SPARTAN STORES INC
Form 10-K
May 23, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended March 30, 2013.

OR

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to .

Commission File Number: 000-31127

SPARTAN STORES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan	**38-0593940**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
850 76th Street, S.W. P.O. Box 8700 Grand Rapids, Michigan	**49518-8700**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (616) 878-2000

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

Title of Class	**Name of Exchange on which Registered**
Common Stock, no par value	NASDAQ Global Select Market

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

None

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

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

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

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File requirement to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Securities Exchange Act).

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

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

The aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates based on the last sales price of such stock on the NASDAQ Global Select Market on September 14, 2012 (which was the last trading day of the registrant s second quarter in the fiscal year ended March 30, 2013) was $332,124,318.

The number of shares outstanding of the registrant s Common Stock, no par value, as of May 20, 2013 was 21,894,825 all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10, 11, 12, 13 and 14	Proxy Statement for Annual Meeting to be held July 30, 2013

Forward-Looking Statements

The matters discussed in this Annual Report on Form 10-K include forward-looking statements about the plans, strategies, objectives, goals or expectations of Spartan Stores, Inc. (together with its subsidiaries, Spartan Stores). These forward-looking statements are identifiable by words or phrases indicating that Spartan Stores or management expects, anticipates, plans, believes, estimates, intends, or is optimistic or co a particular occurrence or event will, may, could, should or will likely result, occur or be pursued or continue in the future, that the outlo trend is toward a particular result or occurrence, that a development is an opportunity, priority, strategy, focus, that the Company is positio for a particular result, or similarly stated expectations. Accounting estimates, such as those described under the heading Critical Accounting Policies in Item 7 of this Annual Report on Form 10-K, are inherently forward-looking. Our asset impairment and exit cost provisions are estimates and actual costs may be more or less than these estimates and differences may be material. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

In addition to other risks and uncertainties described in connection with the forward-looking statements contained in this Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission, there are many important factors that could cause actual results to differ materially. Our ability to achieve sales and earnings expectations; improve operating results; maintain and strengthen our retail-store performance; assimilate acquired stores; maintain or grow sales; respond successfully to competitors including new openings; maintain gross margin; effectively address food cost or price inflation or deflation; maintain and improve customer and supplier relationships; realize expected benefits of restructuring; realize growth opportunities; maintain or expand our customer base; reduce operating costs; sell on favorable terms assets held for sale; generate cash; continue to meet the terms of our debt covenants; continue to pay dividends, and successfully implement and realize the expected benefits of the other programs, initiatives, systems, plans, priorities, strategies, objectives, goals or expectations described in this Annual Report, our other reports, our press releases and our public comments will be affected by changes in economic conditions generally or in the markets and geographic areas that we serve, adverse effects of the changing food and distribution industries and other factors including, but not limited to, those discussed in the Risk Factors discussion in Item 1A of this Annual Report.

This section and the discussions contained in Item 1A, Risk Factors, and in Item 7, subheading Critical Accounting Policies in this report, both of which are incorporated here by reference, are intended to provide meaningful cautionary statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This should not be construed as a complete list of all of the economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to Spartan Stores or that Spartan Stores currently believes are immaterial also may impair our business, operations, liquidity, financial condition and prospects. We undertake no obligation to update or revise our forward-looking statements to reflect developments that occur or information obtained after the date of this Annual Report.

PART I

Item 1. Business

Overview

Spartan Stores is a leading regional grocery distributor and grocery retailer, operating principally in Michigan, Indiana and Ohio. We operate two reportable business segments: Distribution and Retail. We believe that we are the ninth largest wholesale distributor to supermarkets in the United States and the largest wholesale distributor to supermarkets in Michigan. According to reports provided by Metro Market Studies, our distribution and retail operations hold a combined #1 or #2 market share in the Northern Michigan and Western Michigan markets we serve and a #3 market share in our other Michigan markets. For the fiscal year ended March 30, 2013 (fiscal 2013), we generated net sales of approximately $2.6 billion.

Established in 1917 as a cooperative grocery distributor, Spartan Stores converted to a for-profit business corporation in 1973. In January 1999, we began to acquire retail supermarkets in our focused geographic regions. In August 2000, our common stock became listed on the NASDAQ Stock Market under the symbol SPTN. With approximately 8,650 associates, Spartan Stores distributes a wide variety of products to approximately 390 independent grocery stores and operates 101 conventional supermarkets.

Spartan Stores hybrid business model supports the close functioning of its Distribution and Retail operations, optimizing the natural complements of each business segment. The model produces operational efficiencies, helps stimulate distribution product demand, and provides sharper market visibility and broader business growth options. In addition, the Distribution and Retail diversification provides added flexibility to pursue the best long-term growth opportunities in each segment.

Spartan Stores has established key management priorities that focus on the longer-term strategy of the Company, including establishing a well-differentiated market offering for our Distribution and Retail segments, and additional strategies designed to create value for our shareholders, retailers and customers. These priorities are:

Retail sales growth: Continue refining our capital plan focusing on remodels, replacement stores, banner consolidation, adjacent acquisitions, expansions and new stores to fill in existing markets, leverage investments in fuel centers and pharmacy operations to drive related supermarket customer traffic and continue to focus on category management initiatives including leveraging our customer loyalty card data, specifically focusing on fresh and value oriented offerings. We also pursue prudent acquisitions to grow this segment.

Distribution sales growth: Focus on increasing penetration of existing customers, attracting new in-market customers and adjacent-state customers, continue to share best retail practices with customers, provide a superior value-added relationship and pursue appropriate acquisitions.

Margin optimization: Continued focus on leveraging our customer loyalty card data, increasing penetration of private brand programs, focus on value offerings, enhancing offerings in our fresh department, lowering the cost of merchandise through vendor partnerships, E-sourcing, and improving retail shrink.

Selling, general and administrative (SG&A) expense cost containment: Continue to focus on improving efficiency and general cost containment in all areas to allow us to remain cost competitive in the long-term.

We believe significant progress has been made towards achieving these long-term priorities in recent years and we will continue to focus on these priorities.

Distribution Segment

Our Distribution segment provides a selection of approximately 46,000 stock-keeping units (SKU s), including dry groceries, produce, dairy products, meat, deli, bakery, frozen food, seafood, floral products, general merchandise, pharmacy and health and beauty care items to approximately 390 independent grocery stores and our 101 corporate-owned stores. Also included are over 4,100 private brand grocery and general merchandise items. Total net sales from our Distribution segment, including shipments to our corporate-owned stores, which are eliminated in the consolidated financial statements, were approximately $1.8 billion for fiscal 2013.

Customers. Our Distribution segment supplies a diverse group of independent grocery store operators that range from a single store to supermarket chains with as many as 21 stores, as well as our corporate-owned stores. Pricing to our customers is generally based upon a cost plus model for grocery, frozen, dairy, pharmacy and health and beauty care items and a variable mark-up model for meat, deli, bakery, produce, seafood, floral and general merchandise products.

Our Distribution customer base is very diverse, with no single customer, excluding corporate-owned stores, exceeding 5% of consolidated net sales. Our five largest Distribution customers (excluding corporate-owned stores) accounted for approximately 20% of our fiscal 2013 Distribution net sales. In addition, approximately 78% of Distribution net sales, including corporate-owned stores, are covered under supply agreements with our Distribution customers or are directly controlled by Spartan Stores.

Distribution Functions. Our Distribution business utilized approximately 1.4 million square feet of warehouse, distribution and office space as of March 2013. We supply our independent Distribution customers and our corporate-owned stores from our distribution center located in Grand Rapids, Michigan. We believe that our distribution facility is strategically located to efficiently serve our customers. We are continually evaluating our inventory movement and assigning SKU s to appropriate areas within our distribution center facilities to reduce the time required to stock and pick products in order to achieve additional efficiencies.

We maintain a fleet of 101 over-the-road tractors, 216 dry vans, and 167 refrigerated trailers, substantially all of which are leased. To further support distribution operations, we operate six yard switchers and one on site fuel tanker. Through routing optimization, we were able to reduce our annual miles by 385,000 to approximately 12.1 million in fiscal 2013 allowing us to reduce our number of tractors from the previous fiscal year. We were also able to extend leases set to expire in the fourth quarter of fiscal 2013 on 32 of our 2009 tractors until the fourth quarter of fiscal 2014. This will allow us to take advantage of updates in technology as we review 2014 model year vehicles introduced by manufacturers. We plan to look at a similar strategy as additional equipment is subject to renewal while remaining committed to the ongoing investment required to maintain a best in class fleet while focusing on low cost, environmentally friendly solutions.

We plan to lease 26 new 53-foot refrigerated trailers in the first quarter of fiscal 2014. These trailers will be equipped with a Carrier Vector refrigeration unit. The new Vector units have the capability to run on electric standby, offering an economical and environmentally friendly alternative to diesel fuel. We have an additional 66 refrigerated trailers we plan to replace in the third quarter of fiscal 2014, which are planned to be equipped with standby technology as well.

In fiscal 2014, we will implement six Automated Guided Vehicles (AGVs) in our grocery warehouse. The AGV s will perform put-away, replenishment and full pallet selection in approximately 150,000 square feet of the warehouse. After installation in the second quarter of fiscal 2014, this new equipment and technology are expected to improve both the efficiency and capacity of the grocery warehouse.

Additional Services. We also offer and provide many of our independent Distribution customers with value-added services, including:

Site identification and market analyses	Coupon redemption
Store planning and development	Product reclamation
Marketing, promotion and advertising	Printing
Technology and information services	Category management
Accounting, payroll and tax preparation	Real estate services
Human resource services	Construction management services

Retail Segment

Our neighborhood market strategy distinguishes our stores from supercenters and limited assortment stores by emphasizing convenient locations, demographically targeted merchandise selections, high-quality fresh offerings, customer service, value pricing and community involvement.

Our Retail segment operates 101 retail supermarkets predominantly in midsize metropolitan, tourist and lake communities of Michigan. Our retail supermarkets are operated under banners including *Family Fare Supermarkets, D&W Fresh Markets, Glen s Markets, VG s Food and Pharmacy, Forest Hills Foods and Valu Land*.

Our 101 retail supermarkets typically offer dry groceries, produce, dairy products, meat, frozen food, seafood, floral products, general merchandise, beverages, tobacco products, health and beauty care products, delicatessen items and bakery goods. In 67 of our supermarkets, we also offer pharmacy services. In addition to nationally advertised products, the stores carry private brand items, including our flagship *Spartan* brand and *Fresh Selections*, *Top Care*, a health and beauty care brand, *Valu Time*, a value brand, *Full Circle*, a natural and organic brand, *World Classics* a premium, unique and worldly brand, *B-leve* a premium bath and beauty brand, and *Paws*, a pet supplies brand. These private brand items provide enhanced retail margins and we believe they help generate increased customer loyalty. See Merchandising and Marketing Corporate Brands. Our retail supermarkets range in size from approximately 18,466 to 65,821 total square feet and average approximately 41,000 total square feet per store.

We operate 30 fuel centers at our supermarket locations operating under the banners *Family Fare Quick Stop*, *D&W Quick Stop*, *Glen s Quick Stop*, *VG s Quick Stop* and *Forest Hills Quick Stop*. These fuel centers offer refueling facilities and in the adjacent convenience store, a limited variety of popular consumable products. Our prototypical *Quick Stop* stores are approximately 1,100 square feet in size and are generally located adjacent to our supermarkets. We have experienced increases in supermarket sales upon opening fuel centers and initiating cross-merchandising activities. We are planning to continue to open additional fuel centers at certain of our supermarket locations over the next few years.

Our stores are primarily the result of acquisitions from January 1999 to December 2012. The following chart details the changes in the number of our stores over the last five fiscal years:

Fiscal Year	Number of Stores at Beginning of Fiscal Year	Stores Acquired or Added During Fiscal Year	Stores Closed or Sold During Fiscal Year	Number of Stores at End of Fiscal Year
2009	99	17	16	100
2010	100		4	96
2011	96	1		97
2012	97		1	96
2013	96	5		101

During fiscal 2013, we relocated one store, completed five major remodels of our stores as well as many other limited remodels and store resets. In addition, we acquired one supermarket and one fuel center. We also opened four new *Valu Land* stores and two new fuel centers.

