

SPARTAN STORES INC  
Form DEF 14A  
June 24, 2011

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

**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

*Check the appropriate box:*

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Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

SPARTAN STORES, INC.

(Name of Registrant as Specified In Its Charter)

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

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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, 2011

Dear Shareholder:

We cordially invite you to attend the 2011 Annual Meeting of Shareholders of Spartan Stores, Inc., to be held on Wednesday, August 10, 2011, at the JW Marriott Hotel, 235 Louis Street NW, Grand Rapids, Michigan 49503, beginning at 9:00 a.m., local time.

The following pages contain the formal notice of meeting and proxy statement describing the matters to be acted upon at the Annual Meeting. We encourage you to read the proxy statement carefully. Securities and Exchange Commission rules allow us to furnish our proxy statement and annual report to our shareholders on the Internet. We are pleased to take advantage of these rules for most of our shareholders and believe that they enable us to provide our shareholders with the information that they need, while lowering the cost of delivery and reducing the environmental impact of the documents related to our Annual Meeting.

Many of our shareholders now rely on the Internet and other electronic means of communication to obtain information about Spartan Stores, and few shareholders rely on the Annual Meeting as a source of current information. In recognition of this trend, and as part of an effort to reduce the cost of our Annual Meeting, this year's meeting will be streamlined to consist primarily of the matters to be considered and voted upon by the shareholders. Management will present a brief report on results for fiscal 2011 and shareholders will have an opportunity to ask questions. Please note that this year there will be no gift bags, product samples, or refreshments.

The Annual Meeting will continue to be webcast live. Anyone may access the webcast by visiting the For Investors section of our website, [www.spartanstores.com](http://www.spartanstores.com), and following the links to the live webcast. It is important that your shares be represented at the Annual Meeting, regardless of how many shares you own. **Please vote your shares using any of the means described in our proxy statement.** Regardless of whether or not you plan to attend the Annual Meeting, voting your shares prior to the meeting will not affect your right to vote in person if you attend.

Please note that attendance will be limited to shareholders of the Company and the holders of shareholder proxies. If you are a shareholder of record, you must bring your notice of availability of proxy materials or the admission ticket attached to your proxy card to be admitted to the meeting. Street name shareholders must present a copy of a brokerage statement reflecting stock ownership as of June 15, 2011. For all attendees, admission to the meeting will require presentation of a valid driver's license or other federal or state issued photo identification. Thank you.

Sincerely,

Dennis Eidson

President and Chief Executive Officer

**Your vote is important. Even if you plan to attend the meeting,**

**PLEASE VOTE PROMPTLY BY TELEPHONE OR INTERNET, OR BY SIGNING, DATING AND RETURNING A PROXY CARD.**

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SPARTAN STORES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

*To our shareholders:*

The 2011 Annual Meeting of Shareholders of Spartan Stores, Inc. will be held at the JW Marriott Hotel, 235 Louis Street NW, Grand Rapids, Michigan 49503, on Wednesday, August 10, 2011, at 9:00 a.m., local time. At the meeting, we will consider and vote on:

1. The election of three directors from among the nominees identified in this proxy statement.
2. An advisory vote on executive compensation (the say-on-pay vote).
3. An advisory vote on the frequency of the say-on-pay vote.
4. Ratification of the selection of Deloitte & Touche LLP as our independent auditors for the current fiscal year; 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 15, 2011.

*If you plan to attend the meeting:* Please note that attendance will be limited to shareholders of the Company, the holders of shareholder proxies and invited guests. Admission to the meeting will require presentation of a valid driver's license or other federal or state issued photo identification card. If you are a shareholder of record, you must bring your notice of availability of proxy materials or the admission ticket attached to your proxy card to be admitted to the meeting. Street name shareholders must bring a copy of a brokerage statement reflecting stock ownership as of June 15, 2011 to be admitted to the meeting.

Please note that as part of an effort to reduce the cost of our Annual Meeting, this year's meeting will be streamlined to consist primarily of the matters to be considered and voted upon by the shareholders. Management will present a brief report on results for fiscal 2011 and shareholders will have an opportunity to ask questions. Please note that this year there will be no gift bags, product samples, or refreshments.

**Important Notice Regarding the Availability of Proxy Materials:** Spartan Stores' Proxy Statement and Annual Report to Shareholders for the fiscal year ended March 26, 2011 are available for viewing via the Internet at [www.edocumentview.com/SPTN](http://www.edocumentview.com/SPTN).

In addition, you may obtain electronic copies of all of our filings with the U.S. Securities and Exchange Commission in the "For Investors" section of our website, [www.spartanstores.com](http://www.spartanstores.com), by clicking the "SEC Filings" link.

BY ORDER OF THE BOARD OF DIRECTORS

Alex J. DeYonker

Executive Vice President General Counsel and Secretary

June 24, 2011

**Your vote is important. Even if you plan to attend the meeting, PLEASE VOTE PROMPTLY BY TELEPHONE OR INTERNET, OR BY SIGNING, DATING AND RETURNING A PROXY CARD. See the information in the Introduction section of our proxy statement regarding how to vote by telephone or internet, how to obtain a printed proxy card, revoke a proxy, and how to vote in person.**

## **SPARTAN STORES, INC.**

### **ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD AUGUST 10, 2011**

### **PROXY STATEMENT**

**Dated June 24, 2011**

## **Introduction**

### **Use of Terms**

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

### **Questions and Answers About the Proxy Materials and Our 2011 Annual Meeting**

*Q. Why am I receiving these materials?*

A. The Company's Board of Directors is providing these proxy materials to you in connection with its solicitation of proxies for use at the Spartan Stores, Inc. 2011 Annual Meeting of shareholders, which will take place on Wednesday, August 10, 2011, at JW Marriott Hotel, 235 Louis Street NW, Grand Rapids, Michigan 49503, at 9:00 a.m., local time. Shareholders are invited to attend the Annual Meeting and are requested to vote upon the proposals described in this proxy statement.

*Q. Why am I being asked to review materials on-line?*

A. Pursuant to rules adopted by the SEC, the Company has elected to provide access to its proxy materials for most shareholders via the Internet. Accordingly, the Company is sending a Notice of Internet Availability of Proxy Materials (the Notice) to most of the Company's shareholders. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. You can find instructions on how to access the proxy materials over the Internet in the Notice. Shareholders may request to receive this year's proxy materials in printed form by mail or electronically by email. The Company encourages shareholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our Annual Meetings.

*Q. What information is contained in these materials?*

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A. The information included in this proxy statement relates to the proposals to be voted upon at the Annual Meeting, the voting process, the compensation of our directors and named executive officers, and certain other information.

*Q. When did the Company begin sending and delivering this proxy statement to shareholders?*

A. We mailed a Notice of Internet Availability of Proxy Materials to our shareholders on approximately June 24, 2011. We mailed this proxy statement to certain beneficial owners beginning on June 24, 2011.

*Q. Who may attend the meeting?*

A. Only the Company's shareholders, their duly appointed proxies, and invited guests may attend the meeting. If you are a shareholder of record, you must bring your notice of

availability of proxy materials or the admission ticket attached to your proxy card. Street name shareholders must bring a copy of a brokerage statement reflecting stock ownership as of June 15, 2011. All attendees must present valid photo identification.

*Q. What proposals will be voted on at the Annual Meeting?*

A. There are four proposals scheduled to be voted on at the Annual Meeting:

election of three directors from among the nominees in this proxy statement for one-year terms expiring in 2012;

an advisory vote on executive compensation;

an advisory vote on the frequency of the advisory vote on executive compensation; and

ratification of the selection of Deloitte & Touche LLP as our independent auditors for the current fiscal year.

In addition, any other business that may properly come before the meeting will be considered and voted on. As of the date of this proxy statement, we are not aware of any other matters to be considered and voted on at the Annual Meeting. If any other matters are presented, the persons named as proxies on the Company's proxy card will have discretionary authority to vote for you on those matters.

*Q. How does the Company's Board of Directors recommend that I vote?*

A. Your Board of Directors recommends that you vote **FOR** election of each nominee named in this proxy statement, **FOR** the approval of the compensation of the Company's named executive officers, **EVERY YEAR** for the frequency of the advisory vote on executive compensation, and **FOR** ratification of the selection of Deloitte & Touche LLP as our independent auditor.

*Q. Who may vote?*

A. You may vote at the Annual Meeting if you were a shareholder of record of Spartan Stores common stock at the close of business on June 15, 2011. 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 15, 2011, there were 22,834,900 shares of Spartan Stores common stock outstanding.

*Q. How do I vote?*

A. If you are a shareholder of record, Spartan Stores offers you the convenience of voting through the Internet or by telephone, 24 hours a day, seven days a week.

