SPARTAN STORES INC
Form DEF 14A
June 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. ____)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

SPARTAN STORES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

SPARTAN STORES, INC.
850 76th Street, S.W.
P.O. Box 8700
Grand Rapids, Michigan 49518-8700
(616) 878-2000

June 24, 2005

Dear Shareholder:

We cordially invite you to attend the 2005 Annual Meeting of Shareholders of Spartan Stores, Inc., to be held on Wednesday, August 10, 2005, at the Amway Grand Plaza Hotel, 187 Monroe Avenue, N.W., Grand Rapids, Michigan 49503, beginning at 10:00 a.m., local time. Your board of directors looks forward to greeting those shareholders who are able to attend the meeting.

At the meeting, you will vote on (i) the election of three directors, (ii) approval of the Annual Executive Incentive Plan of 2005, (iii) approval of the Stock Incentive Plan of 2005, and (iv) the ratification of the selection of Deloitte & Touche LLP as our independent auditors for fiscal 2006. We will also present a report on our business activities.

We have enclosed a notice of the meeting and our proxy statement, which includes information about the nominees for the board of directors, the Annual Executive Incentive Plan of 2005, and the Stock Incentive Plan of 2005. Also enclosed is our annual report to shareholders for the year ended March 26, 2005. We encourage you to read these documents carefully.

It is important for your shares to be represented at the annual meeting, regardless of how many shares you own. Whether or not you plan to attend the annual meeting, please **sign**, **date and return the enclosed proxy card as soon as possible**. Sending a proxy card will not affect your right to vote in person if you attend the meeting. If you plan to attend, please mark the appropriate box on the proxy card to help us plan for the meeting.

Thank you.

Sincerely,

Craig C. Sturken
Chairman, President and Chief Executive Officer

Your vote is important. Even if you plan to attend the meeting,
PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY.

SPARTAN STORES, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To our shareholders:

The 2005 Annual Meeting of Shareholders of Spartan Stores, Inc. will be held at the Amway Grand Plaza Hotel, 187 Monroe Avenue, N.W., Grand Rapids, Michigan 49503, on Wednesday, August 10, 2005, at 10:00 a.m., local time. At the meeting, we will consider and vote on:

1. election of three directors;

2. approval of the Annual Executive Incentive Plan of 2005;

3. approval of the Stock Incentive Plan of 2005;

4. ratification of the selection of Deloitte & Touche LLP as our independent auditors for fiscal 2006; and

5. any other business that may properly come before the meeting.

You are receiving this notice and can vote at the meeting and any adjournment of the meeting if you were a shareholder of record on June 14, 2005.

A copy of Spartan Stores' annual report to shareholders for the year ended March 26, 2005 is enclosed with this notice.

BY ORDER OF THE BOARD OF DIRECTORS

Alex J. DeYonker
Secretary
June 24, 2005

Your vote is important. Even if you plan to attend the meeting,
PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY.

SPARTAN STORES, INC.

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD AUGUST 10, 2005

PROXY STATEMENT
Dated June 24, 2005

Introduction

Use of Terms

In this proxy statement, "we," "us," "our" and "Spartan Stores" refer to Spartan Stores, Inc., and "you" and "your" refer to each shareholder of Spartan Stores.

Time and Place of the Annual Meeting

You are cordially invited to attend the 2005 annual meeting of shareholders of Spartan Stores. The annual meeting will be held on Wednesday, August 10, 2005, at the Amway Grand Plaza Hotel, 187 Monroe Avenue, N.W., Grand Rapids, Michigan 49503, at 10:00 a.m., local time.

Solicitation of Proxies

Your board of directors is furnishing this proxy statement and the enclosed proxy card to you to solicit proxies to be voted on your behalf at the annual meeting and any adjournment of the meeting.

Mailing Date

We began mailing this proxy statement to our shareholders on and after June 24, 2005.

Purposes of the Annual Meeting

The purposes of the annual meeting are to consider and vote on:

election of three directors for three-year terms expiring in 2008;

approval of the Annual Executive Incentive Plan of 2005;

approval of the Stock Incentive Plan of 2005;

ratification of the selection of Deloitte & Touche LLP as our independent auditors for fiscal 2006; and

any other business that may properly come before the meeting.

Your board of directors recommends that you vote FOR each nominee named in this proxy statement, FOR approval of the Annual Executive Incentive Plan of 2005, FOR approval of the Stock Incentive Plan of 2005 and FOR ratification of the selection of Deloitte & Touche LLP as our independent auditors for fiscal 2006.

We do not know of any other matters to be presented for consideration at the annual meeting. If any other matters are presented, the persons named as proxies on the enclosed proxy card will have discretionary authority to vote for you on those matters.

Record Date and Shares Outstanding

You may vote at the annual meeting if you were a shareholder of record of Spartan Stores common stock on June 14, 2005. Each shareholder is entitled to one vote per share of Spartan Stores common stock on each matter presented for a shareholder vote at the meeting.

As of June 14, 2005, 20,800,623 shares of Spartan Stores common stock were outstanding.

How to Vote Your Shares

If you properly sign and return the proxy card in the form we have provided, the shares represented by that proxy card will be voted at the annual meeting and at any adjournment of the meeting.

If you specify a choice on the proxy card, your shares will be voted as specified. If you do not specify a choice, your shares will be voted for the election of each of the nominees named in this proxy statement, for approval of the Annual Executive Incentive Plan of 2005, for approval of the Stock Incentive Plan of 2005, for ratification of Deloitte & Touche LLP as our independent auditors for fiscal 2006, and, with respect to any other matter that may come before the meeting, in the discretion of the persons named as proxies on the proxy card.

How to Revoke Your Proxy

If you are a shareholder of record of Spartan Stores, you may revoke your proxy at any time before it is voted at the meeting by doing any of three things:

- by delivering written notice of revocation to Spartan Stores' Corporate Secretary, 850 76th Street, S.W., P.O. Box 8700, Grand Rapids, Michigan 49518-8700;
- by delivering a proxy card bearing a later date than the proxy that you wish to revoke; or
- by attending the meeting and voting in person.

Merely attending the meeting will not, by itself, revoke your proxy. Your last valid vote that we receive before or at the annual meeting is the vote that will be counted.

"Street Name" Holders

If you hold your shares in "street name," which means that your shares are registered in the name of a bank, broker or other nominee (which we will collectively refer to as your "broker"), your broker must vote your street name shares in the manner you direct if you provide it with proper and timely voting instructions. Please use the voting forms and instructions provided by your broker or its agent. If you are a street name holder and want to change your vote, you must contact your broker.

Quorum

To conduct business at the annual meeting, a quorum of shareholders must be present. The presence in person or by properly executed proxy of the holders of a majority of all issued and outstanding shares of Spartan Stores common stock entitled to vote at the meeting is necessary for a quorum. To determine whether a quorum is present, we will include shares that are present or represented by proxy, including abstentions and shares represented by a broker non-vote on any matter. Although broker non-votes count for quorum purposes, we do not count them as votes for or against any proposal. A broker non-vote occurs when a shareholder holds his or her stock through a broker and the broker does not vote those shares. This usually occurs because the broker has not received timely voting instructions from that shareholder and the broker does not have discretionary voting power for the particular item upon which the vote is taken.

Adjournment

The shareholders present at the meeting, in person or by proxy, may, by a majority vote, adjourn the meeting despite the absence of a quorum. If a quorum is not present at the meeting, we expect to adjourn the meeting to solicit additional proxies.

Required Votes

Election of Directors. A plurality of the shares voting is required to elect directors. This means that, if there are more nominees than positions to be filled, the nominees who receive the most votes will be elected to the open director positions. Abstentions, broker non-votes and other shares that are not voted in person or by proxy will not be included in the vote count to determine if a plurality of shares voted in favor of each nominee.

Annual Executive Incentive Plan of 2005. The Annual Executive Incentive Plan of 2005 to be voted on at the meeting will be approved if a majority of the shares that are represented at the meeting are voted in favor of approval. Abstentions, broker non-votes and other shares that are not voted in person or by proxy will not be included in the vote count to determine if a majority of shares voted in favor of this proposal.

Stock Incentive Plan of 2005. The Stock Incentive Plan of 2005 to be voted on at the meeting will be approved if a majority of the total votes cast on the proposal at the meeting are voted for approval. Abstentions, broker non-votes and other shares that are not voted in person or by proxy will not be included in the vote count to determine if a majority of shares voted in favor of this proposal.

