Creditors Committee indicated "progress is being made."

The Ad Hoc Committee's motion to file its substantive consolidation plan under seal is now scheduled to be heard on June 15.

5/30/06 - Winn-Dixie, DIP (Jacksonville, FL) was drawn, buttered and ordered to pay a $200,000 criminal fine for selling undersized spiny lobsters in October 2002. The Company was also forced to forfeit 6,000 pounds of lobster worth $160,000 seized during the investigation and was placed on probation for two years. The only thing worse would have been to put the store managers in those little salt water tanks.

5/24/06 – Monthly Operating Report period ended May 3, 2006 – Analyst Summary
Winn-Dixie's string of two consecutive months of positive EBITDA was interrupted by a $644,000 EBITDA loss for the 4 weeks ended May 3. While we are still awaiting better results than even the last two positive EBITDA months, the return to negative territory is certainly disappointing. Sales were down 1.1% as the Company continues to pare some final non-core assets. The large net loss was the result of the overall decline in operating performance but mostly reflected losses from discontinued operations, in particular, $57.2 million in lease termination costs related to the latest exit of 35 stores. The required dates for the Company to file a Plan of Reorganization and get it approved are June 29 and August 29. As operations are condensed, inventory fell by $24.0 million, or 4.8% from last month, however, at least for the short term, accounts payable was maintained at $225.0 million. Borrowings under the $800 million DIP credit facility were again relatively unchanged but availability did shrink by $15.0 million with the drop in inventory levels and corresponding impact on the borrowing base. Cash levels were up again, $25.0 million to $170.0 million related to the working capital shifts mentioned above as well as another $10.0 million received on hurricane insurance claims.

5/22/06 - Winn-Dixie, DIP (Jacksonville, FL) received Bankruptcy Court approval of its previously announced plans to sell a distribution center in Pompano Beach, FL and 29 stores (17 in Florida and 12 in the Bahamas). Total proceeds were $118.0 million.

5/16/06 – Monthly Operating Report period ended April 5, 2006 – Analyst Summary
Winn-Dixie generated $5.2 million in EBITDA during the four weeks ended April 5, 2006, which reflects the second straight month of positive EBITDA and the third in the last four. Sales were down again as the Company continues to pare some final non-core assets. Gross margin was stable and SG&A margin improved 25 basis points from last month. These improvements are nice but EBITDA margin remained south of 1%, well below the 9% garnered from its main competitor Publix, and also below the 6% range of the big 3 national supermarket operators. The latest extensions on the required dates for the Company to file a Plan of Reorganization and get it approved are June 29 and August 29. Borrowings under the $800 million DIP credit facility were relatively unchanged and availability was down about $4.0 million with the drop in inventory levels and corresponding impact on the borrowing base. However, cash levels were up about $35.0 million from the previous month largely due to $25.0 million in advances on hurricane insurance claims and $8.0 million from additional asset sales.

05/08/06 - Winn-Dixie, DIP (Jacksonville, FL) recently indicated that stalking horse bids for eight of the 35 stores slated for divestiture have increased by $700,000 to $4.3 million. As mentioned previously, the Company initially received stalking horse bids on the eight properties totaling $3.6 million. An auction is scheduled for May 9.
In other news, the Company finally settled a creditor dispute with local utility company JEA. The two sides agreed to amended service agreements, whereby JEA will continue to bill the Company under volume pricing terms similar to the pre-petition contract between the two parties, and Winn-Dixie will pay $583,000 to satisfy its outstanding pre-petition debts with JEA.
According to Winn-Dixie's co-counsel, the new contract will save the Company $50,000 – $60,000 per month.
The Company also received Bankruptcy Court approval to retain Deloitte Financial Advisory Services and Deloitte Consulting to provide "fresh-start" accounting services in connection with implementation of a Plan of Reorganization and emergence from Chapter 11.

05/01/06 - An "Ad-Hoc Trade Committee" in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case is seeking Bankruptcy Court authority to examine the entities that underwrote the $300.0 million of notes issued by the Company in December 2000. According to the group, the examination is likely to provide information helpful in compelling substantive consolidation of the Company's Chapter 11 case.
The Court has not yet scheduled a hearing on the matter.
In other news, the Company's next Monthly Operating Report and Form 10-Q for the periods ended April 5 are due on May 15.

04/24/06 - In last week's issue of this publication, we indicated **Winn-Dixie, DIP** (Jacksonville, FL) filed a motion seeking court authorization for the sale of 35 additional stores. According to subsequent reports, the stores have attracted attention from **Publix Super Markets** (Lakeland, FL) and **Wal-Mart** (Bentonville, AR). As previously mentioned, an auction is proposed for May 9.
Meanwhile, the Company received Bankruptcy Court approval of a 70-day extension of its exclusive periods to file a Plan and solicit acceptances to the Plan (detailed in our ***ISC Chapter 11 Case Update*** issued last Friday).

4/21/06 - Winn-Dixie, DIP, received court approval for its motion requesting an extension of the exclusive periods to file a Plan of Reorganization and solicit acceptances to the plan. The new extension pushes back the deadline Winn-Dixie has to file a plan by 70 days to June 29, 2006 and the deadline to secure approvals of the plan until August 29, 2006.
The Company had previously commented that it was targeting a June emergence date; however, the current extension could push that target out to the fall.

4/17/06 - Winn-Dixie, DIP (Jacksonville, FL) filed a motion seeking court authorization for the sale of 35 additional stores, whose closure was discussed in our March 28 ***Special Update***. Eight of the properties have received stalking horse bids totaling $3.6

million and there is word the Company received tentative bids for seven other units. An auction is proposed for May 9, with the properties being marketed by The Food Partners and DJM Asset Management.
The Company is also auctioning its 790,000 square-foot distribution center in Pompano Beach, FL. **Associated Grocers of Florida** (Miami, FL) placed a stalking horse bid of $39.3 million. Competing bids are due by May 15, with an auction scheduled for May 17. Final approval will be considered at a hearing the following day. The sale is part of management's previously announced plan to consolidate the Company's distribution operations in southern Florida (detailed in our ***Special Update*** issued March 29).

04/10/06 - Winn-Dixie, DIP (Jacksonville, FL) received Bankruptcy Court approval to pay an aggregate of $16.0 million in fees to 16 of the professional firms assisting the Company's Chapter 11 proceedings. The payments cover outside professional work done between October 2005 and January 2006.

03/30/06 - Following up on yesterday's announcement to consolidate and attempt to sell its Pompano Beach distribution facility (as detailed in our Special Update issued yesterday), Winn-Dixie Stores, Inc., DIP, today announced plans to sell the 12 supermarkets it operates in the Bahamas -- 9 under the City Markets banner and 3 under the Winn-Dixie banner. All 12 stores are expected to remain open following completion of the transaction.

A wholly-owned subsidiary of Winn-Dixie, W-D (Bahamas) Ltd., a Bahamas Company ("W-D (Bahamas)"), has reached a definitive agreement to sell its majority stake in Bahamas Supermarkets Limited ("BSL") to a local Bahamian company, BK Foods, Ltd., for approximately $50.0 million. The agreement provides an opportunity for the submission of higher or better offers through an auction to be held at a later date. W-D (Bahamas) owns approximately 78% of the common stock of BSL. The other 22.0% of BSL's common stock will remain publicly traded in the Bahamas.

Winn-Dixie President and Chief Executive Officer Peter Lynch said, "We have concluded that a sale of our Bahamian operation is in the company's best interest as we continue to sharpen our focus on successfully implementing our business plan and preparing to emerge from Chapter 11. Although the 12 stores in the Bahamas are profitable, they are not a core business for us. The additional liquidity generated from this sale will help Winn-Dixie support the remodeling of existing stores and development of new stores in our core U.S. markets. We are pleased that a local Bahamian company recognizes the value of the Bahamian stores and the Associates working in them."

Jerome Fitzgerald, Director of BK Foods, said, "My partners and I are pleased to have been able to successfully conclude this phase of the transaction. Bahamas Supermarkets Limited has had a long history of success and profitability, and our group fully expects that success to continue with the same management team overseeing day-to-day operations at the company and the same Associates in the stores. We believe this is a good opportunity that puts the retail food business in the Bahamas completely in the hands of Bahamians."

The agreement is subject to conditions, including Winn-Dixie obtaining Bankruptcy Court authority to exercise its consent to execution of the transaction by W-D (Bahamas), which is not a debtor under Winn-Dixie's Chapter 11 proceedings. In addition, subject to obtaining Bankruptcy Court authority, Winn-Dixie has agreed to (i) enter into a transition services agreement that provides for an orderly transfer of management and operational know-how regarding the operation of the Bahamian business, and (ii) enter into a Non-Compete Agreement for a period of two years. The agreement does not include rights to use any Winn-Dixie trade name or trademark, all of which will be removed from the stores in the Bahamas within six months of closing of the transaction.

03/29/06 - Winn-Dixie Stores, Inc., DIP, today announced that as part of its ongoing focus on enhancing its financial performance and helping to position the Company for profitability when it emerges from Chapter 11 later this year, it has decided to consolidate its distribution operations in Southern Florida.

Winn-Dixie plans to sell its distribution center in Pompano Beach, Florida and move the work performed at that facility to its distribution center nearby in Miami. The transfer of operations is expected to begin in late April and be completed by the end of June.

Winn-Dixie President and Chief Executive Officer Peter Lynch said, "We have continued to examine our operations to ensure Winn-Dixie is best positioned to emerge from Chapter 11 financially healthier and better able to compete. Using one facility rather than two in Southern Florida will allow us to leverage economies of scale and operate more efficiently. Proceeds received from the sale of the Pompano distribution center will provide us with additional capital to help fund our remodeling program and other improvements. We are pleased that this consolidation can be achieved with a minimal amount of layoffs, as we expect to be able to offer employment opportunities at the Miami facility to every associate in the Pompano Beach distribution center."

Winn-Dixie, together with its outside advisors, will conduct an active marketing effort to identify potential buyers for the Pompano Beach facility, which is approximately 787,500 square feet and handles grocery, meat, dairy and produce items. The Miami facility is approximately 961,690 square feet and handles the same items as well as frozen foods. There are currently approximately 280 full-time and part-time associates at the Pompano facility and 440 at the Miami facility.