*Internet Voting.* You may vote via the Internet by visiting [www.envisionreports.com/SPTN](http://www.envisionreports.com/SPTN). You may navigate to the online voting site by clicking the "Cast Your Vote" button. Have the instructions attached to your proxy card ready when you access the site, and follow the prompts to record your vote. This vote will be counted immediately and there is no need to send in your proxy card.

*Telephone Voting.* To vote by telephone, dial the toll-free number on the instructions attached to your proxy card and listen for further directions. You must have a touch-tone phone. Telephonic votes will be counted immediately and there is no need to send in your proxy card.



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*Voting by Mail.* You may request a printed copy of your proxy card. If you properly sign and return the proxy card, the shares

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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 election of each of the nominees named in this proxy statement, and for each of the proposals described in this proxy statement. If any other matter comes before the meeting, your shares will be voted in the discretion of the persons named as proxies on the proxy card.

*Q. How do I vote if I hold my shares in street name ?*

A. You hold your shares in street name if your shares are registered in the name of a bank, broker or other nominee (which we will collectively refer to as your broker). If you hold your shares in street name, then your broker must vote your street name shares in the manner you direct if you provide your broker with proper and timely voting instructions. Please use the voting forms and instructions provided by your broker or its agent. These forms and instructions typically permit you to give voting instructions by telephone or Internet, using a number or Internet address provided by the broker (you will not be able to vote street name shares using the internet address or telephone numbers established for registered shareholders identified above). If you are a street name holder and later want to change your vote, you must contact your broker. Please note that you may not vote shares held in street name in person at the Annual Meeting unless you request and receive a valid proxy from your broker.

*Q. What happens if I do not cast a vote?*

A. If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

If you hold your shares in street name and do not provide timely voting instructions to your broker, your bank or broker may vote your shares only on routine matters, such as the ratification of the Company's independent public accounting firm. NYSE rules applicable to its member firms provide that your broker may not vote uninstructed shares on a discretionary basis on non-routine matters, such as the election of directors or either of the executive compensation proposals. In such cases, the broker can register your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum but will not be able to vote on non-routine matters. This is called a broker non-vote.

*Q. What effect do broker non-votes have on the voting on the proposals?*

A. Although broker non-votes count for quorum purposes, we do not count them as votes for or against any proposal.

**Therefore, if you hold your shares in street name it is critical that you cast your vote if you want it to count.**

*Q. Can I change my mind after I return my proxy?*

A. Yes. You may revoke your proxy at any time before it is voted at the meeting by doing any of the following four things:

by delivering written notice of revocation to Spartan Stores 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;

by casting a subsequent vote via telephone or the Internet, as described above; or

by attending the meeting and voting in person.

Merely attending the meeting will not, by itself, revoke your proxy; you must cast a subsequent vote at the meeting using forms provided for that purpose. Your last valid vote that we receive before or at the Annual Meeting is the vote that will be counted.

*Q. What is the quorum requirement for the Annual Meeting?*

A. 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.

*Q. May the Annual Meeting be adjourned?*

A. Yes. 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. Shares represented by proxy may be voted in the discretion of the proxy holder on a proposal to adjourn the meeting. If a quorum is not present at the meeting, we expect the Chairman of the Board to adjourn the meeting to solicit additional proxies, as is authorized under the Company's Bylaws. In addition, the Chairman may adjourn the meeting in the event of disorder or under other circumstances consistent with the Company's bylaws and rules of conduct for the Annual Meeting.

*Q. What vote is necessary to approve the proposals?*

A. **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. As discussed in the Corporate Governance Principles section of this Proxy Statement, a director-nominee receiving a greater number of votes withheld than votes for election is required to promptly offer his or her resignation to the Nominating and Corporate Governance Committee upon certification of the shareholder vote. The resignation will be effective if and when accepted by the Nominating and Corporate Governance Committee.

**Advisory Vote on Executive Compensation.** The advisory vote on executive compensation (the say on pay vote) will be approved if a majority of the shares that are voted on the proposal at the meeting are voted in favor of approval. Abstentions, broker non-votes and other shares that are not voted on the proposal in person or by proxy will not be included in the vote count to determine if a majority of shares voted on this proposal voted in favor of approval. Because your vote is advisory, it will not be binding on the Company, the Board of Directors or the Compensation Committee. However, the Board of Directors and Compensation Committee value the opinions of our shareholders and will review the voting results and take them into consideration when making future decisions regarding executive compensation.

**Advisory Vote on the Frequency of the Say on Pay Vote.** The proposal that receives the most votes once every one year, two years or three years will be approved. Abstentions, broker non-votes and other shares that are not voted on the proposal in person or by proxy will not be included in the vote count to determine which proposal receives the most votes. Because your vote is advisory, it will not be binding on the

Company, the Board of Directors or the Compensation Committee. However, the Board of Directors and Compensation Committee will review the voting results and take them into consideration when making future decisions regarding the frequency of future shareholder advisory votes on executive compensation.

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

*Q. What does it mean if I receive more than one proxy or voting instruction card?*

A. It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

*Q. Where can I find the voting results of the Annual Meeting?*

A. We will announce preliminary voting results at the Annual Meeting and publish final results in a current report on Form 8-K within four business days after the Annual Meeting.

## Election of Directors

The Board of Directors proposes that the following three individuals be elected as directors of Spartan Stores for a one-year term expiring at the 2012 Annual Meeting of shareholders:

Elizabeth A. Nickels

Wendy A. Beck

Yvonne R. Jackson

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

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nominees. The proposed nominees are willing to be elected and to serve as directors. 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 **FOR** election of all nominees as directors.*

## **Advisory (Non-Binding) Vote on the Compensation of Named Executive Officers**

In accordance with recent legislation, the Company is providing its shareholders with the opportunity to cast an advisory vote on executive compensation of the Company's named executive officers as disclosed in this proxy statement pursuant to the SEC's compensation disclosure rules. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to express their views on our executive compensation.

As described in more detail in the "Executive Compensation" section of this proxy statement, the Company has designed its executive compensation programs to attract, motivate, reward and retain the senior management talent required to achieve our corporate objectives and increase shareholder value through long-term profitable growth. Accordingly, our compensation programs are focused on pay-for-performance principles and are strongly aligned with the long-term interests of our shareholders. For these reasons, and the reasons discussed in the "Compensation Discussion & Analysis" section of this proxy statement, we are asking our shareholders to vote **FOR** the adoption of the following resolution:

RESOLVED, that the shareholders of Spartan Stores, Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in the Company's proxy statement for the 2011 Annual Meeting of Shareholders under the heading entitled "Executive Compensation."

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy and programs described in this proxy statement.

The vote is advisory and is not binding on the Company, the Board of Directors or the Compensation Committee. However, the Board of Directors and Compensation Committee value the opinions of our shareholders and will take the results of the vote into consideration when making future decisions regarding executive compensation.

*Your Board of Directors Recommends That You Vote **FOR** Approval of the Compensation of the Company's Named Executive Officers.*

## **Advisory (Non-Binding) Vote on Frequency of Future Advisory Votes on the Compensation of the Named Executive Officers**

In accordance with recent legislation, we are asking our shareholders to cast an advisory vote on how frequently we should hold future shareholder advisory votes on compensation of the named executive officers. By voting on this proposal, shareholders may indicate whether they would prefer a shareholder advisory vote on executive compensation once every year, once every two years or once every three years.

After careful consideration, the Board of Directors has decided to recommend that shareholders vote in favor of holding a shareholder

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advisory vote on executive compensation every year. The Board supports an annual advisory vote because we believe that this will provide our shareholders with an ongoing, consistent and timely means of providing input regarding our executive pay programs.

The frequency one year, two years or three years that receives the greatest number of votes will be considered to have been approved by the Shareholders. This vote is advisory and is not binding on the Company, the Board of Directors or the Compensation Committee. However, the Board of



Directors and the Compensation Committee values the opinions of our shareholders and will take them into consideration when making future decisions regarding the frequency of future shareholder advisory votes on executive compensation.

*Your Board of Directors Recommends That You Vote to Hold an Advisory Vote on Executive Compensation **EVERY YEAR**.*

## **Ratification of Selection of Independent Auditors**

Spartan Stores' Audit Committee has approved the selection of Deloitte & Touche LLP ( Deloitte ) as the Company's independent auditors to audit the financial statements and internal controls of Spartan Stores and its subsidiaries for fiscal 2012, and to perform such other appropriate accounting services as may be approved by the Audit Committee. The Audit Committee and the Board of Directors propose and recommend that shareholders ratify the selection of Deloitte to serve as the Company's independent auditors for the fiscal year ending March 31, 2012.

The independence of the Company's independent public accounting firm is of paramount concern to the Audit Committee and the Board of Directors. The Audit Committee evaluates the independence of the auditors at least annually. Deloitte & Touche has provided written affirmation that they are independent under all applicable standards, and the Audit Committee believes that Deloitte has effective internal monitoring of their independence. The Company and Deloitte have complied with SEC requirements on audit partner rotation. The lead audit partner was replaced in fiscal 2009.