Ratification of Independent Auditors. The ratification of the selection of Deloitte & Touche LLP as our independent auditors for fiscal 2006 to be voted on at the meeting will be approved if a majority of the shares that are voted at the meeting are voted in favor of ratification. Abstentions, broker non-votes and other shares that are not voted in person or by proxy will not be included in the vote count to determine if a majority of shares voted in favor of this proposal.

Required Vote for Other Matters. We do not know of any other matters to be presented at the meeting. Generally, any other proposal to be voted on at the meeting would be approved if a majority of the shares that are voted at the meeting are voted in favor of the proposal. Abstentions, broker non-votes and other shares that are not voted in person or by proxy would not be included in the vote count to determine if a majority of shares voted in favor of each such proposal.

Election of Directors

The board of directors proposes that the following three individuals be elected as directors of Spartan Stores for three-year terms expiring at the 2008 annual meeting of shareholders:

Elizabeth A. Nickels
Kenneth T. Stevens
James F. Wright

Biographical information concerning the nominees appears below under the heading "The Board of Directors."

The persons named as proxies on the proxy card intend to vote for the election of each of the nominees. The proposed nominees are willing to be elected and to serve as directors. However, if any nominee becomes unable to serve or is otherwise unavailable for election, which we do not anticipate, the incumbent board of directors may select a substitute nominee. If a substitute nominee is selected, the shares represented by your proxy card will be voted for the election of the substitute nominee, unless you give other instructions. If a substitute is not selected, all proxies will be voted for the election of the remaining nominees. Proxies will not be voted for more than three nominees.

Your board of directors recommends that you vote <u>FOR</u> election of all nominees as directors.

The Board of Directors

General

The board of directors currently consists of eight directors. Assuming that all of the nominees are elected, there will be eight directors immediately following the annual meeting. Mr. Gregory P. Josefowicz has advised the Company that he intends to resign from the board of directors after the annual meeting, at a yet undetermined date which he will fix at a later date after further consultation with the board of directors. The board of directors is divided into three classes, with each class as nearly equal in number as possible. Each class of directors serves a three-year term, with the term of one class expiring at the annual meeting in each successive year. Ms. Nickels and Messrs. Stevens and Wright are standing for re-election.

Biographical information concerning the directors and the nominees for election to the board of directors is presented below. Except as otherwise indicated, each of these persons has had the same principal position and employment for over five years.

Nominees For Election as Directors With Terms Expiring in 2008

Elizabeth A. Nickels (age 43). Ms. Nickels has been a director of Spartan Stores since 2000. Since February 2000, she has served as Executive Vice President and Chief Financial Officer of Herman Miller, Inc., an office furniture manufacturing company whose stock is traded on The Nasdaq Stock Market. From 1993 to February 2000, she was Vice President and Chief Financial Officer of Universal Forest Products, Inc., a wood products manufacturer whose stock is traded on The Nasdaq Stock Market. Ms. Nickels is a certified public accountant.

Kenneth T. Stevens (age 53). Mr. Stevens has been a director of Spartan Stores since 2002. Since March 2004, Mr. Stevens has served as Chief Executive Officer of Express, a retail clothing division of Limited Brands, Inc., a clothing retailer whose stock is traded on the New York Stock Exchange. From February 2003 to March 2004, he served as President of Bath & Body Works, also a division of Limited Brands, Inc. From February 2002 to January 2003, he served as the Chief Operating Officer of Bath & Body Works. From December 2000 to November 2001, he served as President and Chief Operating Officer of inChord Communications Inc., a group of communication companies that provide customized marketing solutions. From April 1996 to November 2000, he served as Chairman and Chief Executive Officer of Bank One Retail Group. From 1992 to 1993, Mr. Stevens was the treasurer of PepsiCo, a diversified food and beverage company whose stock is traded on the New York Stock Exchange. From 1995 to 1998, he served on the audit committee of the board of directors of La Quinta Corp., a lodging company whose stock is traded on the New York Stock Exchange.

James F. Wright (age 55). Mr. Wright has been a director of Spartan Stores since 2002. He has served as President and Chief Executive Officer of Tractor Supply Company, a farm equipment and supply retailer whose stock is listed on The Nasdaq Stock Market, since October 2004. He was President and Chief Operating Officer of Tractor Supply Company from 2000 until October 2004. He is also a director of Tractor Supply Company. From 1997 to 2000, he served as President and Chief Executive Officer of Tire Kingdom, a chain of retail tire stores headquartered in West Palm Beach, Florida.

Directors With Terms Expiring in 2007

Craig C. Sturken (age 61). Mr. Sturken has been a director of Spartan Stores since 2003, our President and Chief Executive Officer since March 2003, and our Chairman of the Board since August 2003. Mr. Sturken spent his entire career in the grocery industry and has more than 40 years of retail grocery experience, including

10 years with the Great Atlantic & Pacific Tea Company ("A&P"), a food retailer whose stock is traded on the New York Stock Exchange. From October 2000 to March 2002, Mr. Sturken was the CEO of A&P's Atlantic region, after which he retired. From October 1992 to October 2000, he was CEO of A&P's Midwest region. Before A&P, Mr. Sturken held executive positions with The Grand Union Company and Hannaford Brothers' Company.

Gregory P. Josefowicz (age 52). Mr. Josefowicz has been a director of Spartan Stores since July 2001. He has served as the President and Chief Executive Officer and as a director of Borders Group, Inc., a retail bookstore company whose stock is traded on the New York Stock Exchange, since November 1999, and was named Borders Group's Chairman of the Board in January 2002. Since 1999, Mr. Josefowicz has been a director of Ryerson Tull, Inc., a metal and plastics supplier whose stock is traded on the New York Stock Exchange. Since December 2004, Mr. Josefowicz has been a director and member of the compensation committee of PETsMART, Inc., a provider of products and services for pets whose stock is listed on The Nasdaq Stock Market. For more than five years prior to joining Borders Group, he served in a variety of executive positions, most recently as President, with Jewel-Osco, a food and drug retailer that is currently a division of Albertson's, Inc.

Directors With Terms Expiring in 2006

M. Shân Atkins (age 48) has been a director of Spartan Stores since 2003. Since 2001, Ms. Atkins has been Managing Director of Chetrum Capital LLC, a private investment firm. Ms. Atkins has been a director since June 2004, and was appointed Chair of the audit committee of The Pep Boys - Manny, Moe and Jack, an auto parts and service retailer whose common stock is listed on the New York Stock Exchange. From 1999 to 2001, Ms. Atkins served as a director and a member of the audit committee of Chapters, Inc., a book retailer whose stock is traded on the Toronto Stock Exchange. From 1996 to 2001, Ms. Atkins served in a variety of executive positions with Sears, Roebuck and Co., a retailer whose common stock is listed on the New York Stock Exchange, most recently as Executive Vice President, Strategic Initiatives. From 1982 to 1996, she served in a variety of positions with Bain and Company, Inc., an international management consulting firm, where she specialized in the consumer and retail sectors, most recently serving as Vice President. Ms. Atkins was an auditor with Price Waterhouse in Toronto, Canada, from 1979 to 1981. She has been a member of the Canadian Institute of Chartered Accountants since 1981 and is a certified public accountant.

Dr. Frank M. Gambino (age 51) has been a director of Spartan Stores since 2003. Since 2002, Dr. Gambino has been the Director of the Food Marketing Program at the Haworth College of Business at Western Michigan University. Dr. Gambino also served as an Associate Professor of Marketing at the Haworth School from 1993 to 2002 and has been on the WMU faculty since 1984.

Timothy J. O'Donovan (age 60) has been a director of Spartan Stores since 2003. He has been the Chief Executive Officer and President of Wolverine World Wide, Inc., a footwear company whose common stock is listed on the New York Stock Exchange, since April 2000, Chairman of the Board of Wolverine since April 2005, and a director of Wolverine since 1993. From 1996 to April 2000, Mr. O'Donovan was the Chief Operating Officer and President of Wolverine. Before 1996, Mr. O'Donovan was Executive Vice President of Wolverine.

Board and Committee Meetings

Spartan Stores' board of directors held 8 meetings during the fiscal year ended March 26, 2005, which we refer to as "fiscal 2005." In fiscal 2005, each director attended at least 75% of the total of all meetings of the board of directors and the committees on which he or she served. The Board is scheduled to meet at least quarterly and may meet more frequently. Independent directors meet in executive sessions, without the presence of management, at each regularly scheduled board meeting.