Winn-Dixie currently operates seven distribution centers in Florida, Alabama and Louisiana.

03/28/06 – Monthly Operating Report period ended March 8, 2006 – Analyst Summary

Winn-Dixie managed to generate $4 million in EBITDA during the four weeks ended March 8, 2006, on stronger sales and gross margin expansion. The positive EBITDA, and the potential to maintain that trend over the next few months, is critical considering the Company expects to soon file its plan of reorganization (the deadline to file a plan was recently extended to April 19, 2006) and emerge from bankruptcy by this summer. In anticipation of its upcoming exit, the Company completed a review of its store portfolio in February and decided to sell or close 35 more stores leaving it with a footprint of 550 continuing stores. Borrowings under the $800 million DIP credit facility were relatively unchanged (cash levels increased approximately $6 million) from February 8, 2006, although availability declined as a result of a drop in inventory levels and the corresponding impact on the borrowing base.

03/13/06 - *Ready to Turn the Page in Chapter 11*… As detailed in our ***ISC Chapter 11 Case Update*** issued March 10, **Winn-Dixie, DIP** (Jacksonville, FL) received court approval to extend by 30 days its exclusivity periods and the period to approve or reject leases. In other news, the Company opened the first of its new generation of stores. The 48,000 square-foot unit is located in Crawfordville, FL. Following six months of renovations, the store now features a pharmacy, coffee shop/soda fountain, seasonal merchandise and upgraded/expanded deli, meat, produce, natural and organic departments. The store also carries the Company's new logo. The first step in a turnaround is to find a successful format. Should this be "the one," management must still come up with the capital to expand the design to the Company's other 549 stores.

03/10/06 - Winn-Dixie, DIP, received court approval for its motion requesting an extension of the exclusive periods to file a Plan of Reorganization and solicit acceptances to the plan. The new extension gives Winn-Dixie until April 19, 2006 to file a plan and until June 21, 2006 to secure approvals of the plan. The periods to file a plan and solicit acceptances to the plan were set to expire March 20, 2006 and May 22, 2006, respectively.

The Company also received court approval to extend the period within which they must approve or reject unexpired leases through and including the date upon which a confirmed Plan of Reorganization becomes effective.

The Company had previously commented that it was targeting a June emergence date; however, the current extension could push that target out to July.

02/28/06 - Winn-Dixie Stores, Inc., DIP, today announced that in anticipation of its expected emergence from the Chapter 11 reorganization process in the summer of 2006, the Company has completed a review of its entire store portfolio and, as a result of this review, has decided to sell or close 35 more stores leaving it with a footprint of 550 continuing stores. On a side note, just days following Winn-Dixie's Chapter 11 filing on February 22, 2005, F&D Reports prepared an Enterprise Valuation analysis, which included a projected continuing store base of 550.

The closing of these stores is intended to enhance Winn-Dixie's financial performance and help position it for profitability. The Company, together with its outside advisors, is conducting an active marketing effort to identify potential buyers for these stores. Stores that cannot be sold will be closed. The Company's deadline to reject unexpired leases is March 20, 2006.

Winn-Dixie president and CEO Peter Lynch said, "Over the past several months, we have thoroughly reviewed our store base in an effort to ensure Winn-Dixie is able to emerge from Chapter 11 as a healthier and more competitive company. We have now completed this review and identified 35 stores to be sold or closed because they do not meet our financial requirements going forward. We believe the 550 stores in our continuing footprint will provide us with the most solid possible foundation on which to build a more profitable future for Winn-Dixie. At this time, we do not expect any other store closings as part of our Chapter 11 reorganization process."

02/06/06 - *Bonus Reduction* … Prompted by the Creditors Committee, **Winn-Dixie, DIP** (Jacksonville, FL) revised its request for a retention bonus to entice CEO Peter any sought Bankruptcy Court approval of a $2.0 million retention bonus. Winn-Dixie's new request, which reportedly has support of the Creditors Committee, is $1.2 million. Lynch received a retention bonus of $1.5 million in 2005. Lynch to remain at his post through the end of 2006. As mentioned in the January 24 issue of this publication, the Comp
In other news, the Company announced last week that it supported the decision of the US Trustee to disband the Equity Security Committee. Management indicated that although it supported the creation of the Equity Committee, "Winn-Dixie has now concluded that the US Trustee's disbandment of the Equity Committee is appropriate in light of current information," which includes Winn-Dixie's recent financial statements and its recently completed confidential business plan." According to management, although the business plan shows that Winn-Dixie will be able to reorganize successfully, it also makes it relatively clear that there is "no substantial likelihood of a meaningful recovery for existing shareholders under a plan of reorganization". Management also commented that it is "seeing tangible improvements in our performance including an increase in identical store sales of more than 7% for the second quarter of fiscal 2006." However, these numbers seem kind of lofty considering they had previously indicated that comps were up 2.9% for the first two months of the quarter.
The Company also indicated that the Equity Committee has filed a motion for reinstatement.

01/23/06 - As mentioned in last week's issue of this publication, the US Trustee in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case disbanded the Equity Security Committee. A hearing on the Equity Committee's motion to set aside the disbandment is scheduled for January 30, with objections due by January 25.
In other news, the Company is seeking Bankruptcy Court approval of a $2.0 million retention bonus to entice CEO Peter Lynch to remain at his post through the end of 2006. Lynch received a $1.5 million retention bonus in 2005.

01/16/06 - Last week the US Trustee in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case disbanded the Equity Security Committee. According to counsel for the US Trustee's Office, the Trustee will confer with Winn-Dixie and the Creditors Committee to discuss issues raised by the former equity committee.

01/09/06 - Winn-Dixie, DIP (Jacksonville, FL) sold its distribution center in Sarasota, FL for $30.0 million. The nearly 1.0 million square-foot warehouse has been shuttered since 2004.

01/04/06 – Monthly Operating Report Issued for period ended 12/14/05

01/03/06 - Winn-Dixie, DIP (Jacksonville, FL) received Bankruptcy Court approval to sell its Miami, FL dairy plant to McArthur Dairy for $5.8 million. Proceeds will be applied to the Company's $800.0 million DIP facility. As of November 16, 2005, there was $182.2 million available under the facility.

12/16/05 - Today, F&D reports confirmed with Skadden, Arps, Slate, Meagher & Flom, LLP, attorneys for debtor, that Winn-Dixie received court approval for its motion requesting a 90-day extension of the exclusive periods to file a Plan and solicit acceptances to the Plan. The motion was approved despite objections filed by unsecured creditors, who argued that a 30-day extension was more appropriate (see our ISC update on December 13).

The new extension gives Winn-Dixie until March 20, 2006 to file a plan and until May 22, 2006 to secure approvals of the plan.

12/13/05 - Today, the official committee of unsecured creditors appointed in the chapter 11 cases of Winn-Dixie Stores, Inc., has filed an objection to the Company's motion requesting a 90-day extension of the exclusive periods to file a Plan and solicit acceptances to the Plan as detailed in the December 5 Issue of Scrambled Eggs. After receiving two initial 90-day extensions, the newly proposed deadlines would be March 20, 2006 and May 22, 2006, respectively.

The Committee stated; "the Debtors stand poised to file a plan immediately and to move as quickly as possible towards confirmation and emergence from chapter 11…A prolonged stay in chapter 11 is not only unnecessary, but it may erode value and undercut restructuring efforts. There is no reason to delay the formulation and the filing of a Plan. [and as such] the Committee believes that a 30-day extension is therefore more appropriate."

The Committee stated that it did not easily or quickly arrive at its decision but stressed that the case has been pending for over 300 days and that the cases have been periodically sidetracked with various disputes, including the current litigation surrounding the propriety of an equity committee, which a prompt emergence would moot along with other disputes that may arise.

The filing continued, "Now that the Debtors have finalized their business plan the formulation of a plan of reorganization premised on that Business Plan is a relatively easy task…The Committee believes that any reorganization plan should distribute all of the common stock of the reorganized company to unsecured creditors. Given this and other realities the Debtors should be able to formulate a reorganization plan with the Committee in a matter of a few days. The Committee is ready, willing and able to expend all necessary efforts to assist in drafting a consensual plan of reorganization that can be filed on or before January 19, 2006….and extending the Debtor's exclusive right to solicit acceptances of the Plan to March 20, 2006."

12/12/05 - Peter Lynch, president and CEO of **Winn-Dixie, DIP** (Jacksonville, FL), recently indicated management's objective is to emerge from Chapter 11 by June 2006. In the meantime, a hearing to consider the Company's request to extend its exclusive periods to file a Plan and solicit acceptances to the Plan by 90 days to March 20 and May 22, respectively is set for December 15.
For a wealth of additional information about the Company, its ongoing results and Chapter 11 proceedings, please refer to our ***Snapshot Report*** and ***Insolvency Support Center*** emails issued last week.

12/05/05 - In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, the Company filed a motion requesting a 90-day extension of the exclusive periods to file a Plan and solicit acceptances to the Plan. If approved at the December 15 hearing, the new deadlines would be March 20, 2006 and May 22, 2006, respectively.
In the motion, management indicated Winn-Dixie has completed the sale of 81 stores, generating gross proceeds in excess of $40.0 million. The Company also indicated that approximately $136.0 million of additional proceeds have been generated through liquidation sales at 245 other stores.
Meanwhile, at the request of the Equity Security Holders Committee, the Company's annual meeting of shareholders, scheduled for December 8, has been postponed indefinitely. According to the Company, the Equity Committee requested the postponement "to allow time for there to be an independent review of the events and circumstances that led up to the filing of the Company's Chapter 11 cases, as well as other related matters."
The US Trustee in the case continues to re-evaluate the need for an Equity Committee. In the interim, the Court approved the Equity Committee's request to hire two law firms.
Finally, the Bankruptcy Court approved an additional $23.4 million in fees and expenses for attorneys and consultants. Hon. Jerry Funk presiding over the case also appointed a fee examiner to review and determine the propriety of all future fees. In August the Court approved fees and expenses totaling $15.0 million.

11/21/05 - *Going Once! Going Twice!* … In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, an online auction will be held next month to dispose of equipment used at the Company's Deep South food processing facilities in Jackson and Fitzgerald, GA. The auction will be conducted by The Branford Group on December 7 and 8.