Independence is not the sole factor in the selection of the Company's independent auditor. The Audit Committee also considers price, quality of service and knowledge of Spartan Stores and the Company's industry when considering auditor selection.

More information concerning the relationship of the Company with its independent auditors appears below under the headings Audit Committee, Independent Auditors, and Audit Committee Report.

If the shareholders do not ratify the selection of Deloitte, the Audit Committee will consider a change in auditors for the next year.

Representatives of Deloitte are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions from shareholders.

*Your Audit Committee, which consists entirely of independent directors, and Board of Directors recommend that you vote **FOR** ratification of the selection of Deloitte & Touche LLP as our independent auditors for fiscal 2012.*

## **Corporate Governance Principles**

Spartan Stores is committed to developing and implementing principles of corporate governance to help the Board fulfill its responsibilities to shareholders and to provide a framework for overseeing the management of the Company. The formal requirements pertaining to Spartan Stores corporate governance structure are

set forth in our restated articles of incorporation, bylaws and committee charters. In addition, the Board has adopted a written Corporate Governance Policy. The Policy is designed to communicate our fundamental governance principles and to provide management, associates, and shareholders with insight to the Board's ethical standards,

expectations for conducting business, and decision-making processes. The Policy includes, among other things, guidelines regarding:

Board size and criteria;

director independence;

term limits and retirement of directors;

Board meetings and committees;

evaluation and compensation of the Board and executive officers;

directors' access to management and outside advisors;

strategic planning;

succession planning; and

communications.

This section of our proxy statement summarizes certain charters, policies, and principles relating to Spartan Stores' corporate governance. More information regarding the Company's corporate governance, including a copy of our Corporate Governance Policy, is available in the For Investors Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

#### **Declassification of the Board of Directors**

In 2010, the Board of Directors unanimously recommended, and the shareholders approved, amendments to the Company's Articles of Incorporation that declassified the Board and caused each director to be elected annually for a one-year term. Previously, the Board had been divided into three classes of directors serving three year terms.

The declassification is being phased in over a three-year period, beginning with this year's Annual Meeting and continuing in 2012.

Beginning with the 2013 Annual Meeting, every director of the Company will stand for election for a one-year term of office. Directors who are currently serving a term of office that will expire at either the 2012 or 2013 Annual Meetings will continue to serve until the end of their current term. Directors with terms expiring at the 2011 Annual Meeting will stand for election to a one-year term of office.

#### **Director Independence**

The Board believes that the independence of directors is an essential feature of the Company's governance. Independent directors help assure that the Board and its committees are dedicated to acting in the best interests of the shareholders. Accordingly, Spartan Stores' Corporate Governance Policy requires that at least two-thirds of the directors must be independent (as defined by the applicable standards of the SEC and the Nasdaq Listing Rules).

More than two-thirds of the Company's Board has consisted of independent directors for years. Currently, eight of Spartan Stores' ten directors are independent. At present, the Board has only two current or former management directors: Craig Sturken, the current Chairman of the Board, former Executive Chairman and former Chief Executive Officer, and Dennis Eidson, the current President and Chief Executive Officer.

**The Board of Directors Role in Risk Oversight**

Management of risk is the direct responsibility of the Company's senior leadership team. The Board of Directors is responsible for overseeing the Company's risk management and risk mitigation. In its oversight of the Company's risk-management process, the Board seeks to ensure that the Company is informed and deliberate in its risk-taking. The Company's primary mechanisms for risk management are the Company's enterprise risk management program (ERM), its internal audit program, strategic review sessions held between the Board and management, and the Company's external audit by an independent accounting firm.

The Company relies on its ERM process to help identify, monitor, measure and manage risks. The ERM approach is designed to enable the Board of Directors to establish a mutual understanding with management of the effectiveness of the Company's risk management practices and capabilities. The Company's internal audit department provides management and the Board with information and analysis regarding operational, compliance and strategic risks, and seeks to improve business processes to minimize risks of fraud and abuse. Management and the internal auditor provide the Audit Committee with reports and updates on risk management matters at each Audit Committee meeting.

At least annually, the Board of Directors undertakes a comprehensive review of the Company's strategic plans and objectives with management. This review necessarily involves the identification and assessment of strategic risks attendant to initiatives such as acquisitions and divestitures, major investments, financings and capital commitments.

The Board implements its risk oversight function both as a whole and through Committees, which meet regularly and report back to the full Board. In particular:

The Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, accounting and legal matters. The Audit Committee oversees the Company's internal audit and ethics programs, including the Company's codes of conduct and ethics. The Audit Committee members meet independently with the Company's internal auditor and representatives of the independent auditing firm on a regular basis.

The Compensation Committee evaluates the risks and rewards associated with the Company's compensation philosophy and programs. As discussed in more detail in the Compensation Discussion & Analysis section of this proxy statement, the Compensation Committee reviews and approves compensation programs with features that mitigate risk without impairing the overall incentive nature of the compensation. The Compensation Committee also reviews senior leadership succession planning.

The Nominating and Corporate Governance Committee regularly reviews the Company's governance structure and mechanisms to promote the long-term interests of shareholders. The Nominating and Corporate Governance Committee also oversees the succession planning process for senior leadership positions.

#### **Board Leadership Structure**

The Nominating and Corporate Governance Committee and the Board of Directors evaluate, from time to time, the leadership structure of the Board of Directors in light of a variety of factors that the Board considers important, including efficiency, the Company's current Board composition, the experience and skills of our management team, and other factors.

The Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has determined that at this time, it is in the best interests of the Company and its shareholders to separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board, who previously served as the Company's Chief Executive Officer for over five years, provides guidance to the Chief Executive Officer and sets the agenda for Board meetings and presides over meetings of the full Board.

When the Chairman of the Board is the current or former Chief Executive Officer, the Chairperson of the Nominating and Corporate

Governance Committee serves as Lead Independent Director. The role of the Lead Independent Director is to aid and assist the Chairman and the rest of the Board in assuring effective corporate governance in managing the affairs of the Board and the Company. Specific responsibilities and authority of the Lead Independent Director include:

acting as the principal liaison between the independent directors and the Chairman of the Board;

recommending matters for the Board to consider;

advising the Chairman of the Board as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties;

developing the agenda for and chairing executive sessions of the Board of Directors and communicating with the Chairperson as appropriate;

presiding over Board meetings in the absence of or at the request of the Chairperson;

assisting in the recruitment of Board candidates;

providing performance feedback to the Chairperson (in coordination with the Nominating and Corporate Governance Committee);

requesting that management prepare specific materials for the Board's review; and

recommending to the Chairman of the Board the retention of consultants who report directly to the Board.

The Board of Directors believes that this leadership structure supports the risk oversight function of the Board (discussed above) by allowing the Chief Executive Officer and senior management to focus on strategic opportunities and risks within the framework of the Company's risk management programs, while the Board, under the leadership of the Chairman, provides oversight in connection with those efforts, and the Lead Independent Director helps promote overall effective governance.

#### **Committee Charters**

The Board has appointed four chartered committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Executive Committee. The Board has approved a written committee charter for each of these committees. The charters define basic principles regarding each committee's organization, purpose, authority and responsibilities. The charters for the Audit, Compensation, and Nominating and Corporate Governance Committees are available in the "For Investors" Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

#### **Director Attendance**

The Board is proud of its record of recruiting and retaining directors who have a diversity of experience; have the highest personal and professional integrity; have demonstrated exceptional ability and judgment; and are effective in serving the long-term interests of shareholders. Board and Committee attendance is critical to the proper functioning of the Board of Directors and is a priority. Each director is expected to make every effort to personally attend every Board meeting and every meeting of each Committee on which he or she serves as a member.

Spartan Stores' Board of Directors held seven meetings during fiscal 2011. In fiscal 2011, 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.

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Independent directors meet in executive sessions, without the presence of management, at each regularly scheduled Board meeting.

Directors are also expected to attend the Annual Meeting of shareholders in person unless compelling personal circumstances prevent attendance. Despite the geographic diversity of their home cities, all of Spartan Stores' directors have attended the Annual Meetings of shareholders for at least the past seven years, with one exception for one director who was unable to attend one Annual Meeting of shareholders.

#### **Alignment of Shareholder, Management, and Director Interests**

The Board has long believed that directors and management should have a significant financial stake in the Company to align their interests with those of the shareholders. Therefore, the Board and the Compensation Committee have made equity awards a substantial component of management and director compensation. In addition, the Board of Directors has established stock ownership guidelines for corporate officers and directors to ensure that they face the same downside risk and upside potential as shareholders. Under the stock ownership guidelines, the Company's executive officers are expected to achieve and maintain a level of stock ownership having a value that is approximately equal to or greater than a specified multiple of the executive's annual base salary, ranging for various positions from five times the applicable salary to one times the applicable salary. Each member of the Board of Directors is expected to acquire and continue to hold shares of the Company's common stock having an aggregate market value from time to time which equals or exceeds five times the rate of the regular annual retainer then in effect for non-employee directors who are not chairs. Please see the Compensation Discussion and Analysis and Compensation of Directors sections of this proxy statement for additional information.