We expect to continue making meaningful progress with our capital investment program during fiscal 2014 by opening one to three new *Valu Land* stores, completing up to 12 minor remodels and three major remodels of our stores and converting up to 13 *Glen s Markets* locations to the *Family Fare Supermarkets* brand. We evaluate proposed retail projects based on demographics and competition within each market, and prioritize projects based on their expected returns on investment. Approval of proposed capital projects requires a projected internal rate of return that meets or exceeds our policy; however, we may undertake projects that do not meet this standard to the extent they represent required maintenance or necessary infrastructure improvements. In addition, we perform a post completion review of financial results versus our expectation on all major projects. We believe that focusing on such measures provides us with an appropriate level of discipline in our capital expenditures process.

Products

We offer a wide variety of grocery products, general merchandise and health and beauty care, pharmacy, fuel and other items and services. Our consolidated net sales include the net sales of our corporate-owned stores and fuel centers and the net sales of our Distribution business, which excludes sales to affiliated stores.

The following table presents sales by type of similar product and services:

(Dollars in thousands)	**2013**		**2012**		**2011**	
Non-perishables (1)	$ 1,289,461	49.4%	$ 1,293,147	49.1%	$ 1,297,719	51.2%
Perishables (2)	930,659	35.7	933,545	35.4	906,945	35.8
Fuel	209,028	8.0	219,903	8.4	123,262	4.9
Pharmacy	179,012	6.9	187,631	7.1	205,138	8.1
Consolidated net sales	$ 2,608,160	100%	$ 2,634,226	100%	$ 2,533,064	100%

(1) Consists primarily of general merchandise, grocery, beverages, snacks and frozen foods.
(2) Consists primarily of produce, dairy, meat, bakery, deli, floral and seafood.
Note: Fiscal 2012 had 53 weeks while both 2013 and 2011 had 52 weeks.

Reporting Segment Financial Data

More detailed information about our reporting segments may be found in Note 14 to the consolidated financial statements included in Item 8, which is herein incorporated by reference. All of our sales and all of our assets are in the United States of America.

Discontinued Operations

Certain of our retail and grocery distribution operations have been recorded as discontinued operations. Discontinued retail operations consist of certain stores that have been closed or sold. Discontinued Distribution operations consist of our Maumee, Ohio and Toledo, Ohio distribution centers that previously serviced retail stores which have been closed or sold.

Marketing and Merchandising

General. We continue to align our marketing and merchandising strategies with current consumer behaviors by providing initiatives centered on loyalty, value, and health and wellness. These strategies focus on consumer driven programs to effectively leverage the use of loyalty card program data and category management principles and satisfy the consumer s needs.

Our over-arching focus on the consumer gives us insight into purchasing and consumption behavior and the flexibility to adapt to rapidly changing market conditions by making tactical adjustments to our marketing and merchandising programs that deliver more tangible value to our customers. We will continue to expand these offerings and partner with our independent customers over time to realize incremental benefits.

As we expand our service offerings, we believe that we differentiate ourselves from our competitors by offering a full set of services, from value added services in our distribution segment to the addition of fuel centers and *Starbucks Coffee* shops in some of our retail stores. To engender loyalty with our customers, we provide them with discounts on fuel purchases at our fuel centers. Fuel centers have proven to be effective traffic-builders for fuel-purchasing customers who wish to take advantage of cross-promotions between the stores and the *Quick Stop* fuel centers. Consumers are focusing on value in today s economy, and offerings such as the fuel rewards program are helping us to meet that need.

We continue to evolve our Pharmacy Plus program by connecting with the consumer and focusing on health and wellness. We offer pharmacy services in 67 of our supermarkets and believe the pharmacy service offering is an important part of the consumer experience. As a result, to provide excellent value on medications, we offer free medications (antibiotics, diabetic medications and pre-natal vitamins) along with generic drugs for $4 and $10 as well as food solutions for preventative health and education for our customers.

In fiscal 2012, we expanded our Yes Rewards customer loyalty program to include *Family Fare* and *D&W Fresh Market* locations, effectively linking all of our conventional grocery stores to the same loyalty platform. This program, which was first introduced in the *Glen s Markets* banner in the first quarter of fiscal 2010 and expanded to *VG s Food and Pharmacy* in fiscal 2011, is providing us with more sophisticated data to better understand our customers purchasing behavior. This information is integral to improving the effectiveness of our promotions, marketing and merchandising programs. We also expect the program to help build longer-term customer loyalty, improve our sales growth opportunities and further strengthen our market position. We expect to achieve these goals by understanding what is important to our customers and being able to offer relevant communication, products and promotional offers.

We strive to be a health and wellness solution for our customers as well. One way that we do this is with our Nutrition Guide tags which provide nutrition information on shelf tags for thousands of items throughout the store, making it easy for our customers to purchase items that meet their health needs. We were also one of the first retailers in the country to begin to incorporate the Food Marketing Institute s Facts Up Front nutrition labeling on our *Spartan* and *Spartan Fresh Selections* private brand packages. We expect to be the first retailer in the country to have substantially all of our private brand packaging to incorporate Facts Up Front on the label by the end of calendar 2013. In addition, based on the success of our corporate-owned retail stores, we have rolled out our Nutrition Guide program to our independent distribution customers as well. This value-add service enables our independent customers to communicate important product nutrition information to their customers in a consumer-friendly manner.

At Spartan Stores, we are committed to being a consumer driven retailer. In fiscal 2009, we implemented a customer satisfaction program that gives consumers a channel for communicating their store experiences. Retail customers are randomly selected via point-of-sale receipts and invited to give us feedback by taking an online survey. Results of these surveys help us assess overall customer satisfaction and identify several opportunities to focus on to drive consumer satisfaction and loyalty. From this program we have developed a fresh selection initiative to drive our competitive advantage. We value the opinions of our consumers and believe the best way to deliver a high quality shopping experience is to let customers tell us what they want and need. We believe this survey dialogue will better enable us to identify opportunities for continuous improvements for consistency and excellence in the overall consumer experience.

Over the past two years we have been experimenting with a value store format, under the banner *Valu Land.* We converted three small store locations to this format in fiscal 2012 and during fiscal 2013 we opened four new

Valu Land locations and we plan to open one to three additional new *Valu Land* locations in fiscal 2014. We are still very early in the development and testing of this store format and will continue to fine tune the offering as our learnings progress.

Private Brands. We currently market and distribute over 4,100 private brand items including our flagship *Spartan* brand, *Spartan Fresh Selections*, *Top Care*, a health and beauty care brand, *Full Circle*, a natural and organic brand, *World Classics* a premium, unique and worldly brand, *Paws*, a pet supplies brand, *B-leve* a premium bath and beauty brand, and *Valu Time*, a value brand. We believe that our private brand offerings are part of our most valuable strategic assets, demonstrated through customer loyalty and profitability. These product offerings are serving us particularly well as the consumer becomes more value orientated.

We have worked diligently to develop a premier private brand program. We have added more than 400 corporate brand products to our consumer offer in the past year and plan to introduce approximately 300 new items in fiscal 2014. Our products are continually recognized for excellence in packaging design and product development. These awards underscore our continued commitment to providing the consumer with quality products at exceptional value.

We continually focus on pursuing new opportunities and expanding our offerings to consumers. In fiscal 2014, we plan to launch a new baby brand, *Tippy Toes by TopCare*, which we expect to drive awareness about baby products and offerings available at Spartan Stores.

Competition

Our Distribution and Retail segments operate in highly competitive markets, which typically result in low profit margins for the industry as a whole. We compete with, among others, regional and national grocery distributors, independently owned retail grocery stores, large chain stores that have integrated wholesale and retail operations, mass merchandisers, limited assortment stores and wholesale membership clubs, many of whom have greater resources than we do. The principal competitive factors in the retail grocery business include the location and image of the store; the price, quality and variety of the perishable products; and the quality and consistency of service.

We believe we have developed and implemented strategies and processes that allow us to remain competitive in our Retail segment. We monitor planned store openings by our competitors and have established proactive strategies to respond to new competition both before and after the competitive store opening. Strategies to combat competition vary based on many factors, such as the competitor s format, strengths, weaknesses, pricing and sales focus. During the past three fiscal years, four competitor supercenters opened in markets in which we operate corporate-owned stores. One additional opening is expected to occur during fiscal 2014 against our corporate-owned stores. As a result of these openings we believe the majority of our supermarkets compete with one, if not multiple, supercenters.

The primary competitive factors in the distribution business include price, product quality, variety and service. We believe our overall service level, defined as actual units shipped divided by actual units ordered is among industry leading performance in our Distribution segment.

Seasonality

Our sales and operating performance vary with seasonality. Our first and fourth quarters are typically our lowest sales quarters. Therefore, operating results are generally lower during these two quarters. Additionally, these two quarters can be affected by the timing of the Easter holiday, which results in a strong sales week. Many northern Michigan stores are dependent on tourism and therefore, are most affected by seasons and weather patterns, including, but not limited to, the amount and timing of snowfall during the winter months and the range of temperature during the summer months. All quarters are 12 weeks, except for our third quarter, which is 16 weeks and includes the Thanksgiving and Christmas holidays. Fiscal 2012 contained 53 weeks; therefore, the fourth quarter of fiscal 2012 consisted of 13 weeks rather than 12 weeks.

Suppliers

We purchase products from a large number of national, regional and local suppliers of name brand and private brand merchandise. We have not encountered any material difficulty in procuring or maintaining an adequate level of products to serve our customers. No single supplier accounts for more than 11% of our purchases. We continue to develop strategic relationships with key suppliers and we believe this will prove valuable in the development of enhanced promotional programs and consumer value perceptions.

Intellectual Property

We own valuable intellectual property, including trademarks and other proprietary information, some of which are of material importance to our business.

Technology

Spartan continues to invest in technology as a means of maximizing the efficiency of our operations, improving service to our customers, and where possible deploying technology to provide a competitive advantage in the marketplace.

Supply Chain. During fiscal 2013, we continued to make major enhancements to our web based product information system for use by our distribution customers. We added the first phase of our new retail price management system which allows our independent customers to better manage and control the retail prices of the products we supply. We also improved the features in the system to manage production of shelf labels. We installed a major upgrade to our wholesale order processing system. In the distribution area, we upgraded the voice technology hardware and software in our warehouses to provide added capabilities to the system. We installed a new fuel management system and a new facilities maintenance management system. These projects are all designed to provide expanded and more timely information so our distribution customers can make better decisions and more effectively compete in the marketplace.

Retail Systems. During fiscal 2013, we completed a major hardware and software upgrade to our Point-of-Sale system which provided the technology to move to a touch screen based system. We implemented the first Pharmacy Central Fill site to provide improved efficiencies to our pharmacy operation. We enhanced the loyalty marketing system to provide e-mail click to-card capability and we developed and deployed mobile smartphone applications. We enhanced functionality for our consumer web sites and completely revamped our corporate web site.

Administrative Systems. During fiscal 2013, we completed a major upgrade to our financial system to add new functionality and features. We implemented numerous enhancements to our Human Resource system in the areas of management self service functions, applicant management system and our learning management system.

Information Technology Infrastructure. We completed a storage system upgrade to our backup storage system. We added additional processing capacity and increased our network bandwidth at our primary and backup data centers. We continued to enhance our security systems at our retail locations and our central processing sites.

Subsidiaries

Our Distribution segment consists primarily of our wholly owned subsidiary, Spartan Stores Distribution, LLC. We operate our Retail segment through our wholly owned subsidiary, Seaway Food Town, Inc. and its respective subsidiaries.

Associates

We currently employ approximately 8,650 associates, 4,225 of which are full-time and 4,425 of which are part-time. Unions represent approximately 8% of our associates.

We consider our relations with our union and non-union associates to be good and have not had any material work stoppages in over twenty years. On October 6, 2012 General Teamsters Union Local 406 ratified a three-year labor agreement with Spartan Stores which expires on October 10, 2015.

Regulation

We are subject to federal, state and local laws and regulations covering the purchase, handling, sale and transportation of our products. Several of our products are subject to federal Food and Drug Administration regulation. We believe that we are in substantial compliance in all material respects with the Food and Drug Administration and other federal, state and local laws and regulations governing our businesses.

Forward-Looking Statements

The matters discussed in this Item 1 include forward-looking statements. See Forward-Looking Statements at the beginning of this Annual Report on Form 10-K.

Available Information

The address of our web site is www.spartanstores.com. The inclusion of our website address in this Form 10-K does not include or incorporate by reference the information on or accessible through our website, and you should not consider information contained on or accessible through those websites as part of this Form 10-K. We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments to those reports) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act available on our web site as soon as reasonably practicable after we electronically file or furnish such materials with the Securities and Exchange Commission. Interested persons can view such materials without charge by clicking on For Investors and then SEC Filings on our web site. Spartan Stores is an accelerated filer within the meaning of Rule 12b-2 under the Securities Exchange Act.