11/07/05 - Winn-Dixie, DIP (Jacksonville, FL) is seeking Bankruptcy Court approval of a financing agreement with AFCO Premium Credit that would enable the Company to pay insurance premiums totaling $2.3 million. According to management, such a financing arrangement would be "more favorable" than borrowing under the Company's $800.0 million DIP Facility. A hearing to consider the matter is scheduled for November 17.

Meanwhile, Winn-Dixie's largest shareholder, D.D.I., has been subpoenaed by the Creditors Committee. However, the firm filed a motion seeking to dismiss the subpoena because it "has no active involvement in the bankruptcy case." The subpoena is related to the Creditors Committee's efforts to disband the Equity Security Holders Committee.

D.D.I., an investment company controlled by the founding Davis family, owns 36% of Winn-Dixie's stock.

A hearing on the motion to disband the Equity Security Holders Committee was scheduled for November 16; however, the disbandment proceedings have been put on hold while the US Trustee in the case re-evaluates the need for such a committee.

11/03/05 – (If interested in receiving a copy of the below mentioned analysis click here.)

Good morning,

Our Analysts have attempted to quantify what a liquidation versus a reorganization "going concern" sale might look like should the Company not begin showing improvement. Our latest analytical iteration which reflects reasonable ranges for a general unsecured claims recovery under those scenarios **(each is marked by separate tab at the bottom of the spreadsheet)** is available upon request**.**

Taking a look to the future following last week's 10K release by Winn Dixie and this week's NT filing...one must ask if the deck isn't already stacked against them. First the filing without adequate planning to incentivize trade creditors back in quickly, then the disruption of changing venues, next management's focus on closing stores rather than attracting customers into those that are to remain..... let's throw Mother Nature into the mix and hammer the Louisiana Gulf Coast with Katrina and Rita then move to South Florida and have Wilma cut a path across the entire state from Marco to Ft. Lauderdale....the combination of these events have made even more complex the task of breathing life into a chain already struggling to find an identity between price leader Wal-Mart and service leader Publix. The next several months are critical toward finding some positive news to build on....otherwise the options are limited with meltdown certainly high on the list.

11/01/05 - Following up on last week's delayed 10-K filing with the SEC, Winn-Dixie DIP filed a Form NT 10-Q for its first quarter ended September 21, 2005. The filing stated, "Due to the Chapter 11 filing and the additional and critical demands that the filing has placed on the time and attention of our senior management, as well as the significant time and attention devoted to the Restructure Plan, the delay in completion of the internal control assessment for fiscal year 2005, the delay in completion of our annual financial statements for fiscal year 2005, as well as additional effort involved in the large number of store sales and closures, we have been unable to complete all work necessary to timely file the quarterly report on Form 10-Q without unreasonable effort or expense. The Form 10-Q is now expected to be filed on or before November 5, 2005."

Winn Dixie DIP anticipates significant changes in the results of operations for the first quarter of fiscal 2006 from the corresponding period of fiscal year 2005. The results will be impacted by the following items:

- Lease termination and severance charges related to store, warehouse and manufacturing plant closures.
- Reclassification of previous year results of operations to Discontinued Operations for stores closed as part of the Restructure Plan.
- Gain/loss on disposition of property and equipment, including pharmacy prescription files.
- Reversal of LIFO reserves due to significant inventory liquidations.

10/28/05 - Winn-Dixie filed its 10-K this week for the fiscal year ended June 29, 2005, which was late due to the effects of Hurricane Katrina as well as the chain's ongoing restructuring. Net loss from continuing operations grew from $50.8 million to $691.3 million for fiscal 2005. The fiscal 2005 and 2004 periods included impairment charges of $264.8 million and $35.0 million and restructuring charges of $84.0 million and $9.0 million, respectively. At FYE, the Company rejected 163 leases (mostly including dark stores from the April 2004 restructuring and stores closed prior to that), which resulted in a maximum lease rejection claim liability of $100.9 million filed with the bankruptcy court, and an additional $185.6 million benefit related to the rejected leases (for the reversal of previous accrual charges recorded when the stores were initially closed), included as net income under reorganization items in the fiscal 2005 income statement. On a net basis, Winn-Dixie recorded net income from reorganization items of $148.3 million during fiscal 2005, including the $185.6 million related to lease rejection income. Due to Hurricane Katrina, the Company reported damage at 110 of 125 stores in the New Orleans region. On October 20, 2005, 112 stores were open for business, and the Company expects to reopen most of the 13 still closed stores. Total costs from the storm exceeded $100 million, but Winn-Dixie expects these costs will ultimately be fully covered by insurance. However, there was more bad news in October due to Hurricane Wilma which hit Florida. As of Wednesday evening, the Company had 20 stores still closed while another 69 were open but operating with a generator and selling non-perishables only.

As previously disclosed, Winn-Dixie received court approval for its reclamation settlement process, allowing vendor reclamation claims to be settled if the vendor returns to customary payment terms, or 20 days, whichever is less. As a result, the Company anticipates the program will have a $130 million positive impact on liquidity, net of settlement payments. However, settlements only began in late August, with the first payment date of September 30 for those participating.

At FYE June 29, 2005, Winn-Dixie had 913 stores, 10 manufacturing operations and 11 distribution centers. As of October 20, 2005, the Company completed the sale of 81 stores, for proceeds of $40.8 million and inventory liquidations on an additional 245 closed stores by September 21, 2005, the end of 1Q 2006, leaving a core base of 575 stores in the US and 12 in The Bahamas. Winn-Dixie also ceased operations on three distribution centers and two dairies. In aggregate, Winn-Dixie anticipates proceeds of $250 million resulting from its 2005 restructuring plan, including $165 million from inventory liquidations completed by the end of 1Q 2006. However, because of the corresponding impact on the DIP credit facility borrowing base from the lower carrying inventory levels, there was minimal impact on total liquidity from the inventory liquidations. With $40.8 million already received from the sale of 81 stores, the Company expects about $44 million from future asset sales. Winn also expects $450-$550 million in costs related to the closings. $400-$450 million of the closing costs will be non-cash costs for lease terminations, which is expected to be substantially reduced as the Company files lease rejections with the bankruptcy court. The remaining $50-$100 million will be funded by proceeds from asset sales. Net sales of the 326 closed stores were $2.50 billion in fiscal 2005.

Under the Company's $800 million DIP credit facility, based on a subsequent operating report, there was net borrowing availability of $142 million, in addition to cash and marketable securities of $74.8 million at August 24, 2005. Fiscal 2005 capex was $111.5 million. Fiscal 2006 capex is projected to be $86.6 million. Management says it will need to accelerate major remodels at a cost of $1.5-$2.5mm per store, but "doesn't currently have the funds necessary for this capital spending."

Finally, the Company also noted that an internal evaluation and an auditors opinion noted that internal controls of financial reporting was not effective due to material weakness relating to procedures to review multi-year incentive contracts.

10/14/05 - Winn-Dixie Stores, Inc., DIP today received approval from U.S. Bankruptcy Judge Jerry Funk to reject leases on three distribution centers, two dairies and a pizza company. The rejections will reportedly save the Company $700,000 a month in rent expenses.
The distribution centers slated for closure include one each in Atlanta, GA, Charlotte, NC, and Greenville, SC. The Judge also approved rejecting leases for dairies in Greenville, SC and High Point, NC, and a pizza plant in Montgomery, AL.
To date, Winn-Dixie has sold more than 100 stores and sent lease rejection notices to another 200 stores as part of its plan to close 326 stores.
As previously reported, Winn-Dixie has extended its deadline to December 19, 2005 for it to assume or reject leases for stores, distribution centers and other facilities.

10/04/05 - On September 12, 2005, Winn-Dixie, DIP (Jacksonville, FL) notified the SEC that the Company is unable to file its Form 10-K (for the period ended June 29, 2005) as scheduled due to the effects of Hurricane Katrina, as well as the chain's ongoing restructuring. The Company indicated to us that with the lapse of the 15-day extension they approached the DIP lenders and obtained a waiver on this requirement to file the financials through October 31. The Company is optimistic that the filing will not take that long as they are awaiting the accountants to wrap up their audit. The next monthly operating report for the period ended September 21, 2005 is due next Tuesday, October 11, but the Company indicated it will likely seek an extension on that filing as well.

09/26/05 - Last week the US Bankruptcy Court in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case approved a motion to sell furniture, fixtures and equipment at its facilities in Jacksonville, FL and Fitzgerald, GA, which manufacture the Company's Astor and Deep South private label lines.
A liquidating group (Gordon Company, Branford Industrial Group, Vision Equipment & Auction Company, and Rabin Worldwide) paid $575,000 for the rights to liquidate the Jacksonville plant, and $1.1 million to liquidate one of the manufacturing lines at the Fitzgerald facility. Sales proceeds will be split between the two parties on a sliding scale, after the initial prepayments have been recouped.
According to an attorney for the Company, production of these private label manufacturing lines will be outsourced.
Meanwhile, we are still waiting for Winn-Dixie's monthly operating report for the four week period ended August 24, which management had expected to file on September 20.

09/19/05 - Winn-Dixie, DIP (Jacksonville, FL) recently notified the SEC that the Company is unable to file its Form 10-K as scheduled due to the effects of Hurricane Katrina, as well as the chain's ongoing restructuring. Management indicated it expects full-year losses from continuing operations will swell to approximately $666.0 million from $50.8 million last year. That may not be the only eye-opener in the 10-K. Winn-Dixie indicated "We expect the report of our independent registered public accounting firm will contain an explanatory paragraph stating that significant matters exist concerning us that raise substantial doubt about our ability to continue as a going concern."
Meanwhile, the Bankruptcy Court approved an extension of the deadline to assume or reject unexpired leases from September 19 to December 19.
In a recent conversation with officials at Winn-Dixie, ***F&D Reports*** Analysts were informed the Company's monthly operating report for the four week period ended August 24 is expected to be filed tomorrow.

09/16/05 - Winn-Dixie Stores, Inc., DIP today provided an update on the impact of Hurricane Katrina, including its progress in re-opening stores in its New Orleans operating region, which includes the New Orleans, Mobile-Pensacola, Baton Rouge, Panama City, Lafayette, Biloxi-Gulfport, Hattiesburg-Laurel, and Meridian Designated Market Areas (DMAs).