All directors are expected to attend each annual meeting of shareholders unless compelling personal circumstances prevent attendance. Spartan Stores' 2004 Annual Meeting of Shareholders was attended by all directors.

Board Committees

Spartan Stores' board has four standing committees:

- the executive committee;
- the audit committee;
- the compensation committee; and
- the nominating and corporate governance committee

Executive Committee. The executive committee has the full power and authority of the board to manage the business affairs and property of Spartan Stores between meetings of the full board. The executive committee can declare distributions and dividends and authorize the issuance of stock. The executive committee has authority to recommend to the board a successor to the Chief Executive Officer when a vacancy occurs.

The executive committee consists of Spartan Stores' Chairman of the Board, Mr. Sturken, and the chairs of the other board committees, Ms. Nickels, Mr. Wright and Mr. Josefowicz. Mr. Sturken is the chair of the executive committee. The executive committee did not meet during fiscal 2005.

Audit Committee. The audit committee:

- monitors the integrity of the financial statements of Spartan Stores;
- monitors compliance by Spartan Stores with legal and regulatory requirements;
- monitors the independence and performance of Spartan Stores' auditors, including that the independent auditors are ultimately responsible to the board of directors and the audit committee;
- monitors the performance of Spartan Stores' internal audit function;
- monitors Spartan Stores' system of disclosure controls and procedures and internal controls over financial reporting;
- selects and oversees the independent auditors;
- determines the compensation and terms of engagement of the independent auditors;
- approves all audit and permissible non-audit services provided by the independent auditors;
- reviews the results of audits by the independent auditors;
- consults with the internal auditor and independent auditors regarding the adequacy of internal controls and procedures;

- establishes procedures for the receipt, retention and treatment of complaints received by Spartan Stores regarding accounting, internal accounting controls and auditing matters;

- evaluates and approves all related party transactions;

- maintains the Code of Ethics and Business Conduct applicable to Spartan Stores' senior financial officers; and

- reviews the annual financial statements and any disputes between management and the independent auditors.

See "Independent Auditors-Audit Committee Approval Policies" on page 41 for a discussion of the audit committee's procedures for approving services to be provided by the independent auditors to Spartan Stores and its subsidiaries.

Ms. Nickels, Dr. Gambino, Ms. Atkins and Mr. Stevens currently serve on the audit committee. Ms. Nickels is the chair of the audit committee. The audit committee met 9 times during fiscal 2005.

A copy of the audit committee charter was included as Appendix A to Spartan Stores' 2004 proxy statement and is available on our website at www.spartanstores.com.

The board of directors has determined that Shân Atkins, Elizabeth A. Nickels and Kenneth T. Stevens are audit committee financial experts, as that term is defined in Item 401(h)(2) of Securities and Exchange Commission Regulation S-K. Under SEC regulations, a person who is determined to be an audit committee financial expert will not be deemed an expert for any purpose, including without limitation for purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert, and the designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Each member of the audit committee is independent, as that term is defined in Rule 4200(a)(15) and Rule 4350(d)(2)(A) of the National Association of Securities Dealers ("NASD").

Compensation Committee. The compensation committee:

determines our compensation philosophy;

administers our stock option, bonus and purchase plans;

in conjunction with the nominating and corporate governance committee, evaluates the performance of the Chief Executive Officer, and recommends to the board of directors the compensation of the Chief Executive Officer;

with input from the Chief Executive Officer, recommends to the board of directors the salaries, annual incentives, stock options and other benefits of other corporate officers;

authorizes the issuance of stock and stock options; and

reviews policies regarding the operation of our executive compensation programs.

Messrs. Wright, Josefowicz and O'Donovan currently serve on the compensation committee. Mr. Wright is the chair of the compensation committee. The compensation committee met 5 times during fiscal 2005.

Each member of the compensation committee is independent, as that term is defined in Rule 4200(a)(15) of the NASD.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee:

identifies potential nominees for election as directors, reviews their qualifications and recommends to the board qualified candidates;

recommends to the board of directors the individuals to be selected for membership on the various board committees;

establishes standards for membership on the board and any committee of the board;

develops and monitors our Corporate Governance Policy;

monitors and evaluates the performance of directors;

assists the compensation committee with the evaluation of the performance of the Chief

Executive Officer; and

reviews and oversees all other material aspects of the board of directors' governance of itself and Spartan Stores.

A copy of the nominating and corporate governance committee charter was attached as Appendix B to Spartan Stores' 2004 proxy statement and is available on our website at www.spartanstores.com.

The formal requirements pertaining to Spartan Stores' corporate governance structure are set forth in our Articles of Incorporation, Bylaws and board committee charters, as amended from time to time. To assist the board in exercising its responsibilities, the board adopted the Corporate Governance Policy that includes, among other things, guidelines regarding:

board size and criteria;

director independence;

term limits and retirement of directors;

evaluation and compensation of the board and executive officers;

directors' access to management and outside advisors;

strategic planning; and

succession planning

A copy of our Corporate Governance Policy can be found on our website at www.spartanstores.com.

Messrs. Josefowicz, O'Donovan, Stevens and Wright, Mses. Atkins and Nickels and Dr. Gambino currently serve on the nominating and corporate governance committee. Mr. Josefowicz is the chair of the committee. The nominating and corporate governance committee met 3 times during fiscal 2005. Under the Corporate Governance Policy, so long as the chair of the board is also the chief executive officer of Spartan Stores, the chair of the nominating and corporate governance committee will act as the principal liaison between the independent directors and the board chair, and will advise the chair as to the quality, quantity and timeliness of the flow of information from management. In addition, the chair of the nominating and corporate governance committee will coordinate, develop the agenda for and chair the meetings of the directors in executive session.

Each member of the nominating and corporate governance committee is "independent" as that term is defined in Rule 4200(a)(15) of the NASD.

Shareholder Nominations of Director Candidates

Under our restated articles of incorporation, a shareholder of record may nominate a person for election as a director at a meeting of shareholders at which directors will be elected if, and only if, the shareholder has delivered timely notice to the Secretary of Spartan Stores setting forth:

the name, age, business address and residence address of each proposed nominee;

the principal occupation or employment of each nominee;

the number of shares of Spartan Stores stock that each nominee beneficially owns;

- a statement that each nominee is willing to be nominated; and

- any other information concerning each nominee that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of those nominees.

The nominating and corporate governance committee will consider every nominee proposed by a shareholder that is received in a timely manner in accordance with these procedures and report each such nomination, along with the nominating and corporate governance committee's recommendations, to the full board of directors.

To be timely, a shareholder's notice must be delivered to or mailed and received at Spartan Stores' principal executive offices (1) at least 120 days before the date of notice of the meeting in the case of an annual meeting of shareholders, or (2) not more than seven days following the date of notice of the meeting in the case of a special meeting of shareholders. Any nomination that does not comply with these procedures will be void.

The nominating and corporate governance committee may also, in its discretion, consider shareholders' informal recommendations of possible nominees. Shareholders may send such informal recommendations to the committee by directing them in care of the Secretary of the Company at the address that appears on the first page of this proxy statement.

Nominee Qualifications and the Nominations Process

The board of directors believes that Spartan Stores and its shareholders are best served by having a board of directors that brings a diversity of education, experience, skills, and perspective to board meetings. Accordingly, there are no specific or minimum qualifications or criteria for nomination for election or appointment to the board of directors. The nominating and corporate governance committee identifies and evaluates nominees for director on a case-by-case basis and has no written procedures for doing so. There is no material difference in the manner in which the nominating and corporate governance committee evaluates nominees for director that were recommended by a shareholder.

Shareholder Communications with Directors

In accordance with the Spartan Stores' Shareholder Communication Policy, shareholders who wish to send communications to Spartan Stores' board of directors may do so by sending them in care of the Secretary of the Company at the address that appears on the first page of this proxy statement. Such communications may be addressed either to specified individual directors or the entire board. The Secretary has the discretion to screen and not forward to directors communications which the Secretary determines in his or her discretion are communications unrelated to the business or governance of Spartan Stores and its subsidiaries, commercial solicitations, offensive, obscene, or otherwise inappropriate. The Secretary will, however, compile all shareholder communications which are not forwarded and such communications will be available to any director. A copy of our Shareholder Communication Policy can be found on our website at www.spartanstores.com.

Compensation of Directors

Each non-executive director receives a base compensation of $25,000 per year and $1,000 for attendance at each meeting of a board committee (or $500 if attending the committee meeting by telephone conference). Non-executive directors also are reimbursed for travel and lodging expenses for meetings attended.