Item 1A. Risk Factors

Our business faces many risks. If any of the events or circumstances described in the following risk factors occurs, our financial condition or results of operations may suffer, and the trading price of our common stock could decline. This discussion of risk factors should be read in conjunction with the other information in this Annual Report on Form 10-K. All of our forward-looking statements are affected by the risk factors discussed in this item and this discussion of risk factors should be read in conjunction with the discussion of forward-looking statements which appears at the beginning of this report.

We operate in an extremely competitive industry. Many of our competitors are much larger than we are and may be able to compete more effectively.

Our Distribution and Retail segments compete with, among others, regional and national grocery distributors, independently owned retail grocery stores, large chain stores that have integrated wholesale and retail operations, mass merchandisers, limited assortment stores and wholesale membership clubs, many of whom have greater resources than we do. Some of our distribution and retail competitors are substantially larger and have greater financial resources and geographic scope, lower merchandise acquisition costs and lower operating expenses than we do, intensifying competition at the wholesale and retail levels.

The effects of industry consolidation and the expansion of alternative store formats have resulted in, and continue to result in, market share losses for traditional grocery stores. These trends have produced even stronger competition for our retail business and for the independent customers of our distribution business. To the extent our independent customers are acquired by our competitors or are not successful in competing with other retail chains and non-traditional competitors, sales by our distribution business will be affected. If we fail to implement strategies to respond efffectively to these competitive pressures, our operating results could be adversely affected by price reductions, decreased sales or margins, or loss of market share.

This competition may result in reduced profit margins and other harmful effects on us and the Distribution customers that we supply. Ongoing industry consolidation could result in our loss of customers that we currently supply and could confront our retail operations with competition from larger and better-capitalized chains in existing or new markets. We may not be able to compete successfully in this environment.

Government regulation could harm our business.

Our business is subject to extensive governmental laws and regulations including, but not limited to, employment and wage laws and regulations, regulations governing the sale of pharmaceuticals, alcohol and tobacco, minimum wage requirements, working condition requirements, public accessibility requirements, citizenship requirements, environmental regulation, and other laws and regulations. A violation or change of these laws could have a material effect on our business, financial condition and results of operations.

Like other companies that sell food and drugs, our stores are subject to various federal, state, local, and foreign laws, regulations, and administrative practices affecting our business. We must comply with numerous provisions regulating health and sanitation standards, facilities inspection, food labeling, and licensing for the sale of food, drugs, tobacco and alcoholic beverages.

We cannot predict the nature of future laws, regulations, interpretations, or applications, or determine what effect either additional government regulations or administrative orders, when and if promulgated, or disparate federal, state, local, and foreign regulatory requirements will have on our future business. They could, however, require that we recall or discontinue sale of certain products, make substantial changes to our facilities or operations, or otherwise result in substantial increases in operating expense. Any or all of such requirements could have an adverse effect on our results of operations and financial condition.

We are subject to state and federal environmental regulations.

Under various federal, state and local laws, ordinances and regulations, we may, as the owner or operator of our locations, be liable for the costs of removal or remediation of contamination at these current or our former locations, whether or not we knew of, or were responsible for, the presences of such contamination. The failure to properly remediate such contamination may subject us to liability to third parties and may adversely affect our ability to sell or lease such property or to borrow money using such property as collateral.

Compliance with existing and future environmental laws regulating underground storage tanks may require significant capital expenditures and increased operating and maintenance costs.

The remediation costs and other costs required to clean up or treat contaminated sites could be substantial. In the future, we may incur substantial expenditures for remediation of contamination that has not been discovered at existing or acquired locations. We cannot assure you that we have identified all environmental liabilities at all of our current and former locations; that material environmental conditions not known to us do not exist; that future laws, ordinances or regulations will not impose material environmental liability on us; or that a material environmental condition does not otherwise exist as to any one or more of our locations. In addition, failure to comply with any environmental laws, ordinances or regulations or an increase in regulations could adversely affect our operating results and financial condition.

Safety concerns regarding our products could harm our business.

It is sometimes necessary for us to recall unsafe, contaminated or defective products. Recall costs can be material and we might not be able to recover costs from our suppliers. Concerns regarding the safety of food products sold by us could cause shoppers to avoid purchasing certain products from us, or to seek alternative sources of supply for some or all of their food needs, even if the basis for concern is outside of our control. Any loss of confidence on the part of our customers would be difficult and costly to overcome. Any real or perceived issue regarding the safety of any food or drug items sold by us, regardless of the cause, could have a substantial and adverse effect on our business.

We may not be able to implement our strategy of growth through acquisitions.

Part of our growth strategy involves selected acquisitions of additional retail grocery stores, grocery store chains or distribution facilities. We may not be able to implement this part of our growth strategy or ultimately be successful. We may not be able to identify suitable acquisition candidates in the future, complete acquisitions or obtain the necessary financing.

Because we operate in the Distribution business, future acquisitions of retail grocery stores could result in us competing with our independent grocery store customers and could have adverse effects on existing business relationships with our Distribution customers.

The success of our store acquisitions will depend, in part, on whether we achieve the business synergies and related cost savings that we anticipated in connection with these transactions and any future acquisitions. Accordingly, we may not achieve expected results and long-term business goals.

Our business is subject to risks from regional economic conditions, fuel prices, and other factors in our markets.

Our business is sensitive to changes in general economic conditions. In recent years, the United States has experienced volatility in the economy and financial markets due to uncertainties related to energy prices, availability of credit, difficulties in the banking and financial services sector, the decline in the housing market, diminished market liquidity, falling consumer confidence and rising unemployment rates. Furthermore, most of our sales are to customers located in Michigan and Indiana and the Michigan economy in particular is dependent upon the automotive industry, which is still challenged. Michigan continues to have one of the highest unemployment rates in the country. These adverse economic conditions in our markets, potential reduction in the populations in our markets and the loss of purchasing power by residents in our markets could reduce the amount and mix of groceries purchased, adversely affecting our revenues and profitability. Further adverse developments in the automotive and auto supply industries in Michigan and Indiana could have an additional adverse affect on purchasing power of our customers and prospective customers in some markets served by our retail stores and those of our Distribution customers. This could lead to additional reductions in consumer spending, to consumers trading down to less expensive mix of products or to consumers trading down to discounters, all of which may affect our financial condition and results of operations.

Rising gasoline prices may affect consumer behavior and retail grocery prices. The impact of rising petroleum prices may prompt consumers to make different choices in how and where they shop due to the high price of gasoline. Additionally, the impact of higher fuel costs is passed through by manufacturers and distributors in the prices of goods and services provided, again potentially affecting consumer buying decisions. This could have adverse impacts on retail store traffic, basket size and overall spending at both our corporate and independent retail stores.

In addition, many of our retail grocery stores, as well as stores operated by our Distribution customers are located in areas of northern Michigan that are heavily dependent upon tourism. Unseasonable weather conditions and the economic conditions discussed above may decrease tourism activity and could result in decreased sales by our retail grocery stores and decreased sales to our Distribution customers, adversely affecting our business.

Economic downturns and uncertainty have adversely affected overall demand and intensified price competition, and have caused consumers to trade down by purchasing lower margin items and to make fewer purchases in traditional supermarket channels. Continued negative economic conditions affecting disposable consumer income such as employment levels, business conditions, changes in housing market conditions, the availability of credit, interest rates, volatility in fuel and energy costs, food price inflation or deflation, employment trends in our markets and labor costs, the impact of natural disasters or acts of terrorism, and other matters affecting consumer spending could cause consumers to continue shifting even more of their spending to lower-priced products and competitors. The continued general reductions in the level of discretionary spending or shifts in consumer discretionary spending to our competitors could adversely affect our growth and profitability.

Inflation and deflation may adversely affect our operating results.

In this uncertain economy, it is difficult to forecast whether fiscal 2014 will be a period of inflation or deflation. Food deflation could reduce sales growth and earnings, while food inflation, combined with reduced consumer spending, could reduce gross profit margins. If we experience significant inflation or deflation, especially in the context of continued lower consumer spending, then our financial condition and results of operations may be adversely affected.

We may be unable to retain our key management personnel.

Our success depends to a significant degree upon the continued contributions of senior management. The loss of any key member of our management team may prevent us from implementing our business plans in a timely manner. We cannot assure you that successors of comparable ability will be identified and appointed and that our business will not be adversely affected.

A number of our Distribution segment associates are covered by collective bargaining agreements.

Most of our warehouse associates in our Distribution business segment are covered by a collective bargaining agreement which expires in October 2015. We expect that rising health care, pension and other employee benefit costs, among other issues, will continue to be important topics of negotiation with the labor union. Upon the expiration of our collective bargaining agreement, work stoppages by the affected workers could occur if we are unable to negotiate an acceptable contract with the labor union. This could significantly disrupt our operations. Further, if we are unable to control health care and pension costs provided for in the collective bargaining agreement, we may experience increased operating costs and an adverse impact on future results of operations.

Unions may attempt to organize additional employees.

While we believe that relations with our employees are good, we may become the target of union organizing campaigns similar to those faced by our competitors. The potential for unionization could increase as any new related legislation is passed. We respect our employees right to unionize or not to unionize. However, the unionization of a significant portion of our workforce could increase our overall costs at the affected locations and adversely affect our flexibility to run our business in the most efficient manner to remain competitive or acquire new business and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.

Costs related to multi-employer pension plans and other postretirement plans could increase.

We contribute to the Central States Southeast and Southwest Pension Fund, a multi-employer pension plan, based on obligations arising under a collective bargaining agreement with Teamster local 406. The plan is not administered by or in any way controlled by us. We have relatively little control over the level of contributions we are required to make to the plan and it is currently underfunded. As a result, contributions are scheduled to increase and we expect that contributions to the plans will be subject to further increases. Benefit levels and related issues will continue to create collective bargaining challenges. The amount of any increase or decrease in our required contributions to the multi-employer pension plan will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plan, governmental regulations, the actual return on assets held in the plan, the continued viability and contributions of other employers which contribute to the plan, and the potential payment of a withdrawal liability if we choose to exit a market, among other factors.

Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur a withdrawal liability to the plan, which represents the portion of the plan s underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. Withdrawal liabilities may be incurred under a variety of circumstances, including selling, closing or substantially reducing employment at a facility. Withdrawal liabilities could be material, and potential exposure to withdrawal liabilities may influence business decisions and could cause the company to forgo business opportunities.

We maintain a defined benefit retirement plan for substantially all of our employees that do not participate in multi-employer pension plans. This plan is a cash balance pension plan and was frozen as of January 1, 2011. Expenses associated with the defined benefit plans may significantly increase due to changes to actuarial assumptions or investment returns on plan assets that are less favorable than projected. In addition, changes in our funding status could adversely affect our financial position.

Risks associated with insurance plan claims could increase future expenses.

We use a combination of insurance and self-insurance to provide for potential liabilities for workers compensation, automobile and general liability, property insurance, director and officers liability insurance, and employee health care benefits. The liabilities that have been recorded for these claims represent our best estimate, using generally accepted actuarial reserving methods, of the ultimate obligations for reported claims plus those incurred but not reported for all claims incurred through March 30, 2013. Any actuarial projection of losses is subject to a high degree of variability. Changes in legal trends and interpretations, variability in inflation rates, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, and changes in discount rates could all affect the level of reserves required and could cause future expense to maintain reserves at appropriate levels.

Costs related to associate healthcare benefits are expected to continue to increase.

We provide health benefits for a large number of associates. Our costs to provide such benefits continue to increase annually and recent legislative and private sector initiatives regarding healthcare reform are likely to result in significant changes to the U.S. healthcare system. At this time we are not able to determine the impact that healthcare reform will have on the Company-sponsored healthcare plans. In addition, we participate in various multi-employer health plans for our union associates, and we are required to make contributions to these plans in amounts established under collective bargaining agreements. The cost of providing benefits through such plans has escalated rapidly in recent years. The amount of any increase or decrease in our required contributions to these multi-employer plans will depend upon many factors, many of which are beyond our control. If we are unable to control the costs of providing healthcare to associates, we may experience increased operating costs, which may adversely affect our financial condition and results of operations.

Changes in vendor promotions or allowances, including the way vendors target their promotional spending, and our ability to effectively manage these programs could significantly impact our margins and profitability.