Winn-Dixie has 125 ongoing operating stores in its New Orleans Region, all of which were impacted by Hurricane Katrina. As of today, 102 of those stores, or 82%, are open for business. The Company is working to re-open additional stores and currently expects to re-open substantially all of the 23 stores that remain closed. The timing for doing so is being determined on a store-by-store basis, taking into account, among other things, damage assessments and repairs, the rebuilding of local infrastructure and the return of the region's population. At this time, the Company estimates that eight of the stores that remain closed may be opened within approximately six weeks, while another three may re-open within approximately four months. The Company has not yet been able to establish a timeline for re-opening the remaining 12 stores, which, because they are located in Orleans and St. Bernard's Parishes, have not been fully assessed by the Company.

The Company's Hammond, Louisiana, distribution center served as a shelter for many of the Company's Associates during the storm and has continued to operate uninterrupted after the storm. The center initially utilized generator power, but had full utility power restored shortly after the storm. It continues to meet the needs of the stores it serves.

The Company noted that since the storm hit two-and-a-half weeks ago, sales levels in the New Orleans operating region are within 1% of sales levels in the five-week period immediately preceding the hurricane. Sales increases in the stores that are open are substantially compensating for the lost sales in the stores that are currently closed because of storm damage.

The Company's insurance for named windstorms and floods covers losses resulting from inventory damage, property damage, power outages, preparation and cleanup expenses and civil authority closings, and also includes business interruption coverage. The Company expects to be fully covered for losses due to Hurricane Katrina in excess of its $10.0 million annual windstorm and $5.0 million annual flood insurance deductibles. The impact of property and inventory losses related to the hurricane, which may exceed $100.0 million, is not expected to have an adverse effect on earnings in the current or future quarters due to insurance recoveries expected in excess of out-of-pocket costs. Expenditures on storm damage repair and replenishment of inventory, however, are expected to generally be required in advance of the receipt of insurance proceeds, which will negatively impact Company liquidity. The Company is preparing its claim for business interruption and other loss coverage. As of the latest filing for the period ended July 27, 2005, the Company had $125.0 million in availability under its DIP revolver and $38.0 million of useable operating cash.

09/12/05 - In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, the Company's exclusive periods to file a Plan and solicit acceptances to the Plan have been extended by 90 days to December 19 and February 20. According to an attorney for the Company, management expects to deliver its business plan to the Creditors Committee by the end of October.
Meanwhile, the Court allowed the Creditors Committee to file under seal a request that the recently formed Equity Security Holders Committee be disbanded. As mentioned previously, the Creditors Committee indicated the motion includes details of Winn-Dixie's strategy for its new footprint, confidential business plan and asset valuation.

09/06/05 – Special Analysis

ASSET SALES

F&D Reports recently held a conversation with management at Winn Dixie to obtain an update on the store sale/closure process. Of the initial 326 stores held for sale, the Company had obtained bids on 102 of the stores for $45.6 million, excluding inventory. After seeing bids for 32 properties withdrawn, the Company sold 70 stores which will remain in operation along with another 14 leases for $42.8 million. At a second auction held on August 9, another 15-20 leases were sold. The Company began the liquidation process on the balance of the stores in early August and confirmed that they essentially completed the process last week with just three remaining properties in the final stages of closure. However, while inventory liquidations at the approximately 225 stores that were closed are now substantially complete, additional time will be needed to empty and clean the stores to have them in condition to disavow the leases. The fate of three DC's is also still being considered. As such the September 19 deadline for assuming/disavowing leases will likely need to be extended.

LIQUIDITY

According to Winn Dixie's Monthly Operating Report (MOR) for the period ended July 27, inventory levels were down $45.0 million from June 29. However, the Company's borrowing base, which is predominantly related to inventory fell $50.0 million for the month. Net of $5.0 million in lower borrowings under the DIP, availability was down $45.0 million for the month to $125.0 million with useable operating cash of $38.0 million. In the next monthly operating report for the period ended August 24, the Company advised that we should see a good portion of proceeds from inventory liquidations. The Company also confirmed that although declining inventory levels will reduce the borrowing base further (The DIP facility utilizes a 70% advance rate on inventory), they are confident that the liquidations would have a positive effect to liquidity. The rapid pace of the inventory liquidations is surely not going to help the recovery and we estimate the boost to liquidity net of the borrowing base reduction could be as little as $25-$50 million. Proceeds from the sale of stores and leases will also help generate as much as $50.0 million, although that will not be recognized until after August 24. In early August the Company also sold prescription files for $16.5 million.

The final expected liquidity boost will be tied to any growth in vendor support related to the reclamation and trade lien agreement. Some close to the Company have anticipated as much as a $100.0 million boost to liquidity as vendors sign up for the trade lien agreement, which would appear to assume that nearly all participate. The Company acknowledged that initial participation has been slow but they are counting on September sign ups. The agreement calls for the first reclamation payment for those participating to go out on September 30 and then monthly thereafter. It is important to consider that this support will benefit short-term liquidity but will eventually be offset equally by reclamation payments of a same amount over a nine-month period.

The Company must comply with just one covenant, minimum EBITDA which is recorded over a moving 6-month period. Projections were provided to the banks in June so thus far most of the calculated projection is based on historic information, meaning the Company is well within compliance. The test will come with projecting how soon and how effective the Company is at turning around performance on the core store base. With the non-core store base now essentially gone, some operational stability will be the next goal post. The Company has recorded about $225.0 million in operating losses and over $90.0 million in reorganization costs over the five months that have been reported thus far through July 27. Although operating losses have shrunk over the past three months, they were still $45 million, $36 million and $33 million, respectively. As of July 27, the Company reported $163.0 million in DIP availability and useable cash, which is likely to be further supported by up to another $150.0 million as detailed above (including four reclamation payments made during the balance of the year). The Company's consultants commented in early June that the Company's operating projections would leave it with north of $200.0 million in cash at year-end. This would mean the Company would have to cut average operating losses combined with reorganization expenses to about $20.0 million per month for the remaining five reportable months of the year.

There are many disbelievers in the Company's ability to engineer a successful turnaround. The sale of under a third of the non-core store base (less than a quarter will continue to operate as food stores), is not a great start. The fact that Hurricane Katrina has closed over 6% of the Company's go-forward store base and another 4% is now operating on backup generators, surely does not help matters. The Company's 46-store New Orleans division was considered one of its stronger markets. That said, the first nearly six months since filing for bankruptcy has been dedicated to selling unwanted and unprofitable assets. The more difficult chore will be turning around operations at a chain that has been headed in the wrong direction for the better part of the last decade. Liquidity does not appear to be a major concern currently but will definitely be dependent upon the Company's ability to somehow present a well defined road map to profitability before exiting bankruptcy, which is no small order.

09/06/05 - *Eliminating Equity?*… The Creditors Committee in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case is requesting the Bankruptcy Court disband the recently formed Equity Security Holders Committee. The motion will be filed under seal because it includes details of Winn-Dixie's strategy for its new footprint, confidential business plan and asset valuation. The matter is scheduled to be considered at a hearing on September 8.

In other news, the Company announced that as of last Thursday, 38 stores in Louisiana (32), Mississippi (5), and Alabama (1) were closed as a result of Hurricane Katrina. Another 23 stores (four in Louisiana, 9 in Mississippi and 10 in Alabama) are open on generator power and selling non-perishables only. For more information on the impact of Hurricane Katrina, please refer to our special report issued August 31.
This morning, ***F&D Reports***' Private Client Group subscribers received an update that included a conversation with management regarding the newest details on the store closure/sale program, as well as an outlook on liquidity for the balance of the year.

08/22/05 - Winn-Dixie, DIP (Jacksonville, FL) is seeking Bankruptcy Court approval of a "claims resolution procedure" expected to accelerate the resolution of approximately 3,800 prepetition claims for such things as slip-and-falls. The motion requests the Court allow the parties to try resolving pending litigation through mediation. If a resolution cannot be reached with the help of a mediator, the matter will be turned over to an arbitrator. Awards exceeding $50,000 require Bankruptcy Court approval. Additionally, awards of more than $5,000 cannot be paid until the Company's Plan of Reorganization is approved.
A hearing on the matter is scheduled for September 1.

08/15/05 - *And So It Begins*… Last week **Winn-Dixie, DIP** (Jacksonville, FL) began G.O.B. closing sales at 257 Winn-Dixie and SaveRite stores in North Carolina (57), Georgia (53), Florida (43), South Carolina (40), Alabama (27), Mississippi (17), Louisiana (15), Tennessee (4) and Virginia (1). According to the Company, more than $200.0 million of merchandise will be offered at discounts of 30% – 50%. The G.O.B. sales are being conducted by Hilco Merchant Resources and Gordon Brothers Group.

08/08/05 - *More Stores for Sale*… As part of its previously announced sale of 102 stores to 30 purchasers (detailed in our ***Special Update*** issued July 19), **Winn-Dixie, DIP** (Jacksonville, FL) is selling six stores to **Delhaize Group's** (Belgium) Food Lion chain. The locations include one store in Georgia and five stores in North Carolina.

Additionally, **Ruddick's** (Charlotte, NC) Harris Teeter chain indicated it expects to complete the acquisition of six Winn-Dixie locations by August 17. The Company had bid on nine units, but was outbid on three. The aggregate purchase price was $18.9 million ($15.9 million for the stores and $3.0 million for inventory). According to the Company, aggregate gross minimal lease payments will be approximately $24.0 million per year. In conjunction with the acquisition, Harris Teeter plans to close three existing stores in close proximity to the acquired locations.
In a related matter, Winn-Dixie is scheduled to hold a second store auction tomorrow. The Company has yet to find buyers for 224 of the 326 stores targeted for closure in June. It should be noted that these are in addition to the 156 stores targeted for closure in 2004.