#### **Majority Voting**

The Board believes that the Company and its shareholders are best served by having directors who enjoy the confidence of the Company's shareholders. It will be presumed that any director who receives a greater number of votes withheld than votes for such election in an uncontested election at an annual meeting of shareholders (a Majority Withheld Vote) does not have the full confidence of the shareholders. A director receiving a Majority Withheld Vote is required to promptly offer his or her resignation from the Board to the Nominating and Corporate Governance Committee upon certification of the shareholder vote. The resignation will be effective if and when accepted by the Nominating and Corporate Governance Committee.

#### **Retirement and Change in Employment Status**

The Board of Directors believes that it is generally appropriate for directors to retire before the age of 72. A director will not ordinarily be nominated for re-election to the Board of Directors following the expiration of the term of office which ends after his or her 72nd birthday. The Board of Directors recognizes, however, that the wisdom, experience and contribution of an older director could benefit the Board and the Nominating and Corporate Governance Committee may, in its discretion, nominate a director for re-election after his or her 72nd birthday in a case which the Nominating and Corporate Governance Committee determines to be exceptional. Currently, none of our directors is age 72 or older.

Directors recognize that they have been chosen for nomination or appointment to the Board of Directors in part because of the knowledge and insight they gain on a continuing basis from their active employment in their current positions and for the public respect they bring to the Company and its Board of Directors because of the positions they hold in the business community. A director



who experiences a material change in his or her employment status is expected to promptly offer his or her resignation as a director to the Nominating and Corporate Governance Committee. The Committee will promptly consider and vote upon acceptance or rejection of the director's offer to resign (excluding the affected director from consideration of and voting on acceptance of the resignation).

### **Other Board Memberships**

Spartan Stores recognizes that the proper direction and management of the Company requires the dedication of the executive officers and a significant commitment from its directors. Accordingly, the Board has established a policy governing membership on the boards of other companies.

Executive officers of the Company must notify the Nominating and Corporate Governance Committee before serving as a member of the Board of Directors of any other business organization. The Nominating and Corporate Governance Committee reviews the Chief Executive Officer's membership on external boards of directors at least annually. The Chief Executive Officer may not serve on the board of directors of more than one business organization not affiliated with the Company without the prior review and approval of the Nominating and Corporate Governance Committee. The Committee may limit the directorships for any other executive officer if it believes that they will interfere with the executive officer's responsibilities to the Company. Non-management directors may not serve on more than three other public company boards without the prior review and approval of the Nominating and Corporate Governance Committee.

### **Codes of Conduct and Ethics**

Spartan Stores is committed to the highest standards of integrity, honesty, and ethics in business. The Board has approved, and the Audit

Committee administers, a Code of Conduct and Business Ethics (the Code) that articulates the Company's standards regarding business ethics and expectations regarding the conduct of directors, management, and associates. This Code establishes basic guidelines to help the Company comply with legal requirements and conduct our business with honesty and integrity. The Code sets forth rules of conduct concerning disclosure of information, conflicts of interest, accurate recordkeeping and reporting, and receipt of personal benefits. The Code requires all associates of the Company to report promptly any violations of the Code. Associates may report violations through the Company's HonorLine telephone system on a confidential and anonymous basis. The Code is available in the For Investors Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

In addition, the Company has a comprehensive Code of Conduct Policy applicable to all associates that articulates the Company's core values and sets forth standards of conduct regarding a broad range of topics, including antitrust compliance, securities matters, environmental law compliance, political contributions, workplace conduct, and other matters that are essential to the integrity of our business activities.

### **Succession Planning**

The Board of Directors reviews periodically succession planning for the Company's Chief Executive Officer and other executive officers to manage continuity of leadership in the execution of the Company's business strategies, as reflected in the transition of Mr. Eidson into the Chief Executive Officer position in accordance with the Board of Directors' succession planning. For more information, please see our Corporate Governance Policy, the Compensation Committee Charter and the Nominating and Corporate Governance Committee Charter in the For Investors section of our website, [www.spartanstores.com](http://www.spartanstores.com).

### **Board and Management Communication**

Spartan Stores is committed to open and effective communication between the Board and management. Directors are encouraged to consult with any Spartan Stores manager or associate and may visit Company facilities without the approval or presence of corporate management. The Board encourages executive officers to invite managers to Board meetings from time to time who can provide additional insight into matters under discussion. The Board is required to dedicate a substantial portion of at least one meeting per year to discussions with management regarding the Company's strategic plan.

### **Director Education**

Spartan Stores encourages all of its directors to attend continuing education programs so that they may stay abreast of developments in corporate governance and best practices and further develop their expertise. The Board of Directors expects that each director will attend an appropriate continuing director education program at least once every two years.

### **Nominee Qualifications and the Nominations Process**

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, regardless of who recommended the nominee, and has no written procedures for doing so. The Board has indentified certain qualifications, attributes and skills that should be represented on the Board as a whole. These are discussed beginning on page 14.

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. The Board of Directors welcomes opportunities to include diverse perspectives, talents, ideas and

contributions. Consistent with this philosophy, the Board of Directors may consider factors and characteristics that are pertinent to diversity, such as race and gender, when evaluating nominees to stand for election or re-election to the Board.

The Company has engaged and paid fees to third party search firms to assist the Nominating and Corporate Governance Committee in identifying possible nominees for director and providing information to assist the Committee in the evaluation of possible nominees.

The Board of Directors expects that there would be no material difference in the manner in which the Nominating and Corporate Governance Committee would evaluate a nominee for director that was recommended by a shareholder.

### **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 Securities and Exchange Commission ( 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 at least 120 days before the date of notice of the meeting in the case of an annual meeting of shareholders, or 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.

### **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 in the "For Investors" Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

## **The Board of Directors**

### **General**

The Board of Directors currently consists of ten directors. Assuming that all of the nominees are elected, there will be nine directors immediately following the Annual Meeting. At our 2010 Annual Meeting, our shareholders voted to amend the Company's Articles of Incorporation to declassify our Board of Directors and cause each director to stand for election annually. The declassification is being phased in over a three-year period, beginning with this year's Annual Meeting. Continuing directors elected prior to the 2011 Annual Meeting will continue to serve the remainder of their three-year terms, and thereafter will be eligible to stand for re-election for a one-year term. Each class of directors elected at the

2011 Annual Meeting will serve a one-year term, expiring at the 2012 Annual Meeting.

The biographies of each of the nominees and continuing directors below contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, and the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board to determine that the person should continue to serve as a director for the Company. Except as otherwise indicated, each of these persons has had the same principal position and employment for over five years.



**Nominees for Directors With Terms Expiring in 2012**

**Elizabeth A. Nickels** (age 49) has been a director of Spartan Stores since 2000. Since February 2000, Ms. Nickels has served as an executive at Herman Miller, Inc., an office furniture manufacturing company whose stock is traded on the Nasdaq Global Select Market. She is currently President of Herman Miller Healthcare, a position she has held since August 2007, and Executive Vice President of Herman Miller, Inc., a title she has held since February 2000. Ms. Nickels also served as Chief Financial Officer of Herman Miller from February 2000 to August 2007. 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 Global Select Market. Ms. Nickels has practiced as a certified public accountant and maintains her registration as a C.P.A. Ms. Nickels' qualifications to serve as a director include her wealth of experience and knowledge of business, finance and accounting matters gained through seventeen years of executive experience with publicly traded companies.

**Yvonne R. Jackson** (age 61) has been a director of Spartan Stores since her appointment to the Board in October 2010. Ms. Jackson is President and Principal of BeecherJackson, a human resources management consulting firm that she co-founded in 2006. From 2002 to 2005, she served as Senior Vice President, Corporate Human Resources of Pfizer, Inc., a global pharmaceutical company with over 100,000 employees whose stock is traded on the NYSE, where she was responsible for overall strategy development and the execution of Pfizer's company-wide human resources policies and initiatives. From 1999 to 2002, she served as Senior Vice President Human Resources and Chief People Officer at Compaq Computer Co., a computer manufacturing and marketing company, prior to its acquisition by Hewlett-Packard. From 1993 to 1999, she served as Senior Vice President Human Resources and

Chief People Officer at Burger King Corporation, a nationwide fast-food retailer whose stock is traded on the New York Stock Exchange. Since 2006, Ms. Jackson has served as a director of Winn-Dixie Stores, Inc., a regional grocery retailer whose common stock is traded on the Nasdaq Stock Market, and she is chairperson of its Compensation Committee. Ms. Jackson is a former director and member of the Compensation and Nominating and Corporate Governance Committees of Best Buy Co., Inc., whose stock is traded on the NYSE. Ms. Jackson has over 30 years experience in human resources, including experience as the most senior human resources executive. Her experience enables her to assist the Board in its deliberations regarding succession planning, compensation and benefits, change management, talent management, organizational management and diversity strategies.

