

## Spartan Strikes \$1.3B Deal To Merge With Grocer Nash Finch

By **Kathryn Brenzel**

*Law360, New York (July 22, 2013, 12:34 PM ET)* -- Spartan Stores Inc. has inked a \$1.3 billion deal to combine with Nash Finch Co., a merger that the companies said on Monday creates a top grocery retailer and holds on to Finch's title as the largest distributor to military commissaries and exchanges in the U.S.

The proposed new business amps up scale and geographic reach for the companies, netting 22 distribution centers covering 37 states and 177 retail stores, Spartan said Monday. Under the deal, Nash shareholders will receive 1.20 shares of Spartan common stock for each share of Nash they own, according to Spartan.

The deal is valued at \$1.3 billion, which includes net debt at each company. At Friday's closing, Nash was valued at \$312 million and Spartan at \$464 million. The companies anticipate completing the merger by the end of 2013.

"Together, we will create one of the premier grocery wholesaler and retail operators, with a comprehensive portfolio of high quality private brands, nationwide distribution services and a strong platform for future growth," Dennis Eidson, president and CEO of Spartan Stores, said in a statement. "By combining our resources, expertise and talent we will become a stronger and more efficient organization with an enhanced ability to leverage our size, geographic reach and hybrid business model to better compete in the evolving grocery industry."

The merger makes sense for two public companies looking to stoke their sizes without sinking their balance sheets, by eliminating overlapping infrastructure, the companies' representatives said in a conference call Monday. The companies project \$7.5 billion in annual sales and expect to save \$50 million in operation, corporate and other costs within three years of the combined company's operations, according to Spartan.

Spartan, which is based in Michigan, bills itself as the ninth-largest grocery distributor in the country, delivering more than 40,000 private and national brands to 390 independent stores in Michigan, Indiana and Ohio, and to its 102 corporate owned stores in Michigan, which include Family Fare Supermarkets, Glen's Markets and D&W Fresh Markets, according to the company.

Finch is based in Minnesota and considered the nation's largest food distributor serving military commissaries and exchanges, according to the company. The company also owns retail stores, primarily supermarkets under the Family Fresh Market, Econofoods, Bag 'n Save and other trade names.

Under the proposed deal, Spartan shareholders will own 57.7 percent of the combined company, and Nash shareholders will own 42.3 percent, the companies said. Eidson will serve as the president and CEO of the new business, while Nash's current CEO will stay on as an adviser to help in the transition, according to Spartan.

The combined business will keep its presence in the two companies' current headquarter locations, and Nash's military business in Norfolk, Va., will remain intact, the companies said.

Representatives for both companies told Law360 on Monday that it was too early in the merging process to discuss the deal's implications for Nash's wholesale operations outside its military business.

"This transaction is consistent with our vision to become the largest and most admired food distributor in the U.S," Alec Covington, Nash president and chief executive, said in a statement. "Our shared vision to provide best-in-class services to our wholesale customers and attractive formats for our retail consumers, as well as our continued commitment to serving our nation's military heroes and their families, at home and abroad, creates a powerful platform for growth over the long term."

Spartan was represented by Norcross & Judd LLP and Peter Krupp and Richard Witzel of Skadden Arps Slate Meagher & Flom LLP. Moelis & Company LLC acted as financial adviser.

Nash was represented by David Pollak, Jonathan Morris, Andrew Milano, James Fang, Dana Smith, Patricia Brennan, Matthew Scherneck, Stephen Nesspor, Gary Rothstein, Eric Sarabia, Harry Robins and Kenneth Kail of Morgan Lewis & Bockius LLP. J.P. Morgan Securities Inc. LLC acted as financial adviser.

--Editing by Lindsay Naylor.

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