We cooperatively engage in a variety of promotional programs with our vendors. As the parties assess the results of specific promotions and plan for future promotions, the nature of these programs and the allocation of dollars among them changes over time. We manage these programs to maintain or improve margins while at the same time increasing sales for us and for the vendors. A reduction in overall promotional spending or a shift in promotional spending away from certain types of promotions that we and our distribution customers have historically utilized could have a significant impact on profitability.

Threats to security or the occurrence of a health pandemic could harm our business.

Our business could be severely impacted by wartime activities, threats or acts of terrorism or a widespread health pandemic. Any of these events could adversely impact our business by disrupting delivery of products to our corporate stores or our independent retail customers, by affecting our ability to appropriately staff our stores and by causing customers to avoid public places.

We have large, complex information technology systems that are important to our business operations. Although we have implemented security programs and disaster recovery facilities and procedures, security could be compromised and systems disruptions, data theft or other criminal activity could occur. This could result in a loss of sales or profits or cause us to incur significant costs to restore our systems or to reimburse third parties for damages.

Severe weather and natural disasters could harm our business.

Severe weather conditions and natural disasters, whether a result of climate change or otherwise, could affect the suppliers from whom we purchase products and could cause disruptions in our operations. Unseasonably adverse climatic conditions that impact growing conditions and the crops of food producers may adversely affect the availability or cost of certain products.

Damage to our facilities could harm our business.

A majority of the product we supply to our retail stores and Distribution customers flows through our distribution center. While we believe we have adopted commercially reasonable precautions, insurance programs, and contingency plans, the destruction of, or substantial damage to, our distribution center due to natural disaster, severe weather conditions, accident, terrorism, or other causes could substantially compromise our ability to distribute products to our retail stores and Distribution customers. This could result in a loss of sales, profits and asset value.

Restrictive covenants imposed by our credit facility and other factors could adversely affect our ability to borrow.

Our ability to borrow additional funds is governed by the terms of our credit facilities. The credit facilities contain financial and other covenants that, among other things, limit the Company s ability to draw down the full amount of the facility, incur additional debt outside of the credit facility, create new liens on property, make acquisitions, or pay dividends. These covenants may affect our operating flexibility and may require us to seek the consent of the lenders to certain transactions that we may wish to effect. We are not currently restricted by these covenants. Disruptions in the financial markets have in the past resulted in bank failures. One or more of the participants in our credit facility could become unable to fund our future borrowings when needed. We believe that cash generated from operating activities and available borrowings under our credit facility will be sufficient to meet anticipated requirements for working capital, capital expenditures, and debt service obligations for the foreseeable future. However, there can be no assurance that our business will continue to generate cash flow at or above current levels or that we will maintain our ability to borrow under our credit facility. The Company may not be able to refinance its existing debt at similar terms.

Impairment charges for goodwill or other intangible assets would adversely affect our financial condition and results of operations.

We are required to test annually goodwill and intangible assets with indefinite useful lives, including the goodwill associated with past acquisitions and any future acquisitions, to determine if impairment has occurred. Additionally, interim reviews must be performed whenever events or changes in circumstances indicate that impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made.

The testing of goodwill and other intangible assets for impairment requires management to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including potential changes in economic, industry or market conditions, changes in business operations, changes in competition or changes in our stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, may affect the fair value of goodwill or other intangible assets, which may result in an impairment charge. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, our financial condition and results of operations may be adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Distribution Segment Real Estate

The following table lists the current location, approximate size and ownership of the facilities used in our Distribution segment:

Facilities	**Location**	**Total Square Feet**	**Ownership**
Dry grocery	Grand Rapids, MI	585,492	Owned
Fresh (refrigerated)	Grand Rapids, MI	306,522	Owned
General merchandise	Grand Rapids, MI	232,700	Owned
General office (including print shop)	Grand Rapids, MI	127,323	Owned
Transportation and salvage	Grand Rapids, MI	78,760	Owned
Warehouse and office	Grand Rapids, MI	47,500	Leased
Total		1,378,297	

We believe that our distribution facilities are generally well maintained, are generally in good operating condition, have sufficient capacity and are suitable and adequate to carry on our distribution business.

Retail Segment Real Estate

The following table lists the retail banner, number of stores, geographic region, approximate total square footage under the banner, average store size (in square feet) and ownership of our retail supermarkets:

Retail Banner	Number of Stores	Geographic Region	Total Square Feet	Average Store Size	Ownership
Family Fare Supermarkets	43	Western, Northern and Central Michigan	1,887,934	43,905	Leased
Glen s Markets	24	Northern and Central Michigan	867,070	36,128	Leased
VG s Food and Pharmacy	16	Eastern Michigan	760,018	47,501	Leased
D&W Fresh Markets	8	Western Michigan	372,101	46,513	Leased
D&W Fresh Markets	2	Western and Central Michigan	84,458	42,229	Owned
Valu Land	7	Northern, Central and Eastern Michigan	156,579	22,368	Leased
Forest Hills Foods	1	Western Michigan	50,250	50,250	Leased
Total	101		4,178,410	41,370	

We also own one fuel center in Western Michigan that is not included at a supermarket location but is adjacent to our corporate headquarters.

Item 3. Legal Proceedings

Various lawsuits and claims, arising in the ordinary course of business, are pending or have been asserted against Spartan Stores. While the ultimate effect of such lawsuits and claims cannot be predicted with certainty, management believes that their outcome will not result in an adverse effect on the consolidated financial position, operating results or liquidity of Spartan Stores.

Item 4. Mine Safety Disclosure

Not Applicable

PART II

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

Spartan Stores common stock is traded on the NASDAQ Global Select Market under the trading symbol SPTN.

Stock sale prices are based on transactions reported on the NASDAQ Global Select Market. Information on quarterly high and low sales prices for Spartan Stores common stock appears in Note 15 to the consolidated financial statements and is incorporated here by reference. At May 20, 2013, there were approximately 435 shareholders of record of Spartan Stores common stock.

Spartan Stores paid a quarterly cash dividend of $0.05 per common share from the fiscal 2006 fourth quarter through the fourth quarter of fiscal 2011. In May 2011, the Board of Directors approved an increase in the quarterly dividend rate to $0.065 per common share beginning with the first quarter of fiscal 2012; and in May 2012 approved an increase to $0.08 per common share beginning with the first quarter of fiscal 2013. Under its senior revolving credit facility, Spartan Stores is generally permitted to pay dividends in any fiscal year up to an amount such that all cash dividends, together with any cash distributions or share repurchases, do not exceed $30.0 million. Although we expect to continue to pay a quarterly cash dividend, adoption of a dividend policy does not commit the board of directors to declare future dividends. Each future dividend will be considered and declared by the Board of Directors at its discretion. The ability of the Board of Directors to continue to declare dividends will depend on a number of factors, including our future financial condition and profitability and compliance with the terms of our credit facilities. In May 2011, the Board approved a five-year share repurchase program for up to $50 million of Spartan Stores stock. During fiscal 2013 and 2012, the Company purchased 634,408 and 687,200 shares of its common stock for approximately $11.4 million and $12.4 million respectively.

The equity compensation plans table in Item 12 is here incorporated by reference.

The following table provides information regarding Spartan Stores purchases of its own common stock during the fourth quarter. Spartan Stores did not repurchase shares of common stock under the share repurchase program during the quarter ended March 30, 2013. All employee transactions are under associate stock compensation plans. These may include: (1) shares of Spartan Stores, Inc. common stock delivered in satisfaction of the exercise price and/or tax withholding obligations by holders of employee stock options who exercised options, and (2) shares submitted for cancellation to satisfy tax withholding obligations that occur upon the vesting of the restricted shares. The value of the shares delivered or withheld is determined by the applicable stock compensation plan.

Spartan Stores, Inc. Purchases of Equity Securities

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Programs or Plans**	**Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (In thousands)**
January 6 February 2, 2013				
Employee Transactions		$		
Repurchase Program		$		$ 26,238
February 3 March 2, 2013				
Employee Transactions	283	$ 15.90		
Repurchase Program		$		$ 26,238
March 2 March 30, 2013				
Employee Transactions		$		
Repurchase Program		$		$ 26,238
Total for Fourth Quarter ended March 30, 2013				
Employee Transactions	283	$ 15.90		
Repurchase Program		$		$ 26,238

Performance Graph

Set forth below is a graph comparing the cumulative total shareholder return on Spartan Stores common stock to that of the Russell 2000 Total Return Index and the NASDAQ Retail Trade Index, over a period beginning March 28, 2008 and ending on March 30, 2013.

Cumulative total return is measured by the sum of (1) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment and (2) the difference between the share price at the end and the beginning of the measurement period, divided by the share price at the beginning of the measurement period.

The dollar values for total shareholder return plotted above are shown in the table below:

	March 28, 2008	**March 27, 2009**	**March 26, 2010**	**March 26, 2011**	**March 31, 2012**	**March 30, 2013**
Spartan Stores	$ 100.00	$ 75.37	$ 73.03	$ 76.98	$ 94.04	$ 92.92
Russell 2000 Total Return Index	100.00	64.17	102.71	125.92	128.75	149.74
NASDAQ Retail Trade	100.00	75.88	113.48	130.96	170.89	185.69

The information set forth under the Heading Performance Graph shall not be deemed to be soliciting material or to be filed with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, except to the extent that the registrant specifically requests that such information be treated as soliciting material or specifically incorporates it by reference into a filing under the Securities Act or the Exchange Act.

Item 6. Selected Financial Data

The following table provides selected historical consolidated financial information of Spartan Stores. The historical information was derived from our audited consolidated financial statements as of and for each of the five fiscal years ended March 28, 2009 through March 30, 2013. For all years presented, Consolidated Balance Sheets and Consolidated Statements of Earnings information in this Form 10-K has been adjusted for the adoption of the provisions of Accounting Standards Codification (ASC) Subtopic 470-20 and for the adoption of updated provisions of ASC Topic 260. Fiscal 2012 consisted of 53 weeks. All other years presented consisted of 52 weeks.

			Year Ended		
(In thousands, except per share data)	**March 30, 2013**	**March 31, 2012**	**March 26, 2011**	**March 27, 2010**	**March 28, 2009 (C)**
Statements of Operations Data:					
Net sales	$ 2,608,160	$ 2,634,226	$ 2,533,064	$ 2,551,956	$ 2,576,738
Cost of sales	2,062,616	2,078,116	1,976,549	1,993,306	2,040,625
Gross profit	545,544	556,110	556,515	558,650	536,113
Selling, general and administrative expenses	482,987	489,650	488,017	493,832	463,369
Restructuring, asset impairment and other (A)	1,589	(23)	532	6,154	
Operating earnings	60,968	66,483	67,966	58,664	72,744
Interest expense	13,410	15,037	15,104	16,394	14,138
Debt extinguishment	5,047				
Other, net	(756)	(110)	(97)	(138)	(341)
Earnings before income taxes and discontinued operations	43,267	51,556	52,959	42,408	58,947
Income taxes	15,425	19,686	20,420	16,475	23,914
Earnings from continuing operations	27,842	31,870	32,539	25,933	35,033
(Loss) earnings from discontinued operations, net of taxes (B)	(432)	(112)	(232)	(375)	1,838
Net earnings	$ 27,410	$ 31,758	$ 32,307	$ 25,558	$ 36,871
Basic weighted average shares outstanding	21,773	22,791	22,606	22,406	22,102
Diluted weighted average shares outstanding	21,848	22,887	22,688	22,480	22,262
Basic earnings from continuing operations per share	$ 1.28	$ 1.40	$ 1.44	$ 1.16	$ 1.59
Diluted earnings from continuing operations per share	1.27	1.39	1.43	1.15	1.57
Basic earnings per share	1.26	1.39	1.43	1.14	1.67
Diluted earnings per share	1.25	1.39	1.42	1.14	1.66
Cash dividends declared per share	0.32	0.26	0.20	0.20	0.20
Balance Sheet Data:					
Total assets	$ 789,667	$ 763,473	$ 751,396	$ 753,481	$ 723,311
Property and equipment, net	272,126	256,776	241,448	247,961	234,806
Working capital	13,179	24,684	47,300	15,739	20,969
Long-term debt and capital lease obligations	145,876	133,565	170,711	181,066	194,115
Shareholders equity	335,655	323,608	305,505	273,905	247,205

(A) See Note 3 to Consolidated Financial Statements.

(B) See Note 13 to Consolidated Financial Statements.

(C) Spartan Stores acquired certain assets and assumed certain liabilities of *VG sFood Centers* in fiscal 2009.