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The US Bankruptcy Court in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case authorized approximately $15.0 million in fees and expenses for attorneys and consultants. In conjunction with the decision, the Court approved a motion filed by DIP lender Wachovia Bank to hire a fee examiner to sort through the piles of fee applications and raise questions where appropriate

08/01/05 - On Friday the US Bankruptcy Court approved the Motion regarding reconciliation and treatment of trade vendors' reclamation claims and establishing a post-petition trade lien program. As detailed in our July 1 ISC Update, valid reclamation claims of participating vendors will be paid out over nine equal monthly installments provided that the supplier agrees to provide "customary" credit for the next year. Specifics regarding processes for participation have yet to be released. F&D Reports will provide additional details as soon as available.

Winn-Dixie officials expect that most of the 480 outstanding pre-petition claims by vendors will be resolved through this program. Steve Busey, Winn-Dixie's lead co-counsel says the move will free about $100.0 million in trade liquidity for Winn-Dixie.

The Court also approved the sale of 34 stores, roughly the final third of stores that had received bids during Winn-Dixie's July 18 to 19 auctions. Winn-Dixie sold 84 stores during the three days of hearings, for a total of $42.8 million.

08/01/05 - In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, the US Bankruptcy Court approved the sale of prescription files from 139 stores. The files were sold for an aggregate of $16.5 million to 10 different buyers including **CVS** (Woonsocket, RI), **Jean Coutu Group's** (Longueuil, ON, Canada) Eckerd chain, **Kroger** (Cincinnati, OH), **Target** (Minneapolis, MN), **Publix Super Markets** (Lakeland, FL), **Walgreen** (Deerfield, IL), **Fred's** (Memphis, TN), **Rite Aid** (Camp Hill, PA), **Wal-Mart** (Bentonville, AR) and **BI-LO Holdings** (Greenville, SC).

In other Winn-Dixie news, the Bankruptcy Court approved the motion regarding reconciliation and treatment of trade vendors' reclamation claims and establishing a post-petition trade lien program. As detailed in our ***ISC Update*** issued July 1, valid reclamation claims of participating vendors will be paid out over nine equal monthly installments provided that the supplier agrees to provide "customary" credit for the next year. Specifics regarding processes for participation have yet to be released.

07/25/05 - As detailed in our ***Special Update*** issued last Tuesday, **Winn-Dixie, DIP** (Jacksonville, FL) reached an agreement to sell 102 stores to 30 purchasers. If you would like to see the complete list of stores involved, their respective buyers, and estimated transaction values, please respond to Al Furst.
Commenting on the Company's ongoing efforts to reorganize, president Peter Lynch said, "There's more to come, but it's too soon to talk about it." He also laid the groundwork for potential additional closings, saying management will continue to examine each surviving store on the basis of market share, cash flow, profitability, real estate quality and financial outlook.
Finally, Winn-Dixie requested Bankruptcy Court approval to post $65.0 million in letters of credit to renew its insurance and workers' compensation programs. The Company will also be responsible for $4.6 million in premiums. A hearing on the matter is scheduled for August 4.

07/19/05 - Winn-Dixie Stores, Inc., DIP, today announced that, following a successful auction on July 18, it has reached an agreement to sell 102 stores to 30 purchasers, the substantial majority of which intend to operate these locations as food and beverage stores. These stores are part of the 326 locations that the Company previously announced it intends to sell or close in conjunction with its new "store footprint" strategy. On June 21, 2005, Winn-Dixie reported that it was taking action to strengthen its performance and achieve long-term profitability by focusing on its strongest markets and reducing the size of its store base from 913 stores in the U.S. and the Bahamas to 587 stores.

On July 1, we issued a *Special Update* detailing Winn-Dixie's preliminary agreement to sell 79 stores to 20 potential buyers, including Harris Teeter's agreement to purchase nine stores located throughout its core markets of North Carolina for an aggregate purchase price of $16.75 million (see our *Special Update* dated July 5). The additional stores and buyer are the result of an auction held in New York on July 18.

07/18/05 - *HQ Cuts*… According to an attorney for **Winn-Dixie, DIP** (Jacksonville, FL), the Company plans to eliminate as many as 400 headquarters positions as it reorganizes. There are approximately 1,400 workers at the Company's Jacksonville offices. Further details about the cutbacks were not disclosed.
Meanwhile, the Company received Bankruptcy Court approval to pay nearly $12.2 million in retention bonuses to approximately 290 key executives and up to $113.9 million in severance benefits to 73,000 former employees who worked at least 60 days before being terminated.

07/11/05 - *Gone With the Winn*… As mentioned in last week's issue of this publication, **SUPERVALU** (Eden Prairie, MN) is offering to pay $9.5 million to acquire 37 of the 79 stores being divested by **Winn-Dixie, DIP** (Jacksonville, FL). It appears 28 of the units, including 27 SaveRites, are located in the Atlanta area, while the remaining nine are located in Mississippi (8) and Alabama (1).
Meanwhile, **BI-LO Holdings** (Greenville, SC) bid on 20 stores, offering $9.0 million. The units are located in Alabama, Mississippi, North and South Carolina, and Tennessee.
As mentioned previously, all bids are preliminary and are subject to higher and better offers at an auction to be held July 18 – 19, 2005. Auction results will be considered by the US Bankruptcy Court on July 27. The Company plans to begin closing sales at stores not sold around August 1. The liquidations are expected to conclude in September.

In other news, the Bankruptcy Court denied a motion to form a separate committee representing beneficiaries of the Company's two retirement plans. The ruling comes more than a month after the US Trustee in the case indicated she is opposed to the formation of such a committee. As mentioned previously, the Company estimates there are about 1,000 participants in the plans with claims totaling approximately $100.0 million.

07/05/05 - On July 1 we issued a *Special Update* detailing Winn-Dixie Stores, Inc.'s, DIP, preliminary agreement to sell 79 stores in conjunction with its new "store footprint" strategy. Today, Ruddick announced that its Harris Teeter supermarket subsidiary entered into an agreement to purchase nine supermarket stores located throughout its core markets of North Carolina from Winn-Dixie. The agreement calls for the purchase of the leasehold interest for each of the nine supermarkets for an aggregate purchase price of $16.75 million. In addition, Harris Teeter is required to purchase other assets, including inventories, and to assume the leases. The agreement permits Winn-Dixie to continue to solicit offers for the stores until the time of the bankruptcy court approval. Assuming bankruptcy court approval is received, closing is expected to occur during early August.

07/05/05 - *Credit, Stores & Football*… As detailed in our ***ISC Chapter 11 Case Update*** issued Friday, **Winn-Dixie, DIP** (Jacksonville, FL) reached an agreement which should clear the way for the restoration of trade credit. Pursuant to the agreement, valid reconciled reclamation claims will be paid over a period of nine months beginning on the later of September 30, 2005 or the date reconciled. In addition, any unpaid portion of the reclamation agreement as well as the post petition credit provided by participating suppliers will be secured by a Junior Trade Lien. The agreement also provides for the waiver of preferences except for those that are alleged to have occurred on or after February 10, 2005.
In our ***Special Update*** also issued Friday, we reported Winn-Dixie's announcement that it has reached preliminary agreements to sell 79 stores to 20 potential purchasers. Although none of the purchasers were identified, published reports subsequently indicated **SUPERVALU** (Eden Prairie, MN) bid $9.5 million to acquire 37 of the stores while **Ruddick's** (Charlotte, NC) Harris Teeter chain offered an undisclosed amount to purchase four units in North Carolina's Triad area. The locations of the 37 stores targeted by SUPERVALU were not reported.
F&D Reports has obtained a complete list of the 79 stores being sold. If you would like a copy, please contact Al Furst.
Finally, the Company received Bankruptcy Court approval to end its eight-year, $12.0 million sponsorship pact with the Tampa Bay Buccaneers. Conversely, the Company will continue to sponsor the Jacksonville Jaguars. It also maintained its sponsorship of last Friday night's Winn-Dixie 250 NASCAR Bush series race at the Daytona International Speedway.
07/01/05 - An agreement has been reached with Winn Dixie which should clear the way for the restoration of trade credit. The highlights of the Motion which was filed today are as follows:

- Valid reconciled reclamation claims will be paid beginning on the later of September 30, 2005 or the date reconciled. The reconciled amount will be reduced by 4% representing assumed "consumption". Of the 4%, 1% will be moved back to the creditor's general unsecured claim and 3% will be waived. Payment will be made in nine equal monthly installments. To participate, the creditor must agree to provide "customary" credit to the DIP for a period of one year. If credit is withdrawn within that period any amount paid under the agreement must be disgorged.

- Any unpaid portion of the reclamation agreement as well as the post petition credit provided by participating suppliers will be secured by a Junior Trade Lien.

- The agreement also provides for the waiver of preferences except for those that are alleged to have occurred on or after February 10, 2005.

If you would like a copy of the complete Motion as filed, please reply.

07/01/05 - Today Winn-Dixie Stores, Inc. DIP announced that it has reached preliminary agreement to sell 79 stores to purchasers who intend to continue operating these locations as food and beverage stores. These stores are part of the 326 locations that the Company previously announced it intends to sell or close in conjunction with its new "store footprint" strategy. (For details see our Special Update issued on June 21, 2005).

In motions filed with the Bankruptcy Court today, Winn-Dixie is seeking authorization to sell a total of 79 stores to 20 potential buyers, all of whom intend to operate these stores on an ongoing basis. These agreements are preliminary and subject to higher and better offers that may be received at an auction to be held July 18-19, 2005. Agreements include a provision related to hiring Winn-Dixie Associates.

The Company noted that its marketing effort is ongoing and that it is continuing to work to identify potential buyers particularly for those stores for which there is currently no sale agreement.

The aggregate purchase price in the preliminary agreements for leases and equipment at the 79 stores is approximately $38.7 million. This amount does not include inventory to be purchased and is subject to change due to the outcome of the auction. Winn-Dixie is also seeking Court authorization to conduct store-closing sales at locations that it is unable to sell at the auction as food and beverage stores. Subject to Court approval, the Company anticipates that these sales would begin on or about August 1, 2005 and be completed in early to mid-September. The Court is expected to rule on these motions at a hearing scheduled for July 27-29, 2005.

Peter Lynch, President and Chief Executive Officer of Winn-Dixie, said: "To date, we have sales agreements for 79 stores. We are working hard to find buyers for additional stores who will continue to operate them as well as offer employment opportunities for our Associates. We sincerely regret the impact that our plans will have on many of our Associates who will not be offered opportunities with new owners. We recognize this is a difficult time, and we will provide severance and other assistance to these individuals through their transition."