The board of directors receive an equity component to the directors' compensation in the form of annual restricted stock grants in the amount of $20,000. On May 11, 2005, each non-executive director was issued 1,739 shares of restricted stock pursuant to the Spartan Stores, Inc. 2001 Stock Incentive Plan, which vest over a period of three years, subject to certain limitations and acceleration of vesting upon retirement. The fair market value of the restricted shares issued to each director was $20,000, based upon the average of the high and low price per share of $11.50 on May 11, 2005.

The Spartan Stores, Inc. Supplemental Savings Plan for Directors provides directors who participate in the plan with the opportunity to defer a portion of their director fees until a subsequent date. A director may defer up to 100%

of his or her director fees under this plan. The plan provides participants with various investment alternatives, including Spartan Stores' stock. The investments are only hypothetical investments, also referred to as phantom investments. The investment results for a participant are determined as if the director fees had actually been invested in the selected investment fund during the relevant time period.

Approval of the Annual Executive Incentive Plan of 2005

The board of directors believes that Spartan Stores' short-term interests are best advanced by aligning the interests of its key officers with the interests of its shareholders. Therefore, to provide incentives and rewards for achievement of annual financial and other business goals, on May 11, 2005, the board of directors adopted and approved, subject to shareholder approval, the Spartan Stores, Inc. Annual Executive Incentive Plan of 2005 (the "Executive Plan").

We have in the past paid annual incentive bonuses to our executive officers pursuant to an existing short-term incentive bonus plan. Under that plan, the compensation committee establishes a target award and a set of performance factors for each participating officer, and a bonus may be paid in cash at the end of the year based on an assessment of performance against the designated factors.

The chief executive officer's annual incentive bonus has traditionally been based entirely on corporate performance. The annual incentive bonuses of other executive officers have been based on allocations of corporate, business unit and individual performance components that vary from individual to individual. In fiscal 2005, the annual incentive bonuses of other executive officers were based solely on corporate performance.

Section 162(m) of the Internal Revenue Code, as amended, limits to $1,000,000 the annual income tax deduction that a publicly-held corporation may claim for compensation paid to its chief executive officer and to its four most highly compensated officers other than the chief executive officer. Qualified "performance-based" compensation is exempt from the $1,000,000 limit and may be deducted even if other compensation exceeds $1,000,000. The Executive Plan is intended to provide for the ability to award compensation that qualifies as performance-based compensation under Section 162(m) of the Internal Revenue Code.

The Executive Plan would permit the compensation committee to designate for each fiscal year any senior executive officer (currently 8 persons) of Spartan Stores or any of its subsidiaries as a participant under the Executive Plan. However, it is the intention of the compensation committee that participation in the Executive Plan in any year would be limited to those individuals who are expected to receive compensation for that year that would not otherwise be tax deductible under Section 162(m). Because Section 162(m), by its terms, limits its application to a corporation's chief executive officer and four other most highly compensated officers, it is not presently expected that any person other than those five officers would receive bonuses under the Executive Plan in any year.

Spartan Stores intends to continue its established practice of paying annual incentive bonuses to officers under an existing short-term incentive bonus plan that does not qualify under Section 162(m). Participants in the Executive Plan could also receive cash or other bonuses from Spartan Stores under that or other bonus programs. The Executive Plan provides, however, that no payment under any other bonus program or compensation arrangement may be contingent upon failure to meet the performance goals for payment of an incentive bonus under the Executive Plan.

The following is a summary of the material features of the Executive Plan; however, it is not complete and, therefore, you

-10-

should not rely solely on it for a detailed description of every aspect of the Executive Plan. The summary is qualified in its entirety by reference to the terms of the Executive Plan, a copy of which is attached as Appendix A to this proxy statement.

Under the Executive Plan, the compensation committee must specify for each participant, for each fiscal year:

- a target bonus, expressed as a percentage of the participant's annual base salary or a specified dollar amount;
- incentive bonus levels, expressed as a percentage of the target bonus, to be paid for specified levels of achievement of performance goals;
- the applicable business criteria by which performance will be measured; and
- any specific conditions under which an incentive bonus could be reduced or forfeited (but not increased).

Incentive bonus levels could be expressed as a matrix of percentages of the target bonus that would be paid at specified levels of performance or as a mathematical formula determining the percentage of the target bonus payable at varying levels of performance.

The term incentive bonus, as used in the Executive Plan, would mean an annual bonus awarded and paid to a participant for services to Spartan Stores or its subsidiaries during a fiscal year, that would be based upon achievement of pre-established financial and other objectives by Spartan Stores, one or more of its subsidiaries or business units, or any combination thereof.

The compensation committee would determine the annual performance goal or set of goals for each participant, the attainment of which would have to be substantially uncertain when specified. The performance goal or set of goals would have to be established in writing by the compensation committee during the first 90 days of the fiscal year and would have to be based solely upon objective criteria from which an independent third party with knowledge of the facts could determine whether the performance goal or set of goals was satisfied and from that determination could calculate the performance-based compensation to be paid. Although the compensation committee would have authority to exercise reasonable discretion to interpret the Executive Plan and the performance goals that it would specify pursuant to the Executive Plan, it could not amend or waive such performance goals after the 90th day of a fiscal year. The compensation committee would have no authority or discretion to increase any incentive bonus or to construct, modify or apply the measurement of performance in a manner that would directly or indirectly increase the incentive bonus for any participant for any fiscal year above the amount determined by the applicable objective criteria established within the first 90 days of the fiscal year.

Under the Executive Plan the performance of Spartan Stores would be determined by reference to one or more of the following business criteria specified by the compensation committee, either individually or in any combination, applied to either Spartan Stores as a whole or to a Spartan Stores business unit or subsidiary, either individually or in any combination, and measured against pre-determined levels, the performance of a pre-established peer group or a published or special index: net earnings; earnings before or after taxes, interest, depreciation, and/or amortization; earnings per share, reflecting dilution of the common stock as the compensation committee deems appropriate, and, if the compensation committee so determines, net of or including dividends; net sales; net sales growth; return measures (including, but not limited to, return on assets, capital, equity, or sales); cash flow (including, but not limited to, operating cash flow and free cash flow); cash flow return on capital; gross or operating margins; productivity ratios; share price (including, but not limited to, growth measures and total shareholder return); expense or cost levels; margins; operating efficiency; customer satisfaction, satisfaction based on specified objective goals or a Spartan Stores-sponsored customer survey; working

capital targets; economic value added measurements; market share or market penetration with respect to specific designated products or product groups and/or specific geographic areas; aggregate product price and other product measures; reduction of losses, loss ratios or expense ratios; reduction in fixed costs; inventory turnover; debt reduction; associate turnover; specified objective social goals; and safety record.

The performance measurement defined by the compensation committee could provide that any evaluation of performance could include or exclude certain specific events or their effects that occur during the fiscal year, including asset write-downs; litigation or claim judgments or settlements; changes in tax laws, accounting principles, or other laws or provisions affecting reported results; any reorganization and restructuring programs; extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Spartan Stores annual report to shareholders for the applicable fiscal year; acquisitions, divestitures or accounting changes; foreign exchange gains and losses; and other special charges or extraordinary items.

Payment of an incentive bonus to a participant for a fiscal year under the Executive Plan would be entirely contingent upon the attainment of the specified performance goal or goals. The maximum bonus for any participant for a fiscal year could not exceed $1,500,000. The incentive bonus payable to a participant for a year would be paid as soon as feasible following final determination and written certification by the compensation committee that the applicable performance goals had been satisfied.

The incentive bonus otherwise payable to a participant for a fiscal year would be adjusted as follows. If a participant ceased to be a participant before the end of any fiscal year and more than six months after the beginning of such fiscal year because of death, retirement (as defined in the Executive Plan) or total disability (as defined in the Executive Plan), an award would be paid to the participant or the participant's beneficiary after the end of such fiscal year and would be prorated as follows: the award, if any, for such fiscal year would be equal to 100% of the incentive bonus that the participant would have received if the participant had been a participant during the entire fiscal year, multiplied by the ratio of the participant's full months as a participant during that fiscal year to the 12 months in that fiscal year. Despite the above, the compensation committee would have discretion to reduce or eliminate any incentive bonus otherwise payable as described in this paragraph. If an employee ceased to be a participant during any fiscal year, or prior to actual receipt of the award for a previous fiscal year, because of the participant's termination of employment for any reason other than described above in this paragraph, the participant would not be entitled to any award for such fiscal year.