Historical data is not necessarily indicative of Spartan Stores future results of operations or financial condition. See discussion of Risk Factors in Part I, Item 1A of this report, Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this report, and the Consolidated Financial Statements and notes thereto in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
Executive Overview

Spartan Stores is a leading regional grocery distributor and grocery retailer, operating principally in Michigan, Indiana and Ohio.

We currently operate two reportable business segments: Distribution and Retail. Our Distribution segment provides a full line of grocery, general merchandise, health and beauty care, frozen and perishable items to approximately 390 independently owned grocery stores, having recently added a new 12-store customer in Ohio, and our 101 corporate owned stores. Our Retail segment operates supermarkets in Michigan under the banners *Family Fare Supermarkets, D&W Fresh Markets, Glen s Markets, VG s Food and Pharmacy, Forest Hills Foods* and *Valu Land*, and 30 fuel centers/convenience stores, included at our supermarket locations, under the banners *Family Fare Quick Stop*, *D&W Quick Stop*, *Glen s Quick Stop*, *VG s Quick Stop* and *Forest Hills Quick Stop.* Our retail supermarkets have a neighborhood market focus to distinguish them from supercenters and limited assortment stores.

Our sales and operating performance vary with seasonality. Our first and fourth quarters are typically our lowest sales quarters and therefore operating results are generally lower during these two quarters. Additionally, these two quarters can be affected by the timing of the Easter holiday, which results in a strong sales period. Many northern Michigan stores are dependent on tourism, which is affected by the economic environment and seasonal weather patterns, including, but not limited to, the amount and timing of snowfall during the winter months and the range of temperature during the summer months. Typically all quarters are 12 weeks, except for our third quarter, which is 16 weeks and includes the Thanksgiving and Christmas holidays. However, fiscal year 2012 included 53 weeks; therefore, the fourth quarter included 13 weeks.

We have established key management priorities that focus on the longer-term strategy of Spartan Stores, including establishing a well-differentiated market offering for our Distribution and Retail segments, and additional strategies designed to create value for our shareholders, retailers and customers. These priorities are:

- Retail sales growth: Continue refining our capital plan focusing on remodels, replacement stores, adjacent acquisitions, expansions and new stores to fill in existing markets, leverage investments in fuel centers and pharmacy operations to drive related supermarket customer traffic and continue to focus on category management initiatives, specifically focusing on fresh and value oriented offerings. We also pursue prudent acquisitions to grow this segment.

- Distribution sales growth: Focus on increasing penetration of existing customers, attracting new in-market customers and adjacent-state customers, continue to share best retail practices with customers, provide a superior value-added relationship and pursue appropriate acquisitions.

- Margin optimization: Continued focus on leveraging our customer loyalty card data, increasing penetration of private brand programs, enhancing offerings in our fresh department, lowering the cost of merchandise through vendor partnerships, E-sourcing, and improving retail shrink.

- Selling, general and administrative expense cost containment: Continue to focus on improving efficiency and general cost containment in all areas to allow us to remain cost competitive in the long-term.

We continued the execution of our capital investment program in fiscal 2013 by completing one store relocation, five major remodels of our stores as well as many other limited remodels and store resets. In addition, we acquired one supermarket and one fuel center. We also opened four new *Valu Land* stores and two new fuel centers.

The Michigan economy is gradually recovering. We believe that we are well-positioned to benefit from future improvements in the economy due to our capital investments in the retail and distribution segments and our continued effort to increase the value provided to our customers through leveraging loyalty card data and vendor partner expertise.

For the first quarter of fiscal 2014, management anticipates that consolidated net sales will slightly exceed last year as it continues to benefit from the acquisition of a retail store, maturation of the customer loyalty program and new customer gains. These positive sales drivers will be partially offset by an estimated 70 basis point impact due to the shift of the Easter holiday selling week out of the first quarter of fiscal 2014 and into the fourth quarter of fiscal 2013, the continued 70 to 100 basis point negative mix impact related to pharmacy prescription conversions from branded to generic drugs and a 40 basis point reduction in rate resulting from the cycling of the grand opening of a new relocated store. As a result, management expects comparable store sales in the retail segment to be down 2.0% or more for the first quarter of fiscal 2014. Management believes earnings per diluted share from continuing operations will slightly exceed the prior year first quarter when excluding the fiscal 2013 after-tax benefit of $0.6 million, or $0.03 per diluted share, due to changes in Michigan s state tax laws. We anticipate that fiscal 2014 financial performance for the full year will exceed fiscal 2013 s net sales and earnings from continuing operations.

The matters discussed in this Item 7 include forward-looking statements. See Forward-Looking Statements at the beginning and Risk Factors in Item 1A of this Annual Report on Form 10-K.

Results of Operations

The following table sets forth items from our Consolidated Statements of Earnings as a percentage of net sales and the year-to-year percentage change in dollar amounts:

	Percentage of Net Sales			Percentage Change	
	March 30, 2013	**March 31, 2012**	**March 26, 2011**	**2013/2012**	**2012/2011**
Net sales	100.0	100.0	100.0	(1.0)	4.0
Gross margin	20.9	21.1	22.0	(1.9)	(0.1)
Selling, general and administrative expenses	18.5	18.6	19.3	(1.4)	0.2
Restructuring, asset impairment and other	0.1	0.0	0.0	**	**
Operating earnings	2.3	2.5	2.7	(8.3)	(2.2)
Other income and expenses	0.6*	0.5*	0.6	18.6	(0.5)
Earnings before income taxes and discontinued operations	1.7	2.0	2.1	(16.1)	(2.6)
Income taxes	0.6	0.8*	0.8	(21.6)	(3.6)
Earnings from continuing operations	1.1	1.2	1.3	(12.6)	(2.1)
Loss from discontinued operations, net of taxes	0.0	0.0	0.0	**	**
Net earnings	1.1	1.2	1.3	(13.7)	(1.7)

* Difference due to rounding
** Percentage change is not meaningful

Adjusted earnings from Continuing Operations

Adjusted earnings from continuing operations is a non-GAAP operating financial measure that we define as earnings from continuing operations plus or minus adjustments for items that do not reflect the ongoing operating activities of the Company and costs associated with the closing of operational locations.

We believe that adjusted earnings from continuing operations provide a meaningful representation of our operating performance for the Company. We consider adjusted earnings from continuing operations as an additional way to measure operating performance on an ongoing basis. Adjusted earnings from continuing operations is meant to reflect the ongoing operating performance of all of our retail stores and wholesale operations; consequently, it excludes the impact of items that could be considered non-operating or non-core in nature, and also excludes the contributions of activities classified as discontinued operations. We believe that adjusted earnings from continuing operations provides useful information for our investors because it is a performance measure that management uses to allocate resources, assess performance against its peers and evaluate overall performance. In addition, securities analysts, fund managers and other shareholders and stakeholders that communicate with us request our operating financial results in adjusted earnings from continuing operations format.

Adjusted earnings from continuing operations is not a measure of performance under accounting principles generally accepted in the United States of America, and should not be considered as a substitute for net earnings, cash flows from operating activities and other income or cash flow statement data. Our definition of adjusted earnings from continuing operations may not be identical to similarly titled measures reported by other companies.

Following is a reconciliation of Earnings from continuing operations to adjusted earnings from continuing operations for fiscal years 2013, 2012 and 2011.

	2013		2012		2011	
(In thousands, except per share data)	**Earnings from continuing operations**	**Earnings from continuing operations per diluted share**	**Earnings from continuing operations**	**Earnings from continuing operations per diluted share**	**Earnings from continuing operations**	**Earnings from continuing operations per diluted share**
Earnings from continuing operations	$ 27,842	$ 1.27	$ 31,870	$ 1.39	$ 32,539	$ 1.43
Adjustments, net of taxes:						
LIFO income related to warehouse consolidation					(2,120)	(0.09)
Restructuring charges	(58)				1,564	0.07
Asset impairment charges	1,050	0.05			4,829	0.21
Acquisition related professional fees	247	0.01				
Non-recurring professional fees			750	0.03		
Net benefit related to favorable lease terminations					(3,618)	(0.16)
Pension curtailment income					(2,448)	(0.10)*
Gain on sale of assets	(417)	(0.02)	(342)	(0.01)		
Interest rate swap termination			487	0.02		
Debt extinguishment	3,152	0.15*				
Impact of 53rd week			(1,380)	(0.06)		
Impact of state tax law changes	(642)	(0.03)	518	0.02		
Adjusted earnings from continuing operations	$ 31,174	$ 1.43	$ 31,903	$ 1.39	$ 30,746	$ 1.36

* Difference due to rounding

Adjusted EBITDA

Consolidated Adjusted EBITDA is a non-GAAP operating financial measure that we define as net earnings from continuing operations plus depreciation and amortization, and other non-cash items including imputed interest, deferred (stock) compensation, the LIFO provision, as well as adjustments for unusual items that do not reflect the ongoing operating activities of Spartan Stores and costs associated with the closing of operational locations, interest expense and the provision for income taxes to the extent deducted in the computation of Net Earnings.

We believe that Adjusted EBITDA provides a meaningful representation of our operating performance for the Spartan Stores as a whole and for our operating segments. We consider Adjusted EBITDA as an additional way to measure operating performance on an ongoing basis. Adjusted EBITDA is meant to reflect the ongoing operating performance of all of our retail stores and wholesale operations; consequently, it excludes the impact of items that could be considered non-operating or non-core in nature, and also excludes the contributions of activities classified as discontinued operations. Because Adjusted EBITDA and Adjusted EBITDA by segment are performance measures that management uses to allocate resources, assess performance against its peers, and evaluate overall performance, we believe it provides useful information for our investors. In addition, securities analysts, fund managers and other shareholders and stakeholders that communicate with us request our operating financial results in Adjusted EBITDA format.

Adjusted EBITDA is not a measure of performance under accounting principles generally accepted in the United States of America, and should not be considered as a substitute for net earnings, cash flows from operating activities and other income or cash flow statement data. Our definition of Adjusted EBITDA may not be identical to similarly titled measures reported by other companies.

Following is a reconciliation of net earnings to Adjusted EBITDA for fiscal years 2013, 2012 and 2011.

(In thousands)	2013	2012	2011
Net earnings	$ 27,410	$ 31,758	$ 32,307
Add:			
Discontinued operations	432	112	232
Income taxes	15,425	19,686	20,420
Interest expense	13,410	15,037	15,104
Debt extinguishment	5,047		
Non-operating expense	(756)	(110)	(97)
Operating earnings	60,968	66,483	67,966
Add:			
Depreciation and amortization	39,081	36,794	35,158
LIFO expense (income)	335	1,401	(4,185)
Restructuring and asset impairment costs	1,589	(23)	532
53rd week		(2,429)	
Other unusual items	396	1,194	
Non-cash stock compensation and other	3,964	3,825	4,793
Adjusted EBITDA	$ 106,333	$ 107,245	$ 104,264
Reconciliation of operating earnings to adjusted EBITDA by segment:			
Retail:			
Operating earnings	$ 15,338	$ 22,191	$ 19,979
Add:			
Depreciation and amortization	30,369	28,350	26,693
LIFO expense (income)	936	1,864	954
Restructuring and asset impairment costs	1,589	14	267
53rd week		(1,497)	
Other unusual items	396		
Non-cash stock compensation and other	2,534	1,541	(123)
Adjusted EBITDA	$ 51,162	$ 52,463	$ 47,770
Distribution:			
Operating earnings	$ 45,630	$ 44,292	$ 47,987
Add:			
Depreciation and amortization	8,712	8,444	8,465
LIFO (income) expense	(601)	(463)	(5,139)
Restructuring and asset impairment costs		(37)	265
53rd week		(932)	
Other unusual items		1,194	
Non-cash stock compensation and other	1,430	2,284	4,916
Adjusted EBITDA	$ 55,171	$ 54,782	$ 56,494

Results of Continuing Operations for the Fiscal Year Ended March 30, 2013 Compared to the Fiscal Year Ended March 31, 2012

Net Sales. Net sales for the 52 week fiscal 2013 decreased $26.1 million, or 1.0%, from $2,634.2 million in the 53 week fiscal 2012, to $2,608.2 million. The sales decrease was primarily driven by the 53rd week in fiscal 2012 which accounted for $49.8 million, partially offset by increases in both the Distribution and Retail segments.

Net sales on a 52 week basis in our Distribution segment, after intercompany eliminations, increased $5.1 million, or 0.5%, from $1,115.6 million to $1120.7 million primarily due to new business sales. Distribution segment net sales for fiscal 2012 as reported for 53 weeks were $1,138.7 million.