06/27/05 – Winn Dixie, DIP's (Jacksonville, FL) store closure plan is not expected to have a "material impact" on real estate investment trusts that lease stores to the Company. New Plan Excel Realty Trust has the largest exposure with eight of its 19 Winn-Dixie stores expected to close. The closing stores generate about $2.1 million. Other REITs with exposure include Equity One Inc., Regency Centers Corp., Kimco Realty Corp., Kite Realty Group Trust, Ramco Gershenson Properties Trust, and Weingarten Realty.

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Eyes Peeled… Following Wednesday's announcement by **Winn-Dixie, DIP** (Jacksonville, FL) that it will be closing 326 stores, rivals have been wasting no time considering possible acquisitions. In metro Atlanta, the Company intends to shutter 40 SaveRite stores as part of its plan to close 68 stores in Georgia, pulling out of metro Atlanta, Augusta and Savannah entirely. The stores are all leased and expected to close within the next few weeks or months. According to a SaveRite manager, Winn-Dixie located a buyer for 31 of the metro Atlanta stores but did not identify the buyer. Area real estate experts say **Delhaize's** (Salisbury, NC) Food Lion, **Trader Joe's** (Monrovia, CA) and **Wal-Mart's** (Bentonville, AK) Neighborhood Market concept are among the chains considering the SaveRite stores. Kroger is currently the market leader in the Atlanta DMA with 139 stores and a 29.7% market share, while Wal-Mart and Food Lion control respective market shares of 18.9% and 0.7%.
At the same time, **Kroger** (Cincinnati, OH) immediately began soliciting Atlanta's SaveRite shoppers, running a newspaper ad including the message that Kroger "Welcomes SaveRite Customers!", as well as aggressive pricing deals open to holders of its Kroger Plus loyalty card.

06/21/05 - Today Winn Dixie Stores, Inc. DIP announced a series of actions "intended to enhance the Company's financial performance and position it for profitability in the long term". The cornerstone of the Company's plan consists of focusing on its strongest markets, where it typically has a significant market share position, and reducing its store "footprint" from 913 stores in the U.S. and the Bahamas to 587 stores.

New Footprint

Winn-Dixie currently operates 901 stores in nine states and 12 in the Bahamas. These stores are located in 37 Designated Market Areas (DMAs). Once the footprint plan is implemented, Winn-Dixie will operate approximately 587 stores in 23 DMAs in Florida, Alabama, Louisiana, Georgia, Mississippi, and the Bahamas. Of the 326 stores that the Company will sell or close, 233 stores are in DMAs the Company is leaving entirely. The other 93 stores are located in DMAs in which Winn-Dixie will remain, but these particular stores do not meet the Company's financial requirements going forward. Winn-Dixie's anticipated annual revenue following these store dispositions will be approximately $7.50 billion, compared to approximately $10.00 billion today.

Distribution and Manufacturing

In connection with the new store footprint, Winn-Dixie is also making changes in its distribution and manufacturing plant operations. Specifically, the Company will be exiting 3 of its 10 distribution centers. These facilities are located in Atlanta, Georgia; Charlotte, North Carolina; and Greenville, South Carolina. The Company will also close the portion of the Montgomery, Alabama distribution center that handles dry grocery. The "perishables" portion of the Montgomery distribution center will remain open, and the Company will be expanding the use of the Hammond, Louisiana dry grocery facility to accommodate the dry grocery items now handled in the Montgomery facility.

In addition, Winn-Dixie is marketing for sale its manufacturing plants, including its six dairy and culture plants, its pizza plant in Montgomery, Alabama, and its Chek Beverage/Deep South Products plant in Fitzgerald, Georgia, which produces Chek soda, shelf-stable juices and condiments. If buyers are not found, the Company will continue to operate the Chek Beverage plant and the Hammond, Louisiana and Plant City, Florida dairies. The Company is also working to find a third party to produce elsewhere the items made at its Astor Products plant in Jacksonville, Florida and the condiments at the Deep South plant. Once third parties are secured, those plants will be closed.

The Company, together with its outside advisors, is conducting an active marketing effort to identify potential buyers for the stores, distribution centers and manufacturing plants that it will no longer operate. Stores that cannot be sold will be closed. The Company expects to announce the results of this marketing effort within several weeks.

DMAs/Stores to be Exited

In determining its future store footprint, Winn-Dixie conducted a thorough analysis of its store base, including stores' market share, cash flow, profitability, real estate quality, and financial outlook. In the 14 DMAs it is exiting, the Company has either had a difficult market position, unsatisfactory financial performance, and limited opportunities for profitable sales growth, or it has determined that the stores in a particular DMA are too distant from its continuing distribution facilities to be operated on a cost- effective basis.

The DMAs that Winn-Dixie is exiting are the marketing areas of: Alexandria, Louisiana; Atlanta, Georgia; Augusta, Georgia; Charleston, South Carolina; Charlotte, North Carolina; Chattanooga, Tennessee; Columbia, South Carolina; Columbus-Tupelo, Mississippi; Greensboro-High Point, North Carolina; Greenville-Spartanburg, South Carolina; Huntsville, Alabama; Jackson, Mississippi; Raleigh-Durham, North Carolina; and Savannah, Georgia.

As a result of the actions announced today, Winn-Dixie expects that its workforce will be reduced by approximately 28%, or 22,000 positions. Where practicable, the Company will seek to offer affected Associates positions at other Winn-Dixie operations. In addition, the Company is reviewing its corporate organization and plans to make reductions in headquarters and support personnel reflecting the smaller store footprint that the Company will operate. An announcement regarding a corporate restructuring is expected to be made later this summer.

Peter Lynch, President and CEO of Winn-Dixie, said: "Creating a smaller, but more profitable store base will best position Winn-Dixie for long-term financial health and a successful future. We will be focusing our resources on markets where Winn-Dixie has a strong presence and there are compelling opportunities. This will allow us to build on our strengths and take advantage of the considerable potential we see to improve the shopping experience for our customers. Already, we have made significant strides. The steps announced today will help us to continue our progress as we strive to make Winn-Dixie a stronger company, better able to compete in the marketplace with a strong foundation for the future."

The Company has also confirmed for us that they expect the next Monthly Operating Report to be filed either today or within the next several days.

06/20/05 - Following creditor objections, **Winn-Dixie, DIP** (Jacksonville, FL) revised its Bankruptcy Court request to pay nearly $14.0 million in retention bonuses to approximately 290 key executives and up to $120.0 million in severance benefits to 73,000 former employees who worked at least 60 days before being terminated. At Thursday's hearing to consider the matter, the Court approved the modified plan, which lowered maximum retention bonuses to $12.2 million and maximum severance benefits to $113.9 million.
The Company also received Bankruptcy Court approval to extend its exclusive periods to file a Plan of Reorganization and solicit acceptances. However, the periods were extended by 90 days, not 120 as requested. The exclusive periods are now scheduled to expire September 19 and November 21, respectively. They were previously set to expire June 21 and August 22.

06/13/05 - Winn-Dixie, DIP (Jacksonville, FL) requested the Bankruptcy Court keep bid protections sealed to preserve the Company's negotiating leverage with prospective stalking horse, or lead bidders. The Company indicated it would provide an unredacted version of bid protection details to various creditor groups, the Creditor's Committee, the US Trustee and other parties the Court identifies as needing the information.

Although Winn-Dixie has not yet disclosed the number of stores that will be closed as part of its Reorganization Plan, recent speculation is in the neighborhood of 300 stores, possibly including all the Company's stores in Georgia, Mississippi, Tennessee, Virginia and the Carolinas. Back in February, our internal analysts had projected a go forward store base of as few as 550, which primarily includes stores in Florida.
In other news, a retired Winn-Dixie employee is asking the judge to deny Company efforts to spend about $14.0 million in bonuses for 290 employees and use the funds to preserve the pension plans of retirees. A hearing on the bonus plan is scheduled for June 16.

06/06/05 - Winn-Dixie, DIP (Jacksonville, FL) is seeking Bankruptcy Court approval to pay nearly $14.0 million in retention bonuses to key executives and up to $120.0 million in severance benefits to former employees who worked at least 60 days before being terminated. Amounts would be paid in three installments. The retention program would cover approximately 290 executives, whereas the severance plan would encompass 73,000 former employees. A hearing to consider the matter is scheduled for June 16.
In other news, Holly Etlin, a principal of the consulting firm hired to assist management with formulating its restructuring strategy, recently testified the Company is confident it has sufficient cash available to continue operations, even though it has been burning through cash at the rate of approximately $25.0 million per month. Etlin further indicated, "There's going to be a dramatic change" as the Plan of Reorganization is expected to stabilize operations and stop the cash drain. According to the Company's business projections, it will have more than $200.0 million in available cash at the end of this year, she said.

05/31/05 - Winn-Dixie, DIP (Jacksonville, FL) received Bankruptcy Court approval to sell three stores, plus inventory, to **Delhaize Group's** (Belgium) Food Lion chain for $1.0 million. As previously detailed, all three stores are located in Virginia (Midlothian, Highland Springs, and Quinton) and are the last stores to be sold as part of the Company's 2004 asset rationalization plan. To consummate the deal, Winn-Dixie must make $80,147 in cure payments to the landlords.
In other news, the US Trustee in the case indicated she is opposed to the proposed formation of a separate committee to represent beneficiaries of the Company's two retirement plans. As mentioned previously, the Company estimates there are about 1,000 participants in the plans with claims totaling approximately $100.0 million.
Meanwhile, the Company is seeking Bankruptcy Court approval to extend its exclusive periods to file a Plan of Reorganization and solicit acceptances to the Plan until October 19 and December 20, respectively. The periods are currently set to expire June 21 and August 22. A hearing to consider the matter is scheduled for June 16 with objection due June 9.
Last week, we issued a Summary of Winn-Dixie's operating report for the four weeks ended May 4. As detailed, the Company's borrowings under its DIP Facility increased $90.5 million to $196.8 million. The increase in borrowings was the result of a $45.4

million net loss, plus working capital requirements, increased inventory levels and lower accounts payable levels. The Company also sold $15.5 million in assets, as cash increased $19.5 million.