If approved, the Executive Plan would be in effect for fiscal 2006 and would terminate without action by the board of directors or compensation committee as of the date of the first meeting of shareholders held in fiscal 2011, unless reapproved by shareholders at such meeting or earlier. If reapproval occurs, the Executive Plan will terminate as of the date of the first meeting of shareholders in the fifth year following reapproval or any subsequent reapproval. If the Executive Plan terminates due to lack of reapproval by the shareholders, no incentive bonuses will be awarded for the fiscal year in which the Executive Plan terminates.

The board of directors or compensation committee could terminate the Executive Plan at any time and could from time to time amend the Executive Plan as it considers proper and in the best interests of Spartan Stores, provided that no termination or amendment could impair the validity of, or the obligation of Spartan Stores to pay, any incentive bonus awarded for any fiscal year prior to the fiscal year in which the termination or amendment is adopted or, if later, is effective. In addition, no amendment could be made without the approval of shareholders of Spartan Stores if it would change the list of

business criteria on which the compensation committee may base performance goals. An amendment adopted after the first 90 days of a year could not directly or indirectly increase the amount of any incentive bonus, alter the allocation of benefits among participants, or alter any element of a performance goal in a manner that would increase any incentive bonus payable to any participant for that year.

Benefits which would be paid under the Executive Plan in the future, if the Executive Plan is approved by the shareholders, are not determinable. The amount of incentive bonus any individual would receive under the Executive Plan would depend upon corporate and/or business unit performance for each fiscal year and is not presently determinable. If the Executive Plan had been in effect for fiscal 2005 and each participant designated for participation in the Executive Plan in fiscal 2006 had been designated for participation in fiscal 2005, and assuming that the compensation committee had specified the same business criteria for fiscal 2005 as it has conditionally specified for fiscal 2006, the benefits set forth in the table below would have been paid under the Executive Plan for fiscal 2005.

New Plan Benefits(1)

Annual Executive Incentive Plan of 2005

Name and Position	Dollar Value ($)
Craig C. Sturken(2) Chairman, President and Chief Executive Officer	$ 768,000
David M. Staples Executive Vice President and Chief Financial Officer	--
Dennis Eidson Executive Vice President, Marketing and Merchandising	--
Theodore C. Adornato Executive Vice President, Retail Operations	--
Mark C. Eriks Executive Vice President, Support Services	--
Executive Group	$ 768,000
Non-Executive Director Group	$ 0
Non-Executive Officer Employee Group	$ 0

1) The Executive Plan is subject to shareholder approval and cannot become effective until approved by the shareholders at the 2005 annual meeting of shareholders. Benefits which will be paid under the Plan in the future are not determinable. If this Plan had been effective during fiscal 2005, it is reasonably likely that the compensation committee would have set Mr. Sturken's annual incentive award under this Plan. No other officers would have received awards under this Plan during fiscal 2005. This table does not set forth any bonuses paid under Spartan Stores' previously authorized bonus plans.

2) The compensation committee has designated the Chief Executive Officer as the only officer for participation in the Executive Plan in fiscal 2006. For fiscal 2006, the compensation committee has conditionally specified that the measuring business criteria for the Chief Executive Officer will be net earnings of Spartan Stores. The Chief Executive Officer's target bonus (based on a percentage of his base salary) and the amount of the incentive bonus that would have been paid under the Executive Plan if it had been in force and implemented in fiscal 2005 under the same criteria as have been conditionally specified by the compensation committee for fiscal 2006 were \$463,200 and \$768,000, respectively. The target bonus is equal to 80% of base salary.

The Executive Plan would operate on a fiscal year basis. Selection of a participant for a fiscal year would be limited to that year and would not assure selection for any other year. Messrs. Sturken, Staples, Eidson, Adornato and Eriks, and other officers of Spartan Stores or its subsidiaries who could be designated to participate in the Executive Plan in the future, could be considered to have an interest in the Executive Plan.

To qualify as performance-based compensation under Section 162(m), the material terms of the Executive Plan must be approved by the shareholders of Spartan Stores. No compensation will be paid under the Executive Plan unless the Executive Plan is approved by the shareholders. The affirmative vote of the holders of a majority of the shares of Spartan Stores common stock represented in person or by proxy and voting on this proposal at the annual meeting is required to approve the Executive Plan. For purposes of counting votes on this proposal, abstentions, broker non-votes and other shares not voted will not be counted as shares voted on the proposal, and the number of shares of which a majority is required will be reduced by the number of shares not voted.

Your Board of Directors Recommends That You
Vote FOR Approval of the Annual Executive Incentive Plan of 2005

Approval of the Stock Incentive Plan of 2005

General

The board of directors believes that the long-term interests of Spartan Stores would be advanced by aligning the interests of its directors and "associates" (i.e., employees) with the interests of its shareholders. Therefore, to attract, retain and motivate directors and key associates of exceptional abilities, and to recognize the significant contributions these individuals have made to the long-term performance and growth of Spartan Stores and its subsidiaries, on May 11, 2005, the board of directors adopted and approved, subject to shareholder approval, the Spartan Stores, Inc. Stock Incentive Plan of 2005 (the "Incentive Plan"). The Incentive Plan is intended to supplement and continue the compensation policies and practices of our other equity compensation plans, which we have used for several years. Because there are a limited number of shares available for issuance under previously authorized similar plans (approximately 154,000 shares in total as of June 1, 2005), the board of directors believes that approval of the Incentive Plan is advisable to make additional shares available for stock options and other awards.

We intend to use the Incentive Plan to grant equity-based incentives to eligible participants. These forms of long-term incentive compensation include stock options, stock appreciation rights, restricted stock units, restricted stock, stock awards and other awards based on or related to shares of Spartan Stores common stock (together with incentive stock options, collectively referred to as "incentive awards"). By combining in a single plan many types of incentives commonly used in long-term incentive compensation programs, the Incentive Plan is intended to provide Spartan Stores with a great deal of flexibility in designing specific long-term incentives to best promote the objectives of the Incentive Plan and in turn promote the interests of our shareholders.

If shareholders approve the Incentive Plan, then incentive awards could be granted to eligible participants. No incentive awards would be granted under the Incentive Plan on a date that is more than ten years after the Incentive Plan's effective date. The effective date of the Incentive Plan will be May 11, 2005, if the shareholders approve the Incentive Plan. Incentive awards would be granted under the Incentive Plan to participants for no cash consideration or for such minimum consideration as determined by the compensation committee. The Incentive Plan would not be qualified under Section 401(a) of the Internal Revenue Code and would not be subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The following is a summary of the material features of the Incentive Plan; however, it is not complete and, therefore, you should not rely solely on it for a detailed description of every aspect of the Incentive Plan. The summary is qualified in its entirety by reference to the terms of the Incentive Plan, a copy of which is attached as Appendix B to this proxy statement. Included in the summary is information regarding the effect of U.S. federal tax laws upon participants and Spartan Stores. This information is not a complete summary of such tax laws and does not discuss the income tax laws of any state or foreign country in which a participant may reside, and is subject to change. Please note that the description with respect to stock appreciation rights and the deferred delivery of shares in particular are subject to change due to recently enacted tax legislation. Participants in the Incentive Plan should consult their own tax advisors regarding the specific tax consequences to them of participating in and receiving incentive awards under the Incentive Plan.

Authorized Shares

Subject to certain anti-dilution and other adjustments, 1,200,000 shares of Spartan Stores common stock would be available for incentive

-15-

awards under the Incentive Plan. Shares of common stock authorized under the Incentive Plan could be either unissued shares, shares issued and repurchased by Spartan Stores (including shares purchased on the open market), shares issued and otherwise reacquired by Spartan Stores or shares otherwise held by Spartan Stores. Shares subject to incentive awards that are canceled, surrendered, modified, exchanged for substitute incentive awards, or that expire or terminate would remain available under the Incentive Plan. On June 14, 2005, the closing price of Spartan Stores common stock on the NASDAQ National Market was $13.53 per share. The Incentive Plan would not allow more than 75% of the shares authorized under the Incentive Plan to be issued as incentive awards other than stock options or stock appreciation rights. In addition, it would not allow any participant to receive, in any calendar year, incentive awards issued under the Incentive Plan with respect to more than 25% of the total number of shares available under the Incentive Plan. Upon the occurrence of certain corporate events (e.g., merger, stock dividend), the compensation committee could adjust the incentive awards appropriately. Unless the Incentive Plan is terminated earlier by the board of directors, incentive awards could be granted at any time before or on May 10, 2015, when the Incentive Plan will terminate according to its terms.