**Wendy A. Beck** (age 46) has been a director of Spartan Stores since her appointment to the Board in October 2010. Ms. Beck is the Executive Vice President and Chief Financial Officer of Norwegian Cruise Line, one of the leading cruise ship operators in the world. She was formerly CFO of Domino's Pizza, a public pizza delivery company with more than 9,000 national and international franchise and company-owned retail stores, and an extensive food distribution operation. She also previously held Chief Financial Officer and Treasurer positions with Whataburger Restaurants and Checkers Drive-In Restaurants, which was publicly traded during her time with Checkers Drive-In Restaurant, and was a senior tax accountant with Lincare, a publicly traded national healthcare services company. Ms. Beck is a Certified Public Accountant, a member of the American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants, and served on the Board of Directors for the Women's Foodservice Forum from 2006 to 2011, including service on the Executive Committee and as Treasurer of that organization from 2006 to 2008. Ms. Beck possesses expertise in accounting, finance, taxes, budgeting, forecasting, SEC compliance and reporting, strategic planning, and information technology systems.

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**Continuing Directors With Terms Expiring in 2012**

**M. Shân Atkins** (age 54) 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 is a director and chair of the Compensation 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. Ms. Atkins is a director and member of the Human Resource and Compensation Committee and the Nominating and Corporate Governance Committee of Tim Hortons, Inc., Canada's leading quick service restaurant chain whose stock is traded on the New York Stock Exchange, and a director and chair of the Audit Committee of Shoppers Drug Mart Corporation, a retail drug store chain whose stock is traded on the Toronto Stock Exchange. Ms. Atkins serves as a director and chair of the Audit Committee of True Value Company, a retailer-owned hardware cooperative. 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 was traded on the Toronto Stock Exchange prior to the company's acquisition. From 1996 to 2001, Ms. Atkins served in a variety of executive positions with Sears, Roebuck and Co. (now known as Sears Holdings Corporation), 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. Ms. Atkins' qualifications to serve on the Board of Directors include her expertise in finance and accounting, her extensive experience as a director of other publicly traded corporations, her experience in developing and executing strategic plans for major retail organizations, and her business and investment experience in private equity.

**Dr. Frank M. Gambino** (age 57) has been a director of Spartan Stores since 2003. Dr. Gambino is a Professor of Marketing and the Director of the Food & Consumer Packaged Goods Marketing Program in the Haworth College of Business at Western Michigan University. He has been on the WMU faculty since 1984. Prior to joining WMU he had over 15 years of experience in the retail food industry. Dr. Gambino remains active within the food and consumer packaged goods industries at both the national and regional level. He is a frequent speaker, trainer and consultant to a diverse group of industry organizations. Currently, he serves on the Retail Site Development Committee for Wakefern Food Corporation (a grocery retailer cooperative) of Elizabeth, New Jersey, which is an advisory committee that reports to the Wakefern Board of Directors. He is also secretary to the Western Michigan University Food Industry Advisory Board. He is a past member of the board of directors for Alliance Foods and the Food Distribution Research Society and past senator to the WMU Faculty Senate. He has served and continues to serve on several industry advisory groups including such organizations as the National Grocers Association and the Food Marketing Institute. Dr. Gambino's qualifications to serve on the Board of Directors include his knowledge and expertise in the food industry.

**Timothy J. O Donovan** (age 66) has been a director of Spartan Stores since 2003. Mr. O Donovan is the retired Chairman of the Board and Chief Executive Officer of Wolverine World Wide, Inc. a footwear company whose common stock is listed on the New York Stock Exchange. Mr. O Donovan served as Chairman of the Board of Wolverine from April 2005 through December 2009. In April 2007, Mr. O Donovan retired as Chief Executive Officer of Wolverine, a position which he held since April 2000. Mr. O Donovan served as Wolverine's Chief Executive Officer and President from April 2000 until April 2005, and as Chief Operating Officer and President from 1996 until April 2000. Before 1996, Mr. O Donovan was Executive Vice President of Wolverine. Mr. O Donovan is also a director of Kaydon Corporation, a designer and

manufacturer of bearing systems whose stock is traded on the New York Stock Exchange. Mr. O'Donovan's qualifications for service as a Director include his extensive experience as a public company executive and more than 25 collective years of experience on public company boards and service on both audit and compensation committees of public company boards.

#### **Continuing Directors With Terms Expiring in 2013**

**Craig C. Sturken** (age 67) is the Chairman of the Board of Directors. Mr. Sturken has been a director of Spartan Stores since March 2003, was Chief Executive Officer of Spartan Stores from March 2003 to October 2008, President of Spartan Stores from March 2003 to October 2007, and Chairman of the Board of Spartan Stores since August 2003 (including Executive Chairman from October 2008 to February 2011). 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. Mr. Sturken is uniquely qualified to serve as a director of Spartan Stores by virtue of his four decades of experience in the retail grocery industry and his knowledge of the Company and its operations gained during his service as Spartan's Chief Executive Officer.

**Frederick J. Morganthall, II** (age 59) has been a director of Spartan Stores since 2006. Since October 1997, Mr. Morganthall has been the President of Harris Teeter, Inc., a supermarket chain operating in North Carolina, South Carolina, Virginia, Georgia, Tennessee, and Florida. Harris Teeter is a wholly owned subsidiary of Ruddick Corporation, a holding company whose stock is traded on the New York Stock Exchange. In 2011, Mr. Morganthall was elected Chairman of the

Board of the Food Marketing Institute, an organization representing 1,500 food retailers and wholesalers with a combined annual sales volume of \$680 billion. Prior to becoming President of Harris Teeter, Mr. Morganthall served Harris Teeter in other executive positions since 1992. Mr. Morganthall's qualifications for service as a director of Spartan Stores include his extensive executive experience in the grocery industry (including distribution and supply chain operations) and his knowledge of competitive conditions and strategic developments in our industry.

**Dennis Eidson** (age 57) has been a director of Spartan Stores since October 2007, Chief Executive Officer since October 2008, President of Spartan Stores since October 2007, and was our Chief Operating Officer from February 2007 to October 2008, and our Executive Vice President Marketing and Merchandising from March 2003 to February 2007. Prior to joining Spartan Stores, Mr. Eidson served as the Divisional President and Chief Executive Officer of A&P's Midwest region from October 2000 to July 2002, as the Executive Vice President Sales and Merchandising of A&P's Midwest region from March 2000 to October 2000, and as the Vice President of Merchandising of A&P's Farmer Jack division from June 1997 to March 2000. Mr. Eidson brings valuable insight and knowledge to the Board due to his service as President and Chief Executive Officer. Mr. Eidson also provides the benefit of his years of service in the retail grocery industry, including his executive experience at A&P.

#### **Director with a Term of Office Expiring at the Annual Meeting**

**James F. Wright** (age 61) has been a director of Spartan Stores since 2002. Mr. Wright is the Chairman of the Board and Chief Executive Officer of Tractor Supply Company, a farm equipment and supply retailer whose stock is listed on the Nasdaq Stock Market. As previously disclosed, Mr. Wright will conclude his service as a director when his current term of office expires at the 2011 Annual Meeting.



**Qualifications, Attributes, Skills and Experience to be Represented on the Board as a Whole**

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the Board as a whole, in light of the Company's current needs and the business priorities.

We are a leading regional grocery distributor and grocery retailer. We estimate that we are the eleventh largest wholesale distributor to supermarkets in the United States and the largest wholesale distributor to supermarkets in Michigan. Grocery retailing and distribution is a highly competitive and dynamic business. Accordingly, the Board of Directors believes that at least some of our directors should have experience or specific knowledge in retail or wholesale industries at the executive level. The Board believes that directors with experience or in-depth knowledge of the retail grocery industry are uniquely qualified to inform the Board's deliberations regarding business strategy. Because merchandising and marketing is central to our business, the Board believes that merchandising and marketing experience should be represented on the Board. In addition, the Board believes that its membership should include directors who have:

a high degree of financial expertise;

experience with human resources matters;

strategic planning skills; and

relevant business experience as a chief executive officer or equivalent.

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. The Board of Directors welcomes opportunities to include diverse perspectives, talents, ideas and contributions. Consistent with this philosophy, the Board of Directors may consider factors and characteristics that are pertinent to diversity, such as race and gender, when evaluating nominees to stand for election or re-election to the Board.

**Board Committees**

Spartan Stores' Board has four standing committees:

the Audit Committee;

the Compensation Committee;

the Nominating and Corporate Governance Committee; and

the Executive Committee.

The table below shows the current membership of each Board committee and the number of meetings each Committee held in fiscal 2011.