05/23/05 - In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, the US Bankruptcy Court approved the sale of a second corporate jet. The winning bid was $16.4 million.
Meanwhile, in a recent conversation with Company officials, ***F&D Reports*** Analysts confirmed the next Monthly Operating Report will be filed Thursday, May 25. Our **Summary** will be issued shortly thereafter.
Finally, the Court approved a motion to extend the time within which the Company may file a statement of reclamation until June 30, 2005. The time within which the Company or any other party may file value notices was similarly extended.

05/17/05 – April Operating Report Issued

05/16/05 - In the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, beneficiaries of the Company's two retirement plans are seeking Bankruptcy Court approval to form a separate committee. The Company estimates there are about 1,000 participants in the plans with claims totaling approximately $100.0 million.

05/09/05 - Winn-Dixie, DIP (Jacksonville, FL) is seeking Bankruptcy Court approval to obtain $9.7 million in insurance premium financing from AFCO Premium Credit. According to the Company, the financing will enable it to maintain property insurance coverage and preserve its cash flow. If approved, Winn-Dixie would make a $3.4 million down payment, followed by eight monthly payments of $802,247. A hearing on the matter is scheduled for May 19, with objections due by May 12.
At the same hearing, the Court will also consider the Company's request to sell a corporate jet for $15.3 million.
In other news, the Company won Court approval to extend the period to assume or reject unexpired leases by 150 days until September 19, 2005. Winn-Dixie's request to sell three stores to **Delhaize Group's** (Belgium) Food Lion chain for $1.0 million was also approved.

05/02/05 - A hearing to extend the deadline to assume or reject leases in the **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case is scheduled for May 6. The Company is seeking Bankruptcy Court approval to extend the dealine by 150 days to September 19, 2005. At the hearing, the Court will also consider the proposed sale of three stores to **Delhaize Group's** (Belgium) Food Lion chain for $1.0 million.
In other news, a bar date of August 1, 2005 has been set.
According to published reports, the Company has begun discussing its Reorganization Plan with creditors.

04/25/05 - *Three of a Kind*… Last week **Winn-Dixie, DIP** (Jacksonville, FL) filed a motion requesting Bankruptcy Court authorization to sell three leased stores to **Delhaize Group's** (Belgium) Food Lion chain. The purchase price is $1.0 million plus the value of inventory at closing. All three stores are located in Virginia and are the last stores to be sold as part of the Company's 2004 asset rationalization plan. As previously detailed, the plan included the sale or closure of 156 stores. A hearing to consider the matter is scheduled for May 6, which represents a shortening of the 20-day notification period typical to a Chapter 11 case.
According to Winn-Dixie, the deal must be completed by May 27 or it could fall through. Now we will watch for what is certain to be a much larger round of closings that Mr. Lynch has identified.
Jumping back to Delhaize for a moment, the Company's Delhaize America subsidiary replaced its $350.0 million secured revolving credit facility maturing July 31, 2005 with a new $500.0 million unsecured revolver. The new facility will mature April 22, 2010 and will be utilized to provide backup for seasonal working capital needs and general corporate purposes. The sole lead arranger and bookrunner of the new facility was J.P. Morgan Securities.

04/18/05 - *Playing it Close to the Vest*… Apparently newly installed **Winn-Dixie, DIP** (Jacksonville, FL) president and CEO Peter Lynch has been busy in the four months he has been on the job. According to published reports, Lynch emailed Company employees to inform them that management has developed and the board has approved a "footprint" plan contemplating which stores will be closed during the Company's Chapter 11 proceedings. Details of the plan will not be publicly announced for another several months.

04/13/05 - Winn-Dixie Stores, Inc. DIP announced that the U.S. Bankruptcy Court has agreed to transfer the Company's Chapter 11 case from the Southern District of New York to the Jacksonville Division of the Middle District of Florida.

In a ruling issued yesterday, Judge Robert D. Drain of the Southern District of New York ordered that the Winn-Dixie proceedings be moved to Jacksonville following an orderly transition. Winn-Dixie does not expect that this transition will significantly delay or otherwise materially affect its reorganization proceedings.

The Court's ruling followed a hearing at which a number of creditors argued in favor of moving the case to Jacksonville, while a number of others -- including the official committee of unsecured creditors -- argued in favor of having the case remain in New York. Winn-Dixie had requested that the Court transfer its case to Jacksonville after determining that this matter was threatening to disrupt the Company's Chapter 11 proceedings.

In his ruling, Judge Drain noted that the record of the court hearing demonstrated that Winn-Dixie's initial decision to file its case in New York was made "entirely in good faith" and, contrary to reports suggesting otherwise, was "not an attempt to hide anything" from creditors or other parties nor an attempt to obtain favorable treatment from the Court.

Jay Skelton, Chairman of the Winn-Dixie Board of Directors, said, "We are pleased that the Court has agreed to transfer Winn-Dixie's Chapter 11 case to our hometown of Jacksonville and, by doing so, has resolved a matter that was becoming an unnecessary distraction for the Company and its creditors. Today's Court ruling confirms our strong belief that we have acted appropriately, legally and in good faith throughout this matter. Now that this issue has been decided, we are confident all parties involved in Winn-Dixie's Chapter 11 proceedings will move forward in a spirit of cooperation and a renewed focus on achieving a successful reorganization."

A judge and case number have not yet been assigned to the Winn-Dixie case by the Bankruptcy Court in Jacksonville.

04/11/05 - Winn-Dixie, DIP executives are expressing their concerns about money owed to them under two retirement plans. Meanwhile, creditors are split over next week's fight over whether the Company's bankruptcy case should remain in New York or move to Florida or Louisiana. A hearing is scheduled for tomorrow in Manhattan on a motion brought by Buffalo Rock Co., an Alabama bottler that wants the case moved south.
In other news, Moody's has withdrawn its rating on the Company due to its bankruptcy.

04/04/05 - *What's Available?*... As detailed in our ***ISC Chapter 11 Case Update*** issued last Wednesday, **Winn-Dixie, DIP** (Jacksonville, FL) is now supporting the transfer of its Chapter 11 case from the Southern District of New York to the Jacksonville Division of the Middle District of Florida. In a subsequent conversation with Company officials, ***F&D Reports*** Analysts learned current availability under the $800.0 million DIP Facility is approximately $350.0 – $360.0 million. Including cash total liquidity is in the neighborhood of $400.0 million.

03/30/05 - Today, Winn-Dixie Stores, Inc., DIP, announced that it has requested that the U.S. Bankruptcy Court transfer its Chapter 11 case from the Southern District of New York to the Jacksonville Division of the Middle District of Florida.

Winn-Dixie president and CEO Peter Lynch said, "We have always been comfortable having our Chapter 11 case heard in our hometown of Jacksonville. When we initially made the decision to file in New York, it was with the understanding that creditors preferred that location because of its convenience. In fact, our research showed that most of our major creditors either have offices or legal representation in New York. Now that an objection from a creditor has caused this matter to become an unnecessary distraction, we have asked the court in New York to agree to move the case to Jacksonville as soon as possible."

On March 14, 2005, a Winn-Dixie trade creditor, Buffalo Rock Company, filed a motion seeking to transfer venue. In its response to this motion, filed with the Court today, Winn-Dixie said it disputes Buffalo Rock's assertions. Nonetheless, Winn-Dixie has concluded that the issue has become a distraction and that protracted litigation over venue would only further distract the Company and its creditors from the fundamental issues to be resolved in Winn-Dixie's Chapter 11 cases, all of which relate to the successful reorganization of the Company and its emergence from Chapter 11 as a profitable, viable business.

A court hearing on Winn-Dixie's request to change venue has been scheduled for April 12, 2005. If the court agrees to a change in venue, procedures would be implemented that would allow for an orderly transition of the case to the Jacksonville Court. Winn-Dixie does not expect that such a transition would significantly delay or otherwise materially affect its reorganization proceedings.

03/28/05 - Winn-Dixie, DIP (Jacksonville, FL) is seeking Bankruptcy Court approval to sell its corporate jet for $15.2 million. A hearing to consider the matter is scheduled for March 30.

The Company also asked the Court to extend the deadline to assume or reject store leases by 150 days. The deadline is currently set for April 22. According to the Company, it needs more time to determine which locations would be vital to its business plan. The matter will be considered at a hearing scheduled for April 12.

03/21/05 - In the increasingly contentious **Winn-Dixie, DIP** (Jacksonville, FL) Chapter 11 case, one of the creditors filed a motion seeking to shift the proceedings from New York, NY to either Jacksonville, FL or another Bankruptcy Court in the southeast. Accusing the Company of "venue shopping," the creditor questioned the creation of Dixie Stores, Inc., a New York-based subsidiary formed 12 days before the parent filed Chapter 11. The matter will be considered at a hearing scheduled for April 12. Objections are due April 5.

In other news, the Company indicated it expects to file a list of potential store closings by mid-April. The locations and number of stores involved were not disclosed.

Finally, as detailed in our ***ISC Chapter 11 Case Update*** issued last Friday, the Company received Bankruptcy Court approval of three proposed Final Orders: (i) granting authority to pay prepetition claims arising under PACA; establishing procedures for treatment of reclamation claims; and authorizing full access to the $800.0 million DIP Facility. Please refer to the Update for full details.

03/18/05 - Today, in the Winn-Dixie Stores, Inc. DIP Chapter 11 proceeding, the Bankruptcy Court held a hearing concerning three proposed Final Orders: granting the Debtor's authority to pay prepetition claims arising under PACA ("PACA Order"); establishing procedures for treatment of reclamation claims ("Reclamation Claims Procedure Order"); and authorizing the Debtors to obtain full access to the previously approved DIP financing ("DIP Order"). The hearing took into consideration the issues raised by Wachovia and the Debtor as we reported yesterday.

First, the Court approved the entry of the PACA Order establishing a $30.0 million reserve against the Debtor's DIP financing facility to pay allowed prepetition PACA Claims.

The Court next addressed the Debtor's motion to approve the Reclamation Claims Procedure Order. The Debtor waived a number of defenses to the payment of reclamation claims, however, preserved its "valueless" defense. The Debtor has 60 days to either resolve its reclamation claims or assert a "valueless" defense where the original Order preserved defenses through Confirmation.