Eligible Participants

Although directors of Spartan Stores and associates of Spartan Stores and its subsidiaries could receive incentive awards under the Incentive Plan, we anticipate that the primary persons who will receive incentive awards under the Incentive Plan will be directors of Spartan Stores (currently 8 persons) and officers (currently 8 persons) and key associates (no determination has been made as to which associates are considered "key" associates, however, approximately 45 individuals received awards under the Company's existing plans for fiscal 2005) of Spartan Stores and its subsidiaries. Additional individuals may become directors, officers or key associates in the future and could participate in the Incentive Plan. Directors, nominees for director, officers and key associates of Spartan Stores and its subsidiaries may be considered to have an interest in the Incentive Plan because they may in the future receive incentive awards under it.

Administration of the Incentive Plan

The Incentive Plan would be administered by the compensation committee of the board of directors. The compensation committee would determine, subject to the terms of the Incentive Plan, the persons to receive incentive awards, the nature and amount of incentive awards to be granted to each person (subject to the limits specified in the Incentive Plan), the time of each grant, the terms and duration of each grant, and all other determinations necessary or advisable for administration of the Incentive Plan. The compensation committee could amend the terms of incentive awards granted under the Incentive Plan from time to time in any manner, subject to the limitations specified in the Incentive Plan.

Stock Options

The Incentive Plan would permit Spartan Stores to grant to participants options to purchase shares of Spartan Stores common stock at stated prices for specific periods of time. For purposes of determining the number of shares available under the Incentive Plan, each stock option would count as the number of shares of common stock subject to the stock option. Certain stock options that could be granted to associates under the Incentive Plan may qualify as incentive stock options as defined in Section 422 of the Internal Revenue Code. Incentive stock options would be available only for associates. They would not be available for directors who are not employees. Unless the Incentive Plan is terminated earlier by the board of directors, stock options could be granted at any time before or on May 10, 2015, when the Incentive Plan will terminate according to its terms. The compensation committee could award options for any amount of consideration or no consideration, as the compensation committee determines.

-16-

The compensation committee would establish the terms of individual stock option grants in stock option agreements, certificates of award or both. These documents would contain terms, conditions and restrictions that the compensation committee determines to be appropriate. These restrictions could include vesting requirements to encourage long-term ownership of shares.

The exercise price of a stock option would be determined by the compensation committee, but must be at least 100% of the market value of Spartan Stores common stock on the date of grant. No stock option could be repriced, replaced, regranted through cancellation or modified without shareholder approval if the effect of such repricing, replacement, regrant or modification would be to reduce the exercise price of such stock options to the same participant.

When exercising all or a portion of a stock option, a participant could pay the exercise price with cash or, if permitted by the compensation committee, shares of Spartan Stores common stock that the participant has owned for at least six months, or other consideration substantially equal to cash. The compensation committee could also authorize payment of all or a portion of the exercise price in the form of a promissory note or installment payments, except as limited by the Sarbanes-Oxley Act of 2002 or other laws, rules or regulations. Any promissory note or installment payments must be with full recourse and at the market rate of interest. The board of directors could restrict or suspend the power of the compensation committee to permit such loans, however, and could require that adequate security be provided. In addition, the compensation committee may implement a program for broker-assisted cashless exercises of stock options.

Although the term of each stock option would be determined by the compensation committee, no stock option would be exercisable under the Incentive Plan after ten years from the date it was granted. Stock options generally would be exercisable for limited periods of time if an option holder dies, becomes disabled (as defined in the Incentive Plan), is terminated without cause, or voluntarily leaves his or her employment or directorship. If an option holder is terminated for cause (as defined in the Incentive Plan) or enters into competition (as defined in the Incentive Plan), the option holder would forfeit all rights to exercise any outstanding stock options. Subject to the other terms of the Incentive Plan, if an option holder retires (as specified in the Incentive Plan) as an associate, he or she could exercise options for the remainder of their terms, unless the terms of the option agreement or award provide otherwise.

Without compensation committee approval, stock options granted under the Incentive Plan generally could not be transferred, except by will or by the laws of descent and distribution, unless transfer is permitted by the terms of the grant or the applicable stock option agreement. The compensation committee could impose other restrictions on shares of common stock acquired through a stock option exercise.

Federal Tax Consequences of Stock Options

Incentive Stock Options. Under current federal income tax laws, an option holder would not recognize income and Spartan Stores would not receive a deduction at the time an incentive stock option is granted or at the time the incentive stock option is exercised. However, the difference between the market value of the common stock subject to the incentive stock option and the exercise price would be a tax preference item for purposes of calculating alternative minimum tax. Upon the sale or other disposition of the common stock acquired pursuant to an incentive stock option, as long as (i) the option holder held the stock for at least one year after the exercise of the stock option and at least two years after the grant of the stock option, and (ii) the stock option is exercised not later than three months after termination of employment (one year in the event of disability), the option holder's basis would equal the exercise price and the option holder would pay tax on the difference between the sale proceeds

and the exercise price as capital gain. Spartan Stores would receive no deduction for federal income tax purposes under these circumstances. Special rules apply when an option holder dies.

If an option holder fails to meet any of the conditions described above relating to holding periods and exercises following termination of employment, he or she generally would recognize compensation taxed as ordinary income equal to the difference between (i) the lesser of (a) the fair market value of the common stock acquired pursuant to the stock option at the time of exercise, or (b) the amount realized on the sale or disposition, and (ii) the exercise price paid for the stock. Spartan Stores would then receive a corresponding deduction for federal income tax purposes, except to the extent that the deduction limits of Section 162(m) of the Internal Revenue Code apply. Additional gains, if any, recognized by the option holder would result in the recognition of short- or long-term capital gain.

Nonqualified Stock Options. Federal income tax laws provide different rules for nonqualified stock options - those options that do not meet the Internal Revenue Code's definition of an incentive stock option. Under current federal income tax laws, an option holder would not recognize any income and Spartan Stores would not receive a deduction when a nonqualified stock option is granted. If a nonqualified stock option is exercised, the option holder would recognize compensation income equal to the difference between the exercise price paid and the market value of the stock acquired upon exercise (on the date of exercise). Spartan Stores would then receive a corresponding deduction for federal income tax purposes, except to the extent that the deduction limits of Section 162(m) of the Internal Revenue Code apply. The option holder's tax basis in the shares acquired would be the exercise price paid plus the amount of compensation income recognized. Sale of the stock after exercise would result in recognition of short-term or long-term capital gain (or loss).

Stock Appreciation Rights

The Incentive Plan would also permit the compensation committee to grant stock appreciation rights. A stock appreciation right permits the holder to receive the difference between the market value of a share of common stock subject to the stock appreciation right on the exercise date of the stock appreciation right and a "base" price set by the compensation committee. Under the Incentive Plan, the per-share base price for exercise or settlement of stock appreciation rights must be equal to or greater than the market value of such shares on the date the stock appreciation rights are granted. Stock appreciation rights would be exercisable on dates determined by the compensation committee at the time of grant. The compensation committee could award stock appreciation rights for any amount of consideration or no consideration, as the compensation committee determines.

No stock appreciation rights could be repriced, replaced, regranted through cancellation or modified without shareholder approval if the effect of such repricing, replacement, regrant or modification would be to reduce the base price of such stock appreciation rights to the same participants.

Stock appreciation rights would be subject to terms and conditions determined by the compensation committee. A stock appreciation right could relate to a particular stock option and could be granted simultaneously with or subsequent to the stock option to which it related. Except to the extent otherwise provided in the Incentive Plan or the grant, (i) stock appreciation rights not related to a stock option would be subject to the same terms and conditions applicable to stock options under the Incentive Plan, and (ii) all stock appreciation rights related to stock options granted under the Incentive Plan would be granted subject to the same restrictions and conditions and would have the same vesting, exercisability, forfeiture and termination provisions as the stock options to which they related and could be subject to additional restrictions and conditions. When stock appreciation rights related to stock options are exercised, such stock options are automatically cancelled with respect to an equal number of underlying shares. Unless the compensation committee determines otherwise, stock appreciation rights could be settled only in shares of common stock or cash. For purposes of determining the number of shares available under the Incentive Plan, each stock appreciation right would count as one share of common stock, without regard to the number of shares, if any, that are issued upon the exercise of the stock appreciation right or upon such settlement.