BOARD OF DIRECTORS COMMITTEE MEMBERSHIP

| Director                                    | Independent Director <sup>(1)</sup> | Audit Committee | Compensation Committee | Nominating & Corporate Governance Committee <sup>(2)</sup> | Executive Committee |
|---|-------------------------------------|-----------------|------------------------|--|---------------------|
| M. Shân Atkins                              | Yes                                 | Member          |                        | Member   |                     |
| Wendy A. Beck                               | Yes                                 | Member          |                        |  |                     |
| Dennis Eidson                               | No                                  |                 |                        |  |                     |
| Dr. Frank M. Gambino                        | Yes                                 |                 | Member                 |  |                     |
| Yvonne R. Jackson                           | Yes                                 |                 | Member                 | Member   |                     |
| Frederick J. Morganthall, II                | Yes                                 | Member          |                        | Member   |                     |
| Elizabeth A. Nickels                        | Yes                                 | Chair           |                        |  | Member              |
| Timothy J. O Donovan                        | Yes                                 |                 | Chair                  |  | Member              |
| Craig C. Sturken                            | No                                  |                 |                        |  | Chair               |
| James F. Wright                             | Yes                                 |                 | Member                 | Chair  | Member              |
| <b>Number of Meetings in Fiscal 2011(3)</b> |                                     | 6               | 5                      | 4  | 0                   |

- (1) Independent under Nasdaq independence standards for directors generally and for each Committee on which the director serves.
- (2) The membership reflected in this column is as of the end of fiscal 2011. Prior to October 2010, all independent directors served on the Nominating and Corporate Governance Committee.
- (3) The full Board of Directors held seven meetings in fiscal 2011.

**Audit Committee.** The Board of Directors has established the Audit Committee to assist the Board in fulfilling its fiduciary responsibilities with respect to accounting, auditing, financial reporting, internal controls, and legal compliance. The Audit Committee oversees management and the independent auditors in the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Audit Committee serves as a focal point for communication among the Board, the independent auditors, the internal auditors and management with regard to accounting, reporting, and internal controls. The Audit Committee represents the Board in oversight of:

the integrity of the financial statements of the Company;  
the Company's system of disclosure controls and procedures and internal controls over financial reporting;

the independence and performance of the Company's independent auditors (who are ultimately responsible to the Board of Directors and the Audit Committee);

the performance of the Company's internal audit function; and

compliance by the Company with legal and regulatory requirements.

The Audit Committee has direct authority and responsibility for the appointment, compensation, retention and oversight of the work



of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company. The Audit Committee is also directly responsible for the resolution of disagreements between management and the independent auditors regarding financial reporting. The Audit Committee reviews the performance, independence, and objectivity of the independent auditors at least annually and takes or recommends to the full Board appropriate action to ensure the independence of the independent auditors. Independent auditors report directly to the Audit Committee.

See *Independent Auditors Audit Committee Approval Policies* 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.

The Audit Committee operates under a charter adopted by the Board of Directors. A copy of the Audit Committee Charter is available in the *For Investors Corporate Governance* section of our website, [www.spartanstores.com](http://www.spartanstores.com).

The Board of Directors has determined that Audit Committee members M. Shân Atkins and Elizabeth A. Nickels and Wendy A. Beck 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 other 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 applicable Nasdaq Listing Rules.

**Compensation Committee.** The Board of Directors has established the Compensation Committee to assist the Board of Directors in fulfilling its responsibilities relating to compensation of the Company's executive officers and the Company's compensation and benefit programs and policies. The Compensation Committee has full power and authority to perform the responsibilities of a public company compensation committee under applicable law, regulations, stock exchange rules, and public company custom and practice.

The Compensation Committee has the authority and responsibility to:

determine and oversee the Company's executive compensation philosophy, structure, policies and programs, and assess whether the Company's compensation structure establishes appropriate incentives for management and associates;

administer, amend, interpret or make recommendations to the Board of Directors with respect to retirement, stock incentive, cash incentive, welfare and other compensation and benefit plans of the Company that are approved by the Board of Directors ( *Plans* );

approve stock option and other stock incentive awards and authorize the issuance of shares of the Company's Common Stock, options and rights to acquire Common Stock, awards and units denominated in Common Stock, and other interests in the Company's Common Stock pursuant to the *Plans*;

review and approve corporate and personal goals and objectives relevant to the compensation and evaluation of the Chief Executive Officer, and evaluate the performance of the Chief Executive Officer

in light of those goals and objectives in coordination with the Nominating and Corporate Governance Committee;

approve the base salary, annual bonus plan and award opportunities and long-term incentive plan and award opportunities of the Chief Executive Officer;

review with the Chief Executive Officer and approve the base salary, annual bonus plan and award opportunities and long-term incentive plan and award opportunities of the Company's other executive officers;

evaluate the risks and rewards associated with the Company's compensation philosophy and programs and take actions that the Committee considers necessary to mitigate risk and discourage excessive or inappropriate risk-taking;

review succession planning for the Chief Executive Officer and other key executive officers of the Company;

review, recommend and approve employment agreements and severance arrangements for executive officers, including change-in-control provisions, plans or agreements;

review, recommend and approve Company policies pertaining to executive perquisites and personal benefits; and

review and approve the compensation and benefits provided to directors and authorize the issuance of equity compensation, including restricted stock and stock options, for services to the Company as a director.

The Compensation Committee also has additional powers, authority and responsibilities that are specified in the Compensation Committee Charter or delegated to the Compensation Committee by the Board of Directors or by Plans approved by the Board of Directors.

*Compensation Committee Processes and Procedures.* The Compensation Committee reviews executive compensation on a continuous basis each year, with the most comprehensive and in-depth reviews typically taking place in February and May. The Committee reviews executive performance, current compensation levels, and compensation benchmarking data and analysis (please see the Compensation Discussion and Analysis section of this Proxy Statement for information about benchmarking analysis). The Committee reviews this information in the context of the Company's performance and financial results. At the conclusion of this review, the Compensation Committee grants share-based awards if appropriate, establishes goals and objectives for the then-current fiscal year, and may adjust executive salaries. The Compensation Committee's decision making process is explained in more detail in the Compensation Discussion and Analysis section of this proxy statement.

*Consultants and Advisors.* The Compensation Committee is authorized to engage consultants, advisors and legal counsel at the expense of the Company. The Compensation Committee Charter requires that any consultant engaged for the purpose of determining the compensation of executive officers must be engaged directly by the Committee and report to the Compensation Committee. The Compensation Committee has authority to approve contracts with and payment of fees and other compensation of consultants, advisors and legal counsel. Please see the information under the caption "Use of Independent Compensation Consultants" in the Compensation Discussion and Analysis section of this proxy statement for more information.

*Participation by Management.* The Company's compensation philosophy and the administration of its various compensation plans are determined by the independent directors of the Compensation Committee. Company policy and Nasdaq rules prohibit participation by the Chief Executive Officer in the process of determining his or her own compensation. The Company's executive officers and Human Resources associates serve as a resource to the Compensation

Committee and provide advice, information, analysis and documentation to the Compensation Committee upon request. In appropriate cases, in its discretion, the Compensation Committee may delegate its authority to the executive officers, being mindful that the Compensation Committee and the Board of Directors are responsible to the Company's shareholders to perform the functions and fulfill the responsibilities charged to the Compensation Committee under its Charter. The Compensation Committee may delegate to the Chief Executive Officer authority to recommend the amount or form of compensation paid to other executive officers and associates subordinate to the Chief Executive Officer, subject to such limitations and reporting responsibilities as the Compensation Committee in its discretion may require. The Compensation Committee will not delegate to executive officers its authority to approve awards of stock options or other stock compensation.

Although the Compensation Committee makes many of the most significant compensation decisions in the first quarter of the fiscal year, the Company's compensation planning process neither begins nor ends with any particular Committee meeting. Compensation decisions are designed to promote our fundamental business objectives and strategy. Business and succession planning, evaluation of management performance, and consideration of the business environment are year-round processes for the Compensation Committee and the full Board of Directors.

*Share-based Award Policy.* The Board of Directors has long believed that the process by which the Company awards stock options and other share-based compensation must be transparent, fair, and compliant with all applicable legal requirements and stock exchange rules. For these reasons, the Board of Directors has adopted the Policy Regarding Stock Option Grants and other Share Based Awards which provides, among other provisions, that:

Share based awards will not be back-dated. No share based award may have an effective date earlier than the actual date of the action of the Board of Directors or authorized committee of the Board of Directors to approve the award;

The exercise price for all share based awards will be based on the market value of Spartan Stores common stock on the effective date of award (as defined under the applicable plan);

The Company will not time its release of material non-public information for the purpose of affecting the value of executive compensation, or time the grant of compensation awards to take advantage of material non-public information;

Only the Board of Directors or the Compensation Committee, which consists entirely of independent directors, will approve share based awards. This authority may not be delegated to executive officers or associates; and

All share based awards to the Company's executive officers and directors will be timely reported pursuant to Section 16 of the Securities and Exchange Act of 1934. Share-based awards are typically granted in May of each year and in conjunction with promotions or newly hired executives.