In addition, the Debtor consented to a shift of the burden of proof from the claimant to the Debtor to prove that the goods were not on the Debtor's premises at the time of the filing of the reclamation claim. Entry of a final Reclamation Claims Procedure Order is not expected for several days.

Lastly, the Court approved an $800.0 million DIP financing facility from Wachovia Bank, National Association. The Bankruptcy Court so ordered the record, and written confirmation of the DIP Order is expected by Monday morning March 21.

03/17/05 - Today, Wachovia Bank, National Association (as Administrative and Collateral Agent for the post-petition credit agreement), represented by Otterbourg, Steindler, Houston & Rosen P.C., has filed a reply memorandum relative to the DIP financing motion arguing that objections to the Winn Dixie Reclamation Procedures and PACA orders, in addition to the issues raised by certain landlords, should be overruled by the court. With respect to reclamation, Wachovia is taking the position that its security interest trumps that of any reclaiming creditor. It is their contention that trade creditors are not entitled to marshal assets, therefore, the inventory subject to the trade creditors claims will be used to satisfy the DIP lender and consequently not available to the reclaiming creditor. They go on to say that only after the DIP lender is paid in full could reclamation rights be asserted and only then if the actual product shipped or the traceable proceeds from those goods was available.

Based on the foregoing, it is Wachovia's position that reclamation claims are valueless.

In responding to the PACA objection, Wachovia's position is at least somewhat less ominous in that they are not arguing that valid PACA claims are not senior to the DIP secured position, however, they are arguing that establishing a $30 million fund is in their words "premature, costly, and unnecessary". They also indicate that “the additional liquidity that will be provided by the $800.0 million DIP Financing Facility provides an adequate source of payment for all valid PACA claims.”

The debtor has also filed a brief today with the court which point-by-point supports each of the arguments presented within the Wachovia motion ***including the basis by which they believe applicable case law has established reclamation claims to be valueless***.

We will report on how the court rules after the hearing, which remains set for tomorrow.

03/15/05 - Today, Winn-Dixie’s, DIP, final hearing date for DIP financing and motion for an order authorizing reclamation procedures and payment of PACA claims was continued, with the hearing scheduled for March 18, 2005. The extension was apparently necessary in response to a large number of objections filed to both the reclamation procedures and DIP financing. The respective

03/14/05 - Reclaiming Reclamation... Two objections were filed last week to the **Winn-Dixie, DIP** (Jacksonville, FL) Reclamation Procedures interim order set for a final hearing tomorrow. Although the objections lay out other issues as well, the basic relief sought in both is to avoid the preservation of defenses from hanging over trade creditors heads. In short, the objecting trade creditors want to force the debtor to make its case now with respect to any attempt at rendering claims valueless rather than give the impression that all valid claims will ultimately be paid only to drop a hammer later.

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Foreshadowing its bankruptcy filing, **Winn-Dixie, DIP** (Jacksonville, FL) agreed four days before filing Chapter 11 to pay new president and CEO Peter Lynch a $1.5 million retention bonus. According to the Company, the bonus is separate from Lynch’s employment agreement and is meant to ensure his continued service at least through December 31, 2005

03/03/05 - On March 1, 2005, the Office of the US Trustee for the Southern District of New York appointed a seven member Unsecured Creditors Committee shown below. The Committee is comprised of three note-holders, a Realty Trust (New Plan), the Trustee for the Winn-Dixie Pass-Through Trust Certificates (Deutsche Bank) and two trade vendors.

R2 Investments, LDC Deutsche Bank Trust Company Americas New Plan Excel Realty Trust, Inc. Kraft Foods	Pepsico & Subsidiaries OCM Opportunities Fund V, L.P. Capital Research & Management Company

The law firm of Milbank, Tweed, Hadley & McCloy LLP has been selected to represent the Committee of Unsecured Creditors while financial advisors have yet to be chosen.

In a vendor conference hosted yesterday by the Company, CEO Peter Lynch stressed that “at this point approximately 53% of the top 289 vendors (“top tier vendors”) have now come back to provide some form of credit support, while 39% remained on some form of cash basis and 8% have yet to be contacted.” He also indicated that “credit support was being provided to some extent by about 58% of the next tier vendors, of which there are about 4,000.”

02/28/05 - As previously announced, **Winn-Dixie, DIP** (Jacksonville, FL) received interim approval for $600.0 million of its $800.0 million DIP Credit Facility. Upon receipt of the interim approval, Winn-Dixie made an initial drawdown of approximately $440.0 million. Of the initial borrowings under the DIP Facility, approximately $268.0 million in proceeds were used to repay the outstanding indebtedness under the Company's prepetition senior credit facility, and approximately $10.0 million in proceeds were used to pay costs, expenses, and fees in connection with the DIP Agreement and bankruptcy filing. In addition, approximately $162.0 million was issued as letters of credit under the DIP Facility in replacement of the letter of credit obligations under the prepetition senior credit facility. Reflecting the above, the Company had approximately $222.0 million of liquidity (cash plus availability under the DIP Facility) to meet its vendor and other obligations as of February 23, 2005.

Winn-Dixie's W-D (Bahamas) Limited subsidiary, which is 70% owned by the Company, continues to operate outside of bankruptcy court protection. W-D Bahamas has about a dozen supermarkets under the City Market and Winn-Dixie banners in Freeport and Nassau, Bahamas, which are independently supplied. Sales for W-D Bahamas are estimated at roughly $130.0 million.

One final piece of Winn-Dixie news: an organizational meeting for unsecured creditors will be held tomorrow at 2:00 p.m. in the Gershwin Ballroom (4th floor) at The Westin New York at Times Square. The address is 270 West 43rd St.

02/25/05 - An interim order has been entered with respect to procedures and treatment of reclamation claims subject to a final hearing set for March 4, 2005. The order authorizes Winn Dixie to return any goods subject to reclamation for credit to be applied to that creditor's pre-petition claim. If the Company chooses to not return the goods, valid reclamation claims are granted administrative expense status. The order also sets forth that: (a) the demand was made timely (within 10 days of the delivery of the goods or, if those 10 days expire after the petition date, within 20 days of receipt of goods), (b) the goods were identified by invoice and proof of delivery, (c) the debtor has elected not to return the goods, and (d) the claim is otherwise valid. The debtor is also authorized to make an "on hand" determination, which may be based on statistical historical consumption data.

Winn Dixie has 120 days to then provide each reclaiming creditor with a reconciliation statement of each claim indicating the amount considered valid. Within the ensuing 60 days each creditor may then accept the reconciled amount or challenge the finding after which the Company is authorized to negotiate a settlement. Absent a negotiated settlement, the matter would be resolved by a Motion for Determination being filed with the Court.

The order authorizes the payment of valid reclamation claims in conjunction with a confirmed Plan of Reorganization or earlier. However, if paid prior to Confirmation, the debtor has reserved all defenses.

In other Court action, yesterday an order was entered authorizing the payment of all valid PACA claims.

02/23/05 - At the conclusion of the second day of the Winn Dixie hearings, we have confirmed that the Court has approved $600 million of the total $800 million DIP financing agreement. **The Final Hearing on the DIP financing will be held at 10 a.m. on March 15th**. Debtor's counsel advised that the Judge indicated his agreement to sign the order authorizing the Procedures for Treatment of Reclamation Claims, but has not in fact signed that order as of this writing. We will continue to monitor all relevant activity and issue updates as deemed appropriate.

02/23/05 - Following Winn Dixie's Chapter 11 filing on Monday, we have updated our attached Enterprise Valuation Model (please email isc@fdreports.com for a copy of the updated Enterprise Valuation Model) first sent to you last August. As indicated, the analysis is based on a "going concern" assumption with low, mid, and high range EBITDA multiples driving the anticipated value. Additionally, we have drastically reduced the reorganized debtor store base to 550 units centered around its current 450 store Florida operations envisioning the closing/liquidation of approximately 360 existing stores on top of the 150 units already dark.

Please note that we have taken the potential unsecured creditor recoveries and expressed them as both an absolute percentage and a present value recovery assuming 24 months at 10%. The percent recovered only relates to that portion of your claim that would fall outside reclamation which we have factored in at a100% recovery.

Let us know if you have any questions or comments.

02/22/05 - We attended the Winn Dixie hearing this afternoon which has now been adjourned until tomorrow morning. The proposed orders seeking initial approval of $600 of the total $800 million DIP financing and the motion laying out Reclamation Claims Procedures were discussed and put over until tomorrow while purportedly minor language issues are resolved. In the meantime, the Judge did approve the temporary use of $100 million Cash Collateral pending entry presumably tomorrow of the Interim DIP Order.

Also, the organizational meeting for the Unsecured Creditors Committee has been set for March 1, 2005.

02/22/05 - ***Three of a Kind***… **Winn-Dixie** (Jacksonville, FL), which filed Chapter 11 late yesterday, sold three stores to **Delhaize Group** (Belgium). The stores, all located in Virginia, are part of Winn-Dixie's asset rationalization program. All three stores will close this week. Two (Highland Springs and Midlothian) will be quickly rebannered and reopened as Food Lions, while the fate of the third (Quinton) remains undetermined.

There are 27 Winn-Dixie "First Day" motions to be heard, including of particular interest DIP financing and procedures for treatment of Reclamation Claims.

02/22/05 - Winn-Dixie Stores, Inc. and 23 of its US subsidiaries have filed voluntary petitions for reorganization under Chapter 11 of the US Bankruptcy Code in the US Bankruptcy Court in the Southern District of New York. The chapter 11 case has been assigned case number **05-11063**.

The Company has secured an $800.0 million debtor-in-possession (DIP) financing facility from Wachovia Bank, N.A. Subject to court approval.

Peter Lynch, President and CEO of Winn-Dixie, intends to:

- Evaluate the performance of every store and the terms of every lease in the Company's real estate portfolio with the objective of achieving a rationalized store "footprint" that allows the Company to operate profitably and increase cash flow and return on invested capital;
- Seek Bankruptcy Court approval to immediately terminate the leases of two warehouses and approximately 150 stores that were closed previously, resulting in an annual cash savings of approximately $60 million; and
- Pursue all opportunities to further reduce annual expenses and to sell non-core assets, including all remaining manufacturing operations.