Net sales on a 52 week basis in our Retail segment increased $18.7 million, or 1.3%, from $1,468.8 million to $1,487.5 million. The sales increase was primarily due to the acquisition of one supermarket late in the third quarter of fiscal 2013, increased fuel center sales of $11.3 million driven by higher retail fuel prices and an increase in volume and incremental sales from new fuel centers (including one acquired fuel center) of $2.4 million, partially offset by a decrease in supermarket comparable store sales of $6.6 million. Retail segment net sales for fiscal 2012 as reported for 53 weeks were $1,495.5 million. Total retail comparable store sales, excluding fuel centers, on a 52 week basis decreased approximately 0.5 percent in fiscal 2013 principally due to lower levels of inflation and the significant impact of the conversion from branded to generic drugs in our pharmacy operations. We define a retail store as comparable when it is in operation for 14 accounting periods (a period equals four weeks), and we include remodeled, expanded and relocated stores in comparable stores.

Gross Profit. Gross profit represents net sales less cost of sales, which include purchase costs, freight, physical inventory adjustments, markdowns and promotional allowances. Vendor allowances that relate to our buying and merchandising activities consist primarily of promotional allowances, which are generally allowances on purchased quantities and, to a lesser extent, slotting allowances, which are billed to vendors for our merchandising costs, such as setting up warehouse infrastructure. Vendor allowances associated with product cost are recognized as a reduction in cost of sales when the product is sold. Lump sum payments received for multi-year contracts are amortized over the life of the contracts based on contractual terms.

Gross profit decreased by $10.6 million, or 1.9%, from $556.1 million to $545.5 million. Excluding the 53rd week from fiscal 2012, gross profit decreased $1.1 million, or 0.2%, as a percent of net sales, gross profit decreased from 21.1% to 20.9%. The gross margin rate decrease was principally due to reduced inflation-driven inventory gains at the Distribution segment, the prize-freeze campaign at the Retail segment, and a slightly higher mix of lower-margin fuel sales.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expenses consist primarily of salaries and wages, employee benefits, warehousing costs, store occupancy costs, shipping and handling, utilities, equipment rental, depreciation and other administrative costs.

SG&A expenses increased $0.4 million, or 0.1%, from $482.6 million to $483.0 million, and were 18.5% of net sales compared to 18.3% last year, when excluding the 53rd week from fiscal 2012. The net increase in SG&A on a 52 week basis is due primarily to an increase in health care and occupancy costs, partially offset by a decrease in incentive compensation expense and unusual professional fees incurred in fiscal 2012.

Restructuring, Asset Impairment and Other. Fiscal 2013 asset impairment charges of $1.6 million were a result of the economic and competitive impacts on the financial performance of certain retail stores.

Interest Expense. Interest expense decreased $1.6 million, or 10.8%, from $15.0 million to $13.4 million. As a percent of net sales, interest expense decreased from 0.6% to 0.5%. The decrease in interest expense was due primarily to a $0.8 million charge for terminating the interest rate swap agreement in fiscal 2012 and lower average outstanding borrowings.

Debt Extinguishment Debt extinguishment charges of $5.0 million were incurred in fiscal 2013 in connection with the private exchange of $40.3 million and redemption of $57.4 million of Convertible Senior Notes.

Income Taxes. The effective income tax rates were 35.7% and 38.2% for fiscal 2013 and fiscal 2012, respectively. The difference from the statutory Federal rate is primarily the result of state taxes and changes to the state of Michigan tax laws in fiscal 2012. The first quarter of fiscal 2013 includes a $0.7 million net after-tax benefit and the first quarter of fiscal 2012 includes a net after-tax charge of $0.5 million due to these changes. Excluding these items the effective income tax rates were 37.3% and 37.2% for fiscal 2013 and fiscal 2012, respectively.

Results of Continuing Operations for the Fiscal Year Ended March 30, 2012 Compared to the Fiscal Year Ended March 26, 2011

Net Sales. Net sales for the 53 week fiscal 2012 increased $101.2 million, or 4.0%, from $2,533.1 million in the 52 week fiscal 2011, to $2,634.2. The sales increase was primarily driven by the 53rd week, which accounted for $49.8 million as well as increases in both the Distribution and Retail segments.

Net sales on a 52 week basis in our Distribution segment, after intercompany eliminations, increased $25.9 million, or 2.4%, from $1,089.7 million to $1,115.6 million primarily due to new business sales. Distribution segment net sales for fiscal 2012 as reported for 53 weeks were $1,138.7 million.

Net sales on a 52 week basis in our Retail segment increased $25.4 million, or 1.8%, from $1,443.4 million to $1,468.8 million. Retail segment net sales for fiscal 2012 as reported for 53 weeks were $1,495.5 million. The sales increase was primarily due to an increase in fuel center sales of $47.7 million and a decrease in supermarket comparable store sales of $21.3 million. Retail segment net sales for fiscal 2012 as reported for 53 weeks were $1,495.5 million. Total retail comparable store sales on a 52 week basis decreased approximately 1.6 percent in fiscal 2012 principally due to the weakened economic environment and competitive impacts. We define a retail store as comparable when it is in operation for 14 accounting periods (a period equals four weeks), and we include remodeled, expanded and relocated stores in comparable stores.

Gross Profit. Gross profit represents net sales less cost of sales, which include purchase costs, freight, physical inventory adjustments, markdowns and promotional allowances. Vendor allowances that relate to our buying and merchandising activities consist primarily of promotional allowances, which are generally allowances on purchased quantities and, to a lesser extent, slotting allowances, which are billed to vendors for our merchandising costs, such as setting up warehouse infrastructure. Vendor allowances associated with product cost are recognized as a reduction in cost of sales when the product is sold. Lump sum payments received for multi-year contracts are amortized over the life of the contracts based on contractual terms.

Gross profit decreased by $0.4 million, or 0.1%, from $556.5 million to $556.1 million. As a percent of net sales, gross margin decreased from 22.0% to 21.1%. The gross profit rate decrease was principally due to a higher mix of fuel and distribution sales (which have a lower gross profit rate), incremental LIFO expense resulting from cycling the prior year inventory reductions from the warehouse consolidation initiative as well as higher inflation this year, and lower margins in both segments.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expenses consist primarily of salaries and wages, employee benefits, warehousing costs, store occupancy costs, shipping and handling, utilities, equipment rental, depreciation and other administrative costs.

SG&A expenses decreased $5.4 million, or 1.1%, from $488.0 million to $482.6 million, and were 18.3% of net sales compared to 19.3% last year, when excluding $7.1 million of expenses related to the 53rd week in fiscal 2012. The net decrease in SG&A was due primarily to reductions in store labor and occupancy costs, partially offset by increased fuel costs and unusual professional fees incurred in fiscal 2012.

Restructuring, Asset Impairment and Other. Fiscal 2011 restructuring, asset impairment and other includes $2.5 million for lease and related ancillary costs, severance and other costs directly related to warehouse consolidation and $7.9 million in asset impairment charges related to assets at underperforming stores and abandoned development projects. The asset impairment charges at underperforming stores resulted from the economic and competitive environment in which these stores operated. These charges were substantially offset by a $5.9 million benefit related to favorable lease terminations as a result of three leases being terminated by a bankruptcy judge. One of the leases related to a closed store and the other two leases were capital leases. The net benefit consists of the reversal of the restructuring cost liability for the closed store and the net value of the two capital lease obligations and assets. Also offsetting the charges was curtailment income of $4.0 million related to freezing the cash balance pension plan.

Interest Expense. Interest expense was $15.0 million, or 0.6% of net sales, and $15.1 million, or 0.6% of net sales, in fiscal 2012 and 2011, respectively. The slight decrease in interest expense was primarily due to lower net borrowings offset by increased non-cash interest related to our convertible debt facility.

Income Taxes. The effective income tax rate was 38.2% and 38.6% for fiscal 2012 and fiscal 2011, respectively. The difference from the statutory rate was primarily due to State of Michigan income taxes, partially offset by tax credits. The effective tax rate decreased in fiscal 2012 due to an increase in tax credits and charitable product contributions. In addition, fiscal 2012 included a $0.5 million charge for the write-off of net deferred tax assets and liabilities related to the Michigan Business tax that were no longer realizable as a result of the elimination of this tax, partially offset with a lower tax rate in Michigan effective with the new Corporate Income Tax on January 1, 2012.

Discontinued Operations

Certain of our retail and grocery distribution operations have been recorded as discontinued operations. Results of the discontinued operations are excluded from the accompanying notes to the consolidated financial statements for all periods presented, unless otherwise noted.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, assets held for sale, long-lived assets, income taxes, self-insurance reserves, restructuring costs, retirement benefits, stock-based compensation and contingencies and litigation. We base our estimates on historical experience and on various other assumptions and factors that we believe to be reasonable under the circumstances. Based on our ongoing review, we make adjustments we consider appropriate under the facts and circumstances. We have discussed the development, selection and disclosure of these policies with the Audit Committee of the Board of Directors.

We believe that the following represent the more critical estimates and assumptions used in the preparation of our consolidated financial statements.

Inventories. Inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) method. If replacement cost had been used, inventories would have been $44.1 million and $43.8 million higher at March 30, 2013 and March 31, 2012, respectively. The replacement cost method utilizes the most current unit purchase cost to calculate the value of inventories. During fiscal years 2013, 2012 and 2011, certain inventory quantities were reduced. The reductions resulted in liquidation of LIFO inventory carried at lower costs prevailing in prior years, the effect of which decreased the LIFO provision in fiscal years 2013, 2012 and 2011 by $1.0 million, $3.0 million and $7.7 million, respectively. Spartan Stores accounts for its Distribution inventory using a perpetual system and utilizes the retail inventory method (RIM) to value inventory for center store products in the Retail segment. Under the retail inventory method, inventory is stated at cost with cost of sales and gross margin calculated by applying a cost ratio to the retail value of inventories. Fresh, pharmacy and fuel products are accounted for at cost in the Retail segment. We evaluate inventory shortages throughout the year based on actual physical counts in our facilities. We record allowances for inventory shortages based on the results of recent physical counts to provide for estimated shortages from the last physical count to the financial statement date.

Vendor Funds. We receive funds from many of the vendors whose products we buy for resale in our corporate-owned stores and to our independent retail customers. Given the highly promotional nature of the retail supermarket industry, vendor allowances are generally intended to help defray the costs of promotion, advertising and selling the vendor s products. Vendor allowances that relate to our buying and merchandising activities consist primarily of promotional allowances, which are generally allowances on purchased quantities and, to a lesser extent, slotting allowances, which are billed to vendors for our merchandising costs such as setting up warehouse infrastructure. The proper recognition and timing of accounting for these items are significant to the reporting of the results of our operations. Vendor allowances are recognized as a reduction in cost of sales when the related product is sold. Lump sum payments received for multi-year contracts are amortized over the life of the contracts based on contractual terms.

Goodwill. Goodwill is reviewed for impairment on an annual basis (during the fourth quarter), or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Fair values are determined based on the discounted cash flows and comparable market values of each reporting segment. If the fair value of the reporting unit is less than its carrying value, the fair value of the implied goodwill is calculated as the difference between the fair value of the reporting unit and the fair value of the underlying assets and liabilities, excluding goodwill. An impairment charge is recorded for any excess of the carrying value over the implied fair value. Our goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of each reporting unit to our total market capitalization. Therefore, a significant and sustained decline in our stock price could result in goodwill impairment charges. During times of financial market volatility, significant judgment is given to determine the underlying cause of the decline and whether stock price declines are short-term in nature or indicative of an event or change in circumstances. When testing goodwill for impairment, our retail stores represent components of our Retail operating segment. Stores have been aggregated and deemed a single reporting unit as they have similar economic characteristics.

Determining market values using a discounted cash flow method requires that we make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. Our judgments are based on the perspective of a market participant, historical experience, current market trends and other information. In estimating future cash flows, we rely on internally generated three-year forecasts for sales and operating profits, including capital expenditures and a 3.0% long-term assumed growth rate of cash flows for periods after the three-year forecast for the Retail segment and 2.5% for the Distribution segment. The future estimated cash flows were discounted using a rate of 10.0% and 11.1% for the Retail and Distribution segments, respectively. We generally develop these forecasts based on recent sales data for existing operations and other factors. While we believe that the estimates and assumptions underlying the valuation methodology are reasonable, different assumptions could result in different outcomes. Based on our annual review during fiscal years 2013, 2012 and 2011, no goodwill impairment charge was required to be recorded. No goodwill impairment charge would be required even if the current estimate of future discounted cash flow was 5% lower. Furthermore, no goodwill impairment charge would be required if the discount rate was increased 0.25%. If our stock price experiences a significant and sustained decline, or other events or changes in circumstances occur, such as operating results not meeting our estimates, indicating that impairment may have occurred, we would re-evaluate our goodwill for impairment.