A copy of the Policy Regarding Stock Option Grants and other Share Based Awards is available in the For Investors Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

Additional information regarding the Company's compensation philosophy and the Compensation Committee's processes and procedures is set forth in the Compensation Discussion and Analysis section of this proxy statement.

The Compensation Committee operates under a charter adopted by the Board of Directors. A copy of the Compensation Committee Charter is available in the For Investors Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

Each member of the Compensation Committee is independent, as that term is defined in Rule 5605(a)(2) of the Nasdaq Listing Rules.

***Nominating and Corporate Governance Committee.*** The Board of Directors has established the Nominating and Corporate Governance Committee to assist the Board of Directors in fulfilling its responsibilities by providing independent director oversight of nominations for election to the Board of Directors and leadership in the Company's corporate governance. The Committee has full power and authority to perform the responsibilities of a public company nominating and corporate governance committee under applicable law, regulations, stock exchange rules, and public company custom and practice.

The Committee has the authority and responsibility to:

determine, review, administer, interpret, amend and make recommendations to the Board of Directors regarding the Company's corporate governance policy;

review and recommend to the Board of Directors any changes in the size and composition of the Board of Directors and develop and recommend to the Board of Directors criteria for the selection of candidates for election as directors;

provide the independent director oversight of nominations for election to the Board of Directors contemplated by Nasdaq Listing Rules;

lead the search for individuals qualified to become members of the Board of Directors, review the qualifications of candidates for election to the Board of Directors, and assess the qualifications, contributions and independence of incumbent directors standing for re-election to the Board of Directors;

recommend to the Board of Directors the candidates to be nominated and recommended by the Board of Directors for election to the Board of Directors at each annual meeting of shareholders or to be appointed by the Board of Directors to fill a vacancy on the Board of Directors;

develop and recommend to the Board of Directors for its approval an annual evaluation process for the Board of Directors, and its standing committees, and conduct and discuss with the Board of Directors the annual performance evaluation;

evaluate periodically the performance, authority, operations, charter and composition of each standing or ad hoc committee of the Board of Directors and recommend to the Board of Directors any changes the Committee determines to be appropriate;

review and make recommendations to the Board of Directors on the Board of Director policies and practices relating to corporate governance, independence of directors, conflicts of interest, ethics, and business conduct;

review and make recommendations to the Board of Directors regarding responses to proposals of shareholders that relate to corporate governance;

assess the independence of directors in accordance with applicable rules and regulations at least annually; and

develop and periodically review and revise, as appropriate, a management succession plan and related procedures; consider and recommend to the Board of Directors candidates for successor to the Chief Executive Officer of the Company and, with appropriate consideration of the Chief Executive Officer's recommendations, candidates for succession to other executive offices.





The Nominating and Corporate Governance Committee also has additional powers, authority and responsibilities specified in its charter or delegated to the committee by the Board of Directors. A copy of the Nominating and Corporate Governance Committee Charter is available in the For Investors Corporate Governance section of our website, [www.spartanstores.com](http://www.spartanstores.com).

Under the Corporate Governance Policy, if the chair of the Board is also the current or former Chief Executive Officer of Spartan Stores, the chair of the Nominating and Corporate Governance Committee will act as the Lead Independent Director. The responsibilities and authority of the

Lead Independent Director are described in this proxy statement under the caption Board Leadership Structure.

Each member of the Nominating and Corporate Governance Committee is independent as that term is defined in Rule 5605(a)(2) of the Nasdaq Listing Rules.

**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 has authority to recommend to the Board a successor to the Chief Executive Officer when a vacancy occurs.

## Independent Auditors

### Independent Auditors Fees

The aggregate fees billed by Deloitte & Touche LLP to Spartan Stores and its subsidiaries for fiscal 2011 and fiscal 2010 are as follows:

|                                   | Fiscal 2011 | Fiscal 2010 |
|-----------------------------------|-------------|-------------|
| Audit Fees <sup>(1)</sup>         | \$ 548,413  | \$ 597,563  |
| Audit-Related Fees <sup>(2)</sup> |             | 21,350      |
| Tax Fees <sup>(3)</sup>           | 258,271     | 348,308     |
| All Other Fees                    |             |             |

- (1) Audit services consist of the annual audit of the financial statements and internal control over financial reporting, reviews of quarterly reports on Form 10-Q, and related consultations.
- (2) Audit-related services consist principally of services related to accounting matters not arising as part of the audit.
- (3) Permissible tax services include tax compliance, tax planning and tax advice that do not impair the independence of the auditors and that are consistent with the SEC's rules on auditor independence. Tax compliance and preparation fees account for \$244,571 and \$250,368 of the total tax fees for fiscal 2011 and fiscal 2010, respectively.

Deloitte did not provide any services to Spartan Stores or its subsidiaries related to financial information systems design and implementation during the past two fiscal years.

### Audit Committee Approval Policies

The Audit Committee Charter sets forth the policy and procedures for the approval by the Audit Committee of all services provided by Deloitte. The charter requires that the Audit Committee pre-approve all services provided by the independent auditors, including audit-related services and non-audit services. The charter allows the Audit Committee to delegate to one or more members of the Audit Committee the authority to approve the independent auditors' services. The decisions of any Audit Committee member to whom authority is delegated to pre-approve services are reported to the full Audit Committee. The charter also provides that the Audit Committee has authority and responsibility to approve and authorize payment of the independent auditors' fees. Finally, the charter sets forth certain services that the independent auditors are prohibited from providing to Spartan Stores or its subsidiaries. All of the services described above were approved by the Audit Committee. None of the audit-related fees or tax fees were approved by the Audit Committee pursuant to the *de minimus* exception set forth in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, although the Audit Committee Charter allows such approval.

## Audit Committee Report

The Board of Directors has appointed the Audit Committee to assist the Board in fulfilling its fiduciary responsibilities with respect to accounting, auditing, financial reporting, internal controls, and legal compliance. The Committee oversees management and the independent auditors in the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Committee serves as a focal point for communication among the Board, the independent auditors, the internal auditors and management with regard to accounting, reporting, and internal controls.

The Committee acts under a charter which has been adopted by the Board of Directors and is available on the Company's website at [www.spartanstores.com](http://www.spartanstores.com). The Audit Committee reviews the adequacy of the charter at least annually. The Board of Directors annually reviews the standards for independence for audit committee members under the Nasdaq Listing Rules and has determined that each member of the Audit Committee is independent. The Board of Directors has also determined that three members of the Audit Committee are audit committee financial experts under Securities and Exchange Commission rules.

Management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, the Company's accounting and financial reporting, the Company's disclosure controls and internal control over financial reporting, and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent public accountants are responsible for auditing the Company's financial statements, expressing an opinion as to their conformity with generally accepted accounting principles, and providing an attestation report on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee has reviewed, and discussed with management and the independent auditors, the Company's audited financial statements for the year ended March 26, 2011, management's assessment of the effectiveness of the Company's internal controls over financial reporting, and the independent auditors' attestation report on the Company's internal controls over financial reporting. The Audit Committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 114, as amended (AICPA, Professional Standards, Vol. 1 AU Section 380). The Audit Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with the independent auditors their independence. This included consideration of the compatibility of non-audit services with the auditors' independence.

Based on the reviews and discussions described above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in Spartan Stores' Annual Report on Form 10-K for the year ended March 26, 2011.

Respectfully submitted,

Elizabeth A. Nickels, Chair

M. Shân Atkins

Wendy A. Beck

Frederick J. Morganthall, II

## 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 15, 2011. This information is based entirely on the most recent Schedule 13-G or amendment filed by the listed party as of June 15, 2011. The Company is not responsible for the accuracy of this information.

| Name of Beneficial Owner   | Sole Voting Power | Sole Dispositive Power | Shared Voting or Dispositive Power | Total Beneficial Ownership | Percent of Class <sup>(1)</sup> |
|--|-------------------|------------------------|------------------------------------|----------------------------|---------------------------------|
| BlackRock Inc. <sup>(2)</sup><br>40 East 52nd Street<br>New York, NY 10022   | 1,951,339         | 1,951,339              | -                                  | 1,951,339                  | 8.5%                            |
| The Bank of New York Mellon <sup>(3)</sup><br>Corporation<br>One Wall Street, 31st Floor<br>New York, New York 10286 | 963,553           | 1,305,695              | -                                  | 1,305,695                  | 5.7%                            |
| The Vanguard Group, Inc. <sup>(4)</sup><br>100 Vanguard Blvd.<br>Malvern, PA 19355                                   | 37,158            | 1,107,630              | 37,158                             | 1,144,788                  | 5.0%                            |

(1) The percentages set forth in this column were calculated on the basis of 22,834,900 shares of common stock outstanding as of June 15, 2011.