Federal Tax Consequences of Stock Appreciation Rights

The treatment of stock appreciation rights that are payable solely in the form of Spartan Stores common stock under federal income tax laws is similar to the treatment of nonqualified stock options as described above. Under current federal income tax laws, a participant would not recognize any income and Spartan Stores would not receive a deduction at the time such a stock appreciation right is granted. If a stock appreciation right is exercised, the participant would recognize compensation income in the year of exercise in an amount equal to the difference between the base or settlement price and the market value of the stock acquired upon exercise (on the date of exercise). Spartan Stores would receive a corresponding deduction for federal income tax purposes. The participant's tax basis in the shares acquired would be increased over the exercise price by the amount of compensation income recognized. Sale of the stock after exercise would result in recognition of short- or long-term capital gain or loss.

Federal income tax laws provide different rules for stock appreciation rights that are payable in cash than for those that are payable solely in the form of Spartan Stores common stock. Under current federal income tax laws, a participant would not recognize any income and Spartan Stores would not receive a deduction at the time such a stock appreciation right is granted. Depending on the terms of the stock appreciation right, pursuant to recently enacted tax legislation, a participant may recognize taxable income upon the vesting of a cash-settled stock appreciation right and may also be subject to additional excise taxes and penalties. Spartan Stores would receive a corresponding deduction in any year in which the participant recognizes taxable income.

Restricted Stock and Restricted Stock Units

The Incentive Plan would also permit the compensation committee to award restricted stock and restricted stock units, subject to the terms and conditions set by the compensation committee that are consistent with the Incentive Plan. Shares of restricted stock are shares of common stock the retention, vesting and/or transferability of which is subject, for specified periods of time, to such terms and conditions as the compensation committee deems appropriate (including continued employment and/or achievement of performance goals established by the compensation committee). Restricted stock units are incentive awards denominated in units of common stock under which the issuance of shares of common stock is subject to such terms and conditions as the compensation committee deems appropriate (including continued employment and/or achievement of performance goals established by the compensation committee). For purposes of determining the number of shares available under the Incentive Plan, each restricted stock unit would count as the number of shares of common stock subject to the restricted stock unit. Unless determined otherwise by the compensation committee, each restricted stock unit would be equal to one share of Spartan Stores common stock and would entitle a participant to either shares of common stock or an amount of cash determined with reference to the value of shares of common stock. The compensation committee could award restricted stock or restricted stock units for any amount of consideration or no consideration, as the compensation committee determines.

As with stock option grants, the compensation committee would establish the terms of individual awards of restricted stock and restricted stock units in award agreements or

certificates of award. Restricted stock and restricted stock units granted to a participant would "vest" (i.e., the restrictions on them would lapse) in the manner and at the times that the compensation committee determines.

Unless the compensation committee otherwise consents or permits or unless the terms of a restricted stock agreement or award provide otherwise, if a participant's employment or directorship is terminated during the restricted period (i.e., the period of time during which restricted stock or a restricted stock unit is subject to restrictions) for any reason other than death, disability, retirement, cause or entering into competition with Spartan Stores, each restricted stock and restricted stock unit award of the participant still subject in full or in part to restrictions at the date of such termination would automatically be forfeited and returned to Spartan Stores. If the participant's employment or directorship is terminated during the restricted period because of death, disability or (in the case of associates only) retirement, the restrictions on the participant's shares of restricted stock and restricted stock units would terminate automatically with respect to that respective number of such shares or restricted stock units (rounded to the nearest whole number) equal to the respective total number of such shares or restricted stock units granted to such Participant multiplied by the number of full months that have elapsed since the date of grant divided by the total number of full months in the respective restricted period. All of the remaining shares of restricted stock and restricted stock units would be forfeited and returned to Spartan Stores; however, the compensation committee could, either before or after a participant dies, becomes disabled or retires, waive the restrictions remaining on any or all of his or her remaining shares of restricted stock and restricted stock units. If the participant's employment or directorship is terminated for cause or for entering into competition with Spartan Stores, the participant would have no further right to exercise or receive any restricted stock or restricted stock units and all restricted stock and restricted stock units still subject to restrictions at the date of such termination would automatically be forfeited and returned to Spartan Stores.

Without compensation committee authorization, until restricted stock or restricted stock units vest, the recipient of the restricted stock or restricted stock units would not be allowed to sell, exchange, transfer, pledge, assign or otherwise dispose of restricted stock or restricted stock units other than to Spartan Stores or by will or the laws of descent and distribution. All rights with respect to restricted stock and restricted stock units would only be exercisable during a participant's lifetime by the participant or his or her guardian or legal representative. The compensation committee could impose additional restrictions on shares of restricted stock and restricted stock units. Except for restrictions on transferability, holders of restricted stock would enjoy all other rights of a shareholder with respect to the restricted stock, including dividend and liquidation rights and full voting rights. Holders of restricted stock units would enjoy dividend and liquidation rights with respect to shares of common stock subject to unvested restricted stock units, but would not enjoy voting rights with respect to such shares. Unless the compensation committee determines otherwise, any noncash dividends or distributions paid with respect to shares of unvested restricted stock and shares of common stock subject to unvested restricted stock units would be subject to the same restrictions and vesting schedule as the shares to which such dividends or distributions relate.

Federal Tax Consequences of Restricted Stock and Restricted Stock Units

Generally, under current federal income tax laws a participant would not recognize income upon the award of restricted stock or restricted stock units. However, a participant would be required to recognize compensation income at the time the award vests (when the restrictions lapse) equal to the difference between the fair market value of the stock at vesting and the amount paid for the stock (if any). At the time the participant recognizes compensation income, Spartan Stores would be entitled to a corresponding deduction for federal income tax purposes, except to the extent that the deduction limits of Section 162(m) of the Internal Revenue Code apply. If restricted stock or restricted stock units are forfeited by a participant, the participant would not recognize income with respect to the forfeited award and Spartan Stores would not receive a corresponding deduction. Prior to the vesting and lapse of restrictions, dividends paid on shares subject to awards of restricted stock and restricted stock units would be reported as compensation income to the participant and Spartan Stores would receive a corresponding deduction, except to the extent that the deduction limits of Section 162(m) of the Internal Revenue Code apply.

A participant could, within 30 days after the date of an award of restricted stock (but not an award of restricted stock units), elect to report compensation income for the tax year in which the restricted stock is awarded. If the participant makes this election, the amount of compensation income would be equal to the difference between the fair market value of the restricted stock at the time of the award and the amount paid for the stock (if any). Any later appreciation in the value of the restricted stock would be treated as capital gain and recognized only upon the sale of the shares subject to the award of restricted stock. Dividends received after such an election would be taxable as dividends and not treated as additional compensation income. If, however, restricted stock is forfeited after the participant makes such an election, the participant would not be allowed any deduction for the amount that he or she earlier reported as income. Upon the sale of shares subject to the restricted stock award, a participant would recognize capital gain (or loss) in the amount of the difference between the sale price and the participant's basis in the stock.

Stock Awards

The Incentive Plan would also permit the compensation committee to make stock awards. The compensation committee could make stock awards for any amount of consideration, or no consideration, as the compensation committee determines. A stock award of Spartan Stores common stock would be subject to terms and conditions set by the compensation committee at the time of the award. Stock award recipients would generally have all voting, dividend, liquidation and other rights with respect to awarded shares of Spartan Stores common stock. However, the compensation committee could impose restrictions on the assignment or transfer of common stock awarded under the Incentive Plan.

Federal Tax Consequences of Stock Awards

The recipient of a stock award generally would recognize compensation income equal to the difference between the fair market value of the stock when it is awarded and the amount paid for the stock (if any). The recipient's tax basis in the stock would equal the amount of compensation income recognized on the award plus the amount paid by the recipient for the stock (if any). Spartan Stores would be entitled to a corresponding deduction equal to the amount of compensation income recognized by the recipient, except to the extent that the deduction limits of Section 162(m) of the Internal Revenue Code apply. Upon a subsequent sale of the stock, the recipient would recognize capital gain or loss equal to the difference between the amount realized on the sale and his or her basis in the stock. Different rules may apply where the stock is transferred subject to a "substantial risk of forfeiture."