Impairment of Long-Lived Assets Other Than Goodwill. Long-lived assets to be held and used are evaluated for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. When the undiscounted future cash flows are not sufficient to recover an asset s carrying amount, the fair value is compared to the carrying value to determine the impairment loss to be recorded. Long-lived assets are evaluated at the asset-group level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In fiscal 2013, fiscal 2012 and fiscal 2011 asset impairments for long-lived assets totaled $1.7 million, $0.2 million and $7.9 million, respectively.

Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. Management determines fair values using independent appraisals, quotes or expected sales prices developed by internal real estate professionals. Estimates of expected sales prices are judgments based upon our experience, knowledge of market conditions and current offers received. Changes in market conditions, the economic environment and other factors can significantly impact these estimates. While we believe that the estimates and assumptions underlying the valuation methodology are reasonable, different assumptions could result in a different outcome. If the current estimate of future discounted cash flows was 10% lower an additional impairment charge $0.2 million would be required.

Restructuring Costs. We record restructuring costs for closed stores that are subject to long-term lease commitments based upon the future minimum lease payments and related ancillary costs from the date of closure to the end of the remaining lease term, net of estimated sublease rentals that could be reasonably expected to be obtained for the property. Future cash flows are based on contractual lease terms and knowledge of the market in which the closed store is located. These estimates are subject to multiple factors, including inflation, ability to sublease the property and other economic conditions. Internally developed estimates of sublease rentals are based upon the market in which the property is located, the results of previous efforts to sublease similar property and the current economic environment. Reserves may be adjusted in the future based upon the actual resolution of each of these factors. For any closed store reserves recorded as part of purchase accounting prior to the adoption of Accounting Standards Codification Topic 805, adjustments that decrease the liability are generally recorded as a reduction of goodwill. At March 30, 2013 restructuring costs for store lease and ancillary costs totaling $8.0 million are recorded net of approximately $0.1 million of existing sublease rentals. Based upon the current economic environment we do not believe that we will be able to obtain any additional sublease rentals. A 10% increase/decrease in future estimated ancillary costs would result in a $0.2 million increase/decrease in the restructuring charge liability.

***Insurance Reserves*.** We are primarily self-insured for costs related to workers compensation, general liability and health insurance. We record our self-insurance liabilities based on reported claims experience and an estimate of claims incurred but not yet reported. Workers compensation and general liability are actuarially determined on a discounted basis. We have purchased stop-loss coverage to limit our exposure to any significant exposure on a per claim basis. Our exposure for workers compensation and general liability is $0.5 million per claim and for health insurance our exposure is $0.3 million per associate per year.

Any projection of losses concerning workers compensation, general liability and health insurance is subject to a considerable degree of variability. Among the causes of variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, changing regulations, legal interpretations, benefit level changes and claim settlement patterns. Although our estimates of liabilities incurred do not anticipate significant changes in historical trends for these variables, such changes could have a material impact on future claim costs and currently recorded liabilities. The impact of many of these variables is difficult to estimate. As of March 30, 2013, a one percentage point decrease in the discount rate, or 100 basis points, for workers compensation and general liability would increase our liability less than $0.1 million and a one percentage point increase in the discount rate would decrease our liability by less than $0.1 million.

Pension. Accounting for defined benefit cash balance pension plans involves estimating the cost of benefits to be provided in the future, based on vested years of service, and attributing those costs over the time period each employee works. The significant factors affecting our pension costs are the fair values of plan assets and the selections of management s key assumptions, including the expected return on plan assets and the discount rate used by our actuary to calculate our liability. We consider current market conditions, including changes in interest rates and investment returns, in selecting these assumptions. Our discount rate is based on current investment yields on high quality fixed-income investments and projected cash flow obligations. The discount rate used to determine fiscal 2013 pension income was 4.5%. Expected return on plan assets is based on projected returns by asset class on broad, publicly traded equity and fixed-income indices, as well as target asset allocation. Our target allocation mix is designed to meet our long-term pension requirements. For fiscal 2013, our assumed rate of return was 7.5%. Over the ten-year period ended March 30, 2013; the average actual return was approximately 9.6%. While we believe the assumptions selected are reasonable, significant differences in our actual experience, plan amendments or significant changes in the fair value of our plan assets may materially affect our pension obligations and our future expense. A 25 basis point increase or decrease in the discount rate would have increased/decreased fiscal 2013 pension income by less than $0.1 million. A 50 basis point increase/decrease in the expected return on plan assets would have increased/decreased fiscal 2013 pension income by approximately $0.3 million.

As of March 30, 2013 our defined benefit plans were in a funded status of $3.5 million and as of March 31, 2012 they were in an unfunded status of $1.9 million. The increase in the funded status during fiscal 2013 is a result of market appreciation of plan assets and company contributions to the plan. Plan assets increased by $5.5 million due to a 9.1% return on plan assets and company contributions of $4.2 million, offset by benefit payments of $4.1 million. Pension income was $0.5 million in fiscal 2013 and pension expense was $0.6 million in fiscal 2012.

Income Taxes. Spartan Stores is subject to periodic audits by the Internal Revenue Service and other state and local taxing authorities. These audits may challenge certain of our tax positions such as the timing and amount of income credits and deductions and the allocation of taxable income to various tax jurisdictions. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. These tax uncertainties are reviewed as facts and circumstances change and are adjusted accordingly. This requires significant management judgment in estimating final outcomes. Actual results could materially differ from these estimates and could significantly affect our effective income tax rate and cash flows in future years. We recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which it expects the differences to reverse. Note 10 to the consolidated financial statements set forth in Item 8 of this report provides additional information on income taxes.

Liquidity and Capital Resources

The following table summarizes our consolidated statements of cash flows for fiscal years 2013, 2012 and 2011:

(In thousands)	**March 30, 2013**	**March 31, 2012**	**March 26, 2011**
Net cash provided by operating activities	$ 59,341	$ 93,734	$ 89,756
Net cash used in investing activities	(53,056)	(43,800)	(33,123)
Net cash used in financing activities	(26,213)	(67,206)	(19,369)
Net cash used in discontinued operations	(451)	(76)	(2,610)
Net (decrease) increase in cash and cash equivalents	(20,379)	(17,348)	34,654
Cash and cash equivalents at beginning of year	26,476	43,824	9,170
Cash and cash equivalents at end of year	$ 6,097	$ 26,476	$ 43,824

Net cash provided by operating activities decreased during fiscal 2013 by approximately $34.3 million. This decrease was due primarily to the timing of working capital requirements and timing of required tax payments associated with the change in state tax law.

During fiscal 2013, 2012 and fiscal 2011, we paid $10.2 million, $0.2 million and $0.5 million in income tax payments.

Net cash used in investing activities increased in fiscal 2013 primarily due to cash paid for the acquisition of one supermarket and one fuel center of $13.7 million, partially offset by increased proceeds from the sales of assets of $1.8 million. We also paid a total cash purchase price of $0.5 million and $1.3 million for acquisitions in fiscal years 2012 and 2011, respectively. Excluding the acquisitions, our Distribution and Retail segments utilized 20.9% and 79.1%, respectively, of our capital expenditure dollars for fiscal 2013. Expenditures in fiscal 2013 were primarily used for five new stores, store remodels and refurbishments, two fuel centers and new equipment and software. We expect capital expenditures to range from $42.0 million to $44.0 million in fiscal 2014, primarily for the construction of new stores, store remodels, fuel centers, new equipment and software.

Net cash used in financing activities includes cash paid and received related to our long-term borrowings, dividends paid, purchase of Spartan Stores common stock, financing fees paid, tax benefits of stock compensation and proceeds from the issuance of common stock. The decrease in cash used in financing activities in fiscal 2013 was primarily due to the net $45.0 million payment made on our revolving credit facility in fiscal 2012. Although we currently expect to continue to pay a quarterly cash dividend, adoption of a dividend policy does not commit the board of directors to declare future dividends. Each future dividend will be considered and declared by the board of directors in its discretion. Whether the board of directors continues to declare dividends depends on a number of factors, including our future financial condition and profitability and compliance with the terms of our credit facilities. Our current maturities of long-term debt and capital lease obligations at March 30, 2013 are $4.1 million. Our ability to borrow additional funds is governed by the terms of our credit facilities.

Net cash used in discontinued operations contains the net cash flows of our discontinued operations and consists primarily of insurance run-off claims, facility maintenance and other liabilities.

On January 9, 2012, we terminated our interest rate swap agreement. A swap termination charge of $0.8 million was recorded as interest expense and paid from available cash.

On December 6, 2012, we completed a private exchange and sale of $50.0 million aggregate principal amount of newly issued four year unsecured 6.625% Senior Notes due 2016 (New Notes) for $40.3 million aggregate principal amount of our existing Convertible Senior Notes due 2027 and $9.7 million in cash. The New Notes mature on December 15, 2016 and are senior unsecured debt and rank equally in right of payment with our other existing and future senior debt. The New Notes are effectively subordinated to our existing and future secured debt to the extent of the value of the assets securing such debt. Interest on the New Notes accrues at a rate of 6.625% per annum. Interest on the New Notes is payable semiannually on June 15 and December 15 of each year, commencing on June 15, 2013. On March 1, 2013, we redeemed all of the remaining $57.4 million aggregate principal amount of the Convertible Senior Notes. This redemption was funded by borrowings on the senior secured revolving credit facility. The completion of the redemption discharges the Indenture dated as of May 30, 2007 between Spartan Stores and the Bank of New York Trust Company, N.A. as Trustee (the Indenture) and the Convertible Notes.

Our principal sources of liquidity are cash flows generated from operations and our senior secured revolving credit facility which has maximum available credit of $200.0 million. As of March 30, 2013, our senior secured revolving credit facility had outstanding borrowings of $47.6 million, additional available borrowings of $149.3 million and maximum availability of $129.5 million which exceeds the minimum excess availability levels, as defined in the credit agreement. The revolving credit facility matures December 2017, and is secured by substantially all of our assets. We believe that cash generated from operating activities and available borrowings under the credit facility will be sufficient to meet anticipated requirements for working capital, capital expenditures, dividend payments, and senior note debt redemption and debt service obligations for the foreseeable future. However, there can be no assurance that our business will continue to generate cash flow at or above current levels or that we will maintain our ability to borrow under our credit facility.

Available borrowings under the credit facility are based on stipulated advance rates on eligible assets, as defined in the credit agreement. The credit facility contains a covenant that includes a minimum fixed charge coverage ratio as defined in the credit agreement. This covenant was not applicable for fiscal 2013 as we maintained minimum excess availability levels, as defined in the credit agreement. The credit facility provides for the issuance of letters of credit, of which $0.6 million were outstanding and unused as of March 30, 2013. Borrowings under the revolving credit portion of the facility bear interest at the London InterBank Offered Rate (LIBOR) plus 1.50%, adjusted based upon availability levels, or the prime rate plus 0.25% (weighted average interest rate of 2.68% at March 30, 2013).

Our current ratio decreased to 1.07:1.00 at March 30, 2013 from 1.13:1.00 at March 31, 2012 and our investment in working capital was $13.2 million at March 30, 2013 versus $24.7 million at March 31, 2012. Our debt to total capital ratio increased slightly to 0.31:1.00 at March 30, 2013 versus 0.30:1.00 at March 31, 2012.

Total Net debt is a non-GAAP financial measure that is defined as long term debt and capital lease obligations plus current maturities of long-term debt and capital lease obligations less cash and cash equivalents. The Company believes investors find the information useful because it reflects the amount of long term debt obligations that are not covered by available cash and temporary investments.

Following is a reconciliation of long-term debt and capital lease obligations to total net long-term debt and capital lease obligations as of March 30, 2013 and March 31, 2012.