Other Stock-Based Awards

Finally, the Incentive Plan would also permit the compensation committee to grant a participant one or more types of awards based on or related to shares of Spartan Stores common stock, other than the types described above. Spartan Stores currently does not intend to make any such awards. Any such awards would be subject to terms and conditions as the compensation committee deems appropriate, as set forth in the respective award agreements and as permitted under the Incentive Plan.

Effects of a Change in Control of Spartan Stores

Upon the occurrence of a "change in control" of Spartan Stores (as defined in Spartan Stores' Supplemental Executive Retirement Plan), all outstanding stock options and stock appreciation rights would become immediately exercisable in full and would remain exercisable in accordance with their terms. All other outstanding incentive awards under the Incentive Plan would immediately become fully vested, exercisable and nonforfeitable. In addition, the compensation committee, without the consent of any affected participant, could determine that some or all participants holding outstanding stock options and/or stock appreciation rights would receive, in lieu of some or all of such awards, cash in an amount equal to the greater of the excess of (i) the highest sale price of the shares on NASDAQ National Market (or on whatever quotation system or stock exchange Spartan Stores common stock is listed at the time) on the day before the effective date of the change in control, or (ii) the highest price per share actually paid in connection with the change in control, over the exercise price of the stock options and/or the base price per share of the stock appreciation rights.

Tax Withholding

If incentive awards are made under the Incentive Plan, Spartan Stores could withhold from any cash otherwise payable to a participant or require a participant to remit to Spartan Stores amounts necessary to satisfy applicable withholding and employment-related taxes. Unless the compensation committee determines otherwise, minimum required tax withholding obligations could also be satisfied by withholding Spartan Stores common stock to be received upon exercise of or vesting of an incentive award or by delivering to Spartan Stores previously owned shares of common stock.

Termination and Amendment of the Incentive Plan or Awards

The board of directors could terminate the Incentive Plan at any time and could from time to time amend the Incentive Plan as it considers proper and in the best interests of Spartan Stores, provided that no such amendment could be made without the approval of shareholders of Spartan Stores if it would (i) change the list of measurements of performance on which the compensation committee may base performance goals, (ii) reduce the exercise price of a stock option or the base price of a stock appreciation right below the market value of the underlying stock on the date of the grant, (iii) reduce the exercise price of outstanding stock options or the base price of outstanding stock appreciation rights, (iv) increase the individual annual maximum award limit, or (v) otherwise amend the Incentive Plan in any manner requiring shareholder approval by law or under NASDAQ listing requirements or rules. In addition, no amendment to the Plan or to a previously granted award agreement could impair the rights of a holder of any outstanding incentive award without the consent of the participant, except in certain circumstances in which such amendment is necessary to satisfy a law or regulation or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard.

Subject to certain limitations, the compensation committee could amend or modify the terms of any outstanding incentive award in any manner not prohibited by the Incentive Plan. However, incentive awards issued under the Incentive Plan could not be repriced, replaced, regranted through cancellation or modified without shareholder approval if the effect would be to reduce the exercise price or base price of such incentive awards to the same participants. Spartan Stores could also suspend a participant's rights under the Incentive Plan for a period of up to sixty days while a participant's termination for cause is considered.

Effective Date of the Incentive Plan

Subject to shareholder approval, the Incentive Plan would take effect on May 11, 2005, and, unless terminated earlier by the board of directors, no awards could be made under the Incentive Plan after May 10, 2015.

If the Incentive Plan is not approved by the shareholders, no incentive awards will be made under the Incentive Plan to any director or associate.

New Plan Benefits

No incentive awards have been granted or received under the Incentive Plan as of the date of this Proxy Statement. The benefits to be received under the Incentive Plan will depend, among other things, on the compensation committee's determinations and actions, the fair market value of Spartan Stores common stock at various future dates, and the number of shares available under Spartan Stores' other equity compensation plans under which benefits may also be granted. As such, the benefits to be received under the Incentive Plan by participants are not presently determinable and the benefits that would have been received had the Incentive Plan been in effect for the most recent fiscal year are similarly not determinable.

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code, as amended, limits to $1,000,000 the annual income tax deduction that a publicly-held corporation may claim for compensation paid to its chief executive officer and to its four most highly compensated officers other than the chief executive officer. Qualified "performance-based" compensation is exempt from the $1,000,000 limit and may be deducted even if other compensation exceeds $1,000,000. The Incentive Plan is intended to provide for the ability to grant incentive awards that qualify as performance-based compensation under Section 162(m), to permit compensation associated with such awards under the Incentive Plan to be tax deductible to Spartan Stores while allowing, as nearly as practicable, the continuation of Spartan Stores' pre-existing practices with respect to the award of equity compensation.

Stock options and stock appreciation rights awarded under the Incentive Plan would automatically qualify as performance-based compensation.

For a stock award, restricted stock, restricted stock unit or other stock-based or stock-related award to qualify as performance-based compensation, the vesting or payment of such incentive award must be contingent upon the achievement of one or more performance goals established by the compensation committee and must otherwise satisfy the requirements of Section 162(m). The performance goals for incentive awards must meet certain other criteria as well to qualify as performance-based compensation, including (i) the performance goals must be established in writing by the compensation committee during the first 90 days of the applicable performance period and before 25% of the performance period has elapsed, (ii) the satisfaction of the performance goals must be substantially uncertain when established by the compensation committee for the performance period, and (iii) the performance goals must be based solely upon objective criteria from which an independent third party with knowledge of the facts could determine whether the performance goal or set of goals is satisfied and from that determination could calculate the performance-based compensation to be paid.

Under the Incentive Plan the performance goals that may be established by the compensation committee with respect to performance-based compensation would be limited to any one or more of the following measurements of performance, either individually or in any combination, applied to either Spartan Stores as a whole or to a Spartan Stores business unit or subsidiary, either individually or in any combination, and measured against pre-determined levels, the performance of a pre-established peer group or a published or special index: net earnings; earnings before or after taxes, interest,

depreciation, and/or amortization; earnings per share, reflecting dilution of the common stock as the compensation committee deems appropriate and, if the compensation committee so determines, net of or including dividends; net sales; net sales growth; return measures (including, but not limited to, return on assets, capital, equity, or sales); cash flow (including, but not limited to, operating cash flow and free cash flow); cash flow return on capital; gross or operating margins; productivity ratios; share price (including, but not limited to, growth measures and total shareholder return); expense or cost levels; margins; operating efficiency; customer satisfaction, satisfaction based on specified objective goals or a Spartan Stores-sponsored customer survey; working capital targets; economic value added measurements; market share or market penetration with respect to specific designated products or product groups and/or specific geographic areas; aggregate product price and other product measures; reduction of losses, loss ratios or expense ratios; reduction in fixed costs; inventory turnover; debt reduction; associate turnover; specified objective social goals; and safety record.

An incentive award intended to qualify as performance-based compensation could provide that any evaluation of performance could include or exclude certain specific events or their effects that occur during the performance period, including asset write-downs; litigation or claim judgments or settlements; changes in tax laws, accounting principles, or other laws or provisions affecting reported results; any reorganization and restructuring programs; extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Spartan Stores' annual report to shareholders for the applicable year; acquisitions, divestitures or accounting changes; foreign exchange gains and losses; and other special charges or extraordinary items.

No participant in the Incentive Plan may be granted, in any calendar year, awards representing more than 25% of the total number of shares of Spartan Stores common stock available for awards under the Incentive Plan. Performance-based compensation would be paid only after written certification by the compensation committee that the applicable performance goals have been satisfied.

Registration of Shares

Spartan Stores intends to register shares covered by the Incentive Plan under the Securities Act of 1933 before any stock options or stock appreciation rights could be exercised and before any shares of restricted stock, restricted stock units, stock awards or other stock-based or stock-related awards are granted.

Your Board of Directors Recommends That You
Vote FOR Approval of the Stock Incentive Plan of 2005

Ownership of Spartan Stores Stock

Five Percent Shareholders

The following table sets forth the number of shares of Spartan Stores common stock reported to be beneficially owned by each person or group which is known to the Company to be a beneficial owner of 5% or more of Spartan Stores' outstanding shares of common stock as of June 14, 2005. This information is based entirely on the most recent Schedule 13-D or amendment filed by the listed party as of June 14, 2005. The Company is not responsible for the accuracy of this information.

Name of Beneficial Owner	Sole Voting and Dispositive Power	Shared Voting or Dispositive Power	Total Beneficial Ownership	Percent of Class[1]
Loeb Group[2] 61 Broadway New York, NY 10006	1,245,854	32,788[3]	1,278,642	6.1%