(In thousands)	**March 31, 2013**	**March 31, 2012**
Current maturities of long-term debt and capital lease obligations	$ 4,067	$ 4,449
Long-term debt and capital lease obligations	145,876	133,565
Total Debt	149,943	138,014
Cash and cash equivalents	(6,097)	(26,476)
Total net long-term debt	$ 143,846	$ 111,538

The table below presents our significant contractual obligations as of March 30, 2013 [(1)]:

		Payment Due by Period			
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(In thousands)		
Long-term debt	$ 97,895	$ 41	$ 65	$ 97,715	$ 74
Estimated interest on long-term debt	17,696	4,438	8,868	3,012	1,378
Capital leases (2)	52,048	4,026	7,553	8,395	32,074
Interest on capital leases	34,276	4,072	7,370	6,098	16,736
Operating leases (2)	124,672	28,345	44,452	26,009	25,866
Lease and ancillary costs of closed stores, including imputed interest	8,483	3,441	4,754	288	
Purchase obligations (merchandise) (3)	23,741	3,734	6,196	5,000	8,811
FIN 48 unrecognized tax liability	2,648	718	1,708	222	
Self-insurance liability	7,167	5,774	947	300	146
Total	$ 420,674	$ 58,615	$ 89,466	$ 155,434	$ 117,159

(1) Excludes funding of pension and other postretirement benefit obligations. We are not required nor do we intend to make a contribution to our defined benefit pension plan in fiscal 2014. Also excludes contributions under various multi-employer pension plans, which totaled $8.20 million in fiscal 2013. For additional information, refer to Note 9 to the consolidated financial statements.

(2) Operating and capital lease obligations do not include common area maintenance, insurance or tax payments for which we are also obligated. In fiscal 2013, these charges totaled approximately $9.0 million.

(3)

The majority of our purchases involve supply orders to purchase products for resale in the ordinary course of business. These contracts are typically cancelable and therefore no amounts have been included in the table above. Also excluded are contracts that do not contain minimum annual purchase commitments but include other standard contractual considerations that must be fulfilled in order to earn $2.4 million in advanced contract monies that has been received where recognition has been deferred on the Consolidated Balance Sheet. The purchase obligations shown in this table represent the amount of product we are contractually obligated to purchase to earn $7.0 million in advanced contract monies that are receivable under the contracts. At March 30, 2013, $2.0 million in advanced contract monies has been received under these contracts where recognition has been deferred on the Consolidated Balance Sheet. If we do not fulfill these purchase obligations, we would only be obligated to repay the unearned upfront contract monies.

Cash Dividends

We paid a quarterly cash dividend of $0.08 per common share in each quarter of fiscal year 2013, $0.065 in fiscal 2012 and $0.05 in fiscal 2011. Under our senior revolving credit facility, we are generally permitted to pay dividends in any fiscal year up to an amount such that all cash dividends together with any cash distributions or share repurchases do not exceed $30.0 million. Although we currently expect to continue to pay a quarterly cash dividend, adoption of a dividend policy does not commit the board of directors to declare future dividends. Each future dividend will be considered and declared by the board of directors in its discretion. Whether the board of directors continues to declare dividends depends on a number of factors, including our future financial condition and profitability and compliance with the terms of our credit facilities.

Ratio of Earnings to Fixed Charges

For purposes of calculating the ratio of earnings to fixed charges under the terms of the New Senior Notes, earnings consist of net earnings, as adjusted under the terms of the Senior Notes indenture, plus income tax expense, fixed charges and non-cash charges, less cash payments relating to non-cash charges added back to net earnings in prior periods. Fixed charges consist of interest cost, including capitalized interest, and amortization of debt issue costs. Our ratio of earnings to fixed charges was 7.67:1.00 for fiscal 2013.

Off-Balance Sheet Arrangements

We had letters of credit of $0.6 million outstanding and unused at March 30, 2013. The letters of credit are maintained primarily to support payment or deposit obligations. We pay a commission of approximately 2% on the face amount of the letters of credit.

Recently Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. The objective of this amendment is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. Specifically, this amendment requires that all non-owner changes in shareholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new rules became effective for interim and annual periods beginning after December 15, 2011. Because the standard only affects the presentation of comprehensive income and do not affect what is included in comprehensive income, the standard did not have a material effect on our consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment. ASU No. 2011-08 permits the entity to first assess qualitative factors to determine whether certain events and circumstances exist that indicate that it is more likely than not that goodwill is impaired. If as a result of the qualitative assessment it is determined that it is not more likely than not that goodwill is impaired, then we are not required to take further action and calculate the fair value of the reporting unit. ASU No. 2011-08 was effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We continued to test our goodwill for impairment using the allowed two step test.

Recently Issued Accounting Standards

In July 2012, the FASB issued ASU No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. ASU No. 2012-02 essentially expanded the amendment discussed above to apply to the testing of all indefinite-lived intangible assets in order to improve consistency in impairment testing guidance among long-lived asset categories. ASU No. 2012-02 was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after September 15, 2012. We do not expect that the adoption of this standard will have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU No. 2013-02 requires companies to provide additional information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, companies are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. This ASU does not change the requirements for reporting net income or other comprehensive income. Because the standard only affects the presentation of comprehensive income and does not affect what is included in comprehensive income, we do not anticipate this standard will have a material effect on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to industry related price changes on several commodities, such as dairy, meat and produce that we buy and sell in both our Distribution and Retail segments. These products are purchased for and sold from inventory in the ordinary course of business. We are also exposed to other general commodity price changes such as utilities, insurance and fuel costs.

We had $47.6 million variable rate debt as of March 30, 2013. The senior secured revolving credit facility currently bears interest at the LIBOR plus 1.25% or the prime rate (weighted average interest rate of 2.68% at March 30, 2013) on the revolving credit portion of the facility. The weighted average interest rates on outstanding debt including loan fee amortization for fiscal years 2013, 2012 and 2011 were 8.43%, 8.05% and 7.81%, respectively.

At March 30, 2013 and March 31, 2012, the estimated fair value of our long-term debt, including current maturities, was higher than book value by approximately $2.8 million and $4.7 million, respectively. The estimated fair values were based on market quotes for similar instruments.

The following table sets forth the principal cash flows of our debt outstanding and related weighted average interest rates by year of maturity as of March 30, 2013:

	March 30, 2013		**Aggregate Payments by Fiscal Year**					
(In thousands, except rates)	**Fair Value**	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**
Fixed rate debt								
Principal payable	$ 105,112	$ 102,297	$ 4,067	$ 3,776	$ 3,841	$ 54,185	$ 4,280	$ 32,148
Average interest rate		7.55%	7.55%	7.54%	7.51%	7.91%	8.54%	8.70%
Variable rate debt								
Principal payable	47,646	47,646					47,646	
Average interest rate		2.68%					2.68%	

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Spartan Stores, Inc. and Subsidiaries

Grand Rapids, Michigan

We have audited the accompanying consolidated balance sheets of Spartan Stores, Inc. and subsidiaries (the Company) as of March 30, 2013 and March 31, 2012, and the related consolidated statements of earnings, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended March 30, 2013. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Spartan Stores, Inc. and subsidiaries as of March 30, 2013 and March 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended March 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of March 30, 2013, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 23, 2013 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Grand Rapids, MI

May 23, 2013

CONSOLIDATED BALANCE SHEETS

Spartan Stores, Inc. and Subsidiaries

(In thousands)

	March 30, 2013	March 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 6,097	$ 26,476
Accounts receivable, net	60,979	58,637
Inventories, net	124,657	99,778
Prepaid expenses	10,822	9,478
Other current assets	1,304	13,686
Deferred taxes on income	2,310	1,582
Total current assets	206,169	209,637
Property and equipment		
Land and improvements	23,093	23,456
Buildings and improvements	261,348	235,886
Equipment	302,161	298,028
Total property and equipment	586,602	557,370
Less accumulated depreciation and amortization	314,476	300,594
Property and equipment, net	272,126	256,776
Goodwill	246,840	240,194
Other, net	64,532	56,866
Total assets	$ 789,667	$ 763,473
Liabilities and Shareholders Equity		
Current liabilities		
Accounts payable	$ 120,651	$ 107,703
Accrued payroll and benefits	38,356	39,366
Accrued income taxes	6,132	12,352
Other accrued expenses	23,784	21,083
Current maturities of long-term debt and capital lease obligations	4,067	4,449
Total current liabilities	192,990	184,953
Long-term liabilities		
Deferred income taxes	80,578	83,807
Postretirement benefits	14,092	13,618
Other long-term liabilities	20,476	23,922
Long-term debt and capital lease obligations	145,876	133,565
Total long-term liabilities	261,022	254,912
Commitments and contingencies (Note 7)		
Shareholders equity		
Common stock, voting, no par value; 50,000 shares authorized; 21,751 and 22,215 shares outstanding	146,564	155,134
Preferred stock, no par value, 10,000 shares authorized; no shares outstanding		
Accumulated other comprehensive loss	(13,687)	(13,793)
Retained earnings	202,778	182,267
Total shareholders equity	335,655	323,608

Total liabilities and shareholders equity	$ 789,667	$ 763,473

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Spartan Stores, Inc. and Subsidiaries

(In thousands, except per share data)

	Year Ended March 30, 2013	March 31, 2012	March 26, 2011
Net sales	$ 2,608,160	$ 2,634,226	$ 2,533,064
Cost of sales	2,062,616	2,078,116	1,976,549
Gross profit	545,544	556,110	556,515
Operating expenses			
Selling, general and administrative	482,987	489,650	488,017
Restructuring, asset impairment and other	1,589	(23)	532
Total operating expenses	484,576	489,627	488,549
Operating earnings	60,968	66,483	67,966
Other income and expenses			
Interest expense	13,410	15,037	15,104
Debt extinguishment	5,047		
Other, net	(756)	(110)	(97)
Total other income and expenses	17,701	14,927	15,007
Earnings before income taxes and discontinued operations	43,267	51,556	52,959
Income taxes	15,425	19,686	20,420
Earnings from continuing operations	27,842	31,870	32,539
Loss from discontinued operations, net of taxes	(432)	(112)	(232)
Net earnings	$ 27,410	$ 31,758	$ 32,307
Basic earnings per share:			
Earnings from continuing operations	$ 1.28	$ 1.40	$ 1.44
Loss from discontinued operations	(0.02)	(0.01)*	(0.01)
Net earnings	$ 1.26	$ 1.39	$ 1.43
Diluted earnings per share:			
Earnings from continuing operations	$ 1.27	$ 1.39	$ 1.43
Loss from discontinued operations	(0.02)		(0.01)
Net earnings	$ 1.25	$ 1.39	$ 1.42
Weighted average shares outstanding:			
Basic	21,773	22,791	22,606
Diluted	21,848	22,887	22,688

* Includes rounding.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Spartan Stores, Inc. and Subsidiaries

(In thousands)

		Year Ended	
	March 30, 2013	**March 31, 2012**	**March 26, 2011**
Net earnings	$ 27,410	$ 31,758	$ 32,307
Other comprehensive income, before tax			
Pension curtailment[1]			(3,985)
Change in fair value of interest rate swap[2]		330	(431)
Interest rate swap termination charge[3]		775	
Pension and postretirement liability adjustment[4]	173	(2,353)	4,346
Total other comprehensive income (loss), before tax	173	(1,248)	(70)
Income tax (benefit) expense related to items of other comprehensive income	(67)	471	27
Comprehensive income	$ 27,516	$ 30,981	$ 32,264

(1) Amount is gross of tax of $1,543 in fiscal 2011
(2) Amount is gross of tax of $(119) in fiscal 2012 and $166 in fiscal 2011
(3) Amount is gross of tax of $(321) in fiscal 2012
(4) Amount is gross of tax of $(67) in fiscal 2013, $911 in fiscal 2012 and $(1,682) in fiscal 2011

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Spartan Stores, Inc. and Subsidiaries

(In thousands)

	Shares Outstanding	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance March 27, 2010	22,450	$ 158,225	$ (12,973)	$ 128,653	$ 273,905
Net earnings				32,307	32,307
Other comprehensive loss			(43)		(43)
Dividends $0.20 per share				(4,525)	(4,525)
Repurchase of equity component of convertible debt, net of taxes of $246		(388)			(388)
Stock-based employee compensation		5,379			5,379
Issuances of common stock and related tax benefit on stock option exercises	33	428			428
Issuances of restricted stock and related income tax benefits	222	(295)			(295)
Cancellations of restricted stock	(86)	(1,263)			(1,263)
Balance March 26, 2011	22,619	$ 162,086	$ (13,016)	$ 156,435	$ 305,505
Net earnings				31,758	31,758
Other comprehensive loss			(777)		(777)
Dividends $0.26 per share				(5,926)	(5,926)
Share repurchase	(687)	(12,381)			(12,381)
Stock-based employee compensation		5,048			5,048
Issuances of common stock and related tax benefit on stock option exercises and bonus plan	93	1,311			1,311
Issuances of restricted stock and related income tax benefits	255	(116)			