(2) Based on a Schedule 13G dated as of January 21, 2011 filed by BlackRock, Inc.

(3) Based on a Schedule 13G dated as of February 4, 2011 filed by The Bank of New York Mellon Corporation

(4) Based on a Schedule 13G dated as of February 10, 2011 filed by The Vanguard Group, Inc.

**Security Ownership of Management**

The table below sets forth the number of shares of Spartan Stores common stock that each of our directors and nominees for director, each executive officer named in the Summary Compensation Table below and all directors, nominees for director and executive officers of Spartan Stores as a group are deemed to have beneficially owned as of April 1, 2011. Ownership of less than 1% of the outstanding shares of common stock is indicated by asterisk.

| Name of Beneficial Owner   | Amount and Nature<br>of Beneficial Ownership <sup>(1)</sup> |  |   | Percent<br>of<br>Class <sup>(4)</sup> |
|--|---|--|---|---------------------------------------|
|  | Sole Voting<br>and<br>Dispositive<br>Power <sup>(2)</sup>   | Shared Voting<br>or<br>Dispositive<br>Power <sup>(3)</sup> | Total<br>Beneficial<br>Ownership <sup>(2)</sup> |                                       |
| Theodore C. Adornato   | 84,784  | -  | 84,784  | *                                     |
| M. Shân Atkins   | 28,636  | -  | 28,636  | *                                     |
| Wendy A. Beck  | 2,220   | -  | 2,220   | *                                     |
| Alex J. DeYonker   | 70,254  | -  | 70,254  | *                                     |
| Dennis Eidson  | 264,073   | -  | 264,073   | 1%                                    |
| Dr. Frank M. Gambino.  | 25,142  | -  | 25,142  | *                                     |
| Yvonne R. Jackson  | 2,220   | -  | 2,220   | *                                     |
| Derek R. Jones   | 67,152  | -  | 67,152  | *                                     |
| Frederick S. Morganthall, II   | 19,340  | -  | 19,340  | *                                     |
| Elizabeth A. Nickels   | 31,441  | -  | 31,441  | *                                     |
| Timothy J. O Donovan   | 25,142  | 5,000  | 30,142  | *                                     |
| David M. Staples   | 124,260   | -  | 124,260   | *                                     |
| Craig C. Sturken   | 209,491   | -  | 209,491   | *                                     |
| James F. Wright  | 27,760  | -  | 27,760  | *                                     |
| All directors, nominees and executive officers as a group (17 persons) | 1,237,586   | 5,000  | 1,242,586                                       | 5.3%                                  |

- (1) The number of shares stated is based on information provided by each person listed and includes shares personally owned by the person and shares which, under applicable regulations, are considered to be otherwise beneficially owned by the person as of April 1, 2011.

- (2) These numbers include shares held directly and shares subject to options that are currently exercisable or that will be exercisable within 60 days after April 1, 2011. Each listed person having such stock options and the number of shares subject to such options is shown in the table below (includes out-of-the-money options):

|  |         |
|--|---------|
| Theodore C. Adornato   | 36,495  |
| M. Shân Atkins   | 7,903   |
| Wendy A. Beck  | -       |
| Alex J. DeYonker   | 25,275  |
| Dennis Eidson  | 90,820  |
| Dr. Frank M. Gambino.  | 7,903   |
| Yvonne R. Jackson  | -       |
| Derek R. Jones   | 25,275  |
| Frederick S. Morganthall, II   | 7,903   |
| Elizabeth A. Nickels   | 7,903   |
| Timothy J. O Donovan   | 7,903   |
| David M. Staples   | 46,251  |
| Craig C. Sturken   | 123,688 |
| James F. Wright  | 7,903   |
| All directors, nominees and executive officers as a group (17 persons) | 464,657 |

- (3) These numbers include shares over which the listed person is legally entitled to share voting or dispositive power by reason of joint ownership, trust or other contract or property right, and shares held by spouses, children or other relatives over whom the listed person may have influence by reason of relationship.
- (4) The percentages set forth in this column were calculated on the basis of 22,620,718 shares of common stock outstanding as of April 1, 2011, plus shares of common stock subject to options held by the applicable listed person or persons that are currently exercisable or that will be exercisable within 60 days after April 1, 2011. Shares subject to such options are considered to be outstanding for purposes of this table. The number of shares subject to such options for each listed person that has such options is set forth in footnote (2) above.

## Spartan Stores Executive Officers

Spartan Stores executive officers are appointed annually by, and serve at the pleasure of, the Board or the Chief Executive Officer.

Biographical information for Mr. Eidson is included above in the Board of Directors section of this proxy statement. The following sets forth biographical information as of June 24, 2011 concerning Spartan Stores executive officers who are not directors:

**Theodore C. Adornato** (age 57) has been Executive Vice President Retail Operations since 2003. Mr. Adornato served as Regional Vice President of Tops Markets, L.L.C., Eastern Region, a subsidiary of Royal Ahold, from 1998 to 2003. Previously, Mr. Adornato held various management positions with Tops Markets and Acme Markets, Inc.

**David deS. Couch** (age 60) has served as Vice President Information Technology since 1996. From 1991 to 1996, Mr. Couch was our Director of Information Technology. Previously, Mr. Couch held positions in product marketing, data center management and communication network management for Hewlett Packard and General Foods Corporation.

**Alex J. DeYonker** (age 61) has served as Executive Vice President General Counsel and Secretary since October 2006. Mr. DeYonker joined the Company from Warner Norcross & Judd LLP, a Grand Rapids-based law firm with over 220 attorneys, where he had served as Managing Partner from 2002 to 2006 and Partner from 1988 until joining Spartan Stores. While at Warner Norcross, Mr. DeYonker served as General Counsel to Spartan Stores since 1995 and as the Company's Corporate Secretary since 2000. He was also a Company Board member from 1999 to 2003, serving on the Executive and Nominating Committees.

**Alan R. Hartline** (age 42) has served as Executive Vice President Merchandising and Marketing since June 2009. Mr. Hartline previously served as Spartan's Executive Vice President Merchandising from October 2008 to June 2009. Mr. Hartline was Spartan's Senior Vice President Merchandising from February 2007 to October 2008, Vice President Center Store Merchandising from October 2003 to February 2007, and Vice President Retail Merchandising from May 2003 to October 2003. Prior to joining Spartan Stores, Mr. Hartline was strategic business manager at Daymon Worldwide, and spent two years with A&P's Midwest division where he held positions as Senior Category Manager, Merchandising Program Manager, and Director of Strategic Pricing and Data Integrity. In addition, Mr. Hartline spent 15 years with the Kroger Company in various Operations and Merchandising positions.

**Derek R. Jones** (age 42) has been Executive Vice President Wholesale Operations since June 2009. Prior to holding that position, Mr. Jones served as Spartan Stores' Executive Vice President Supply Chain from September 2006 until June 2009. From March 2004 to August 2006, Mr. Jones was Vice President of Distribution for Unisource Worldwide, Inc., a marketer and distributor of printing and imaging systems and equipment. From July 2000 to March 2004, Mr. Jones was Regional Vice President of Supply Chain Operations for Office Depot, Inc., a global supplier of office products and services.

**David M. Staples** (age 48) has been Executive Vice President since November 2000 and Chief Financial Officer since January 2000. Mr. Staples also served as Vice President Finance from January 2000 to November 2000. Mr. Staples oversees information technology, real estate, finance, and safety. From December 1998 to January 2000, Mr. Staples served as Divisional Vice President Strategic Planning and Reporting of Kmart Corporation and from June 1997 to

December 1998 he served as Divisional Vice President Accounting Operations. He is a certified public accountant.

*Thomas A. Van Hall* (age 55) has been Vice President Finance since March 2001. Prior to joining Spartan Stores, Mr. Van Hall served as

Vice President Planning and Analysis of the U.S. Foods Division of Sara Lee Corporation from May 2000 to March 2001. From December 1997 to May 2000, he was Vice President Supply Chain and from 1991 to 1997 he served as Vice President Finance of the Bil Mar Foods Division of Sara Lee Corporation. He is a certified public accountant.

## Executive Compensation

### COMPENSATION DISCUSSION AND ANALYSIS

The Board of Directors has appointed the Compensation Committee to assist the Board in fulfilling its responsibilities relating to compensation of the Company's executive officers and the Company's compensation and benefit programs and policies. The Compensation Committee determines and implements the Company's executive compensation philosophy, structure, policies and programs, and administers and interprets the Company's compensation and benefit plans.

#### Executive Summary and Highlights

##### *Business Context*

In fiscal 2011, the Company delivered solid performance, achieving overall earnings growth and strengthening its balance sheet despite a struggling Michigan economy. The Company focused on consistency across operations, and reduced operating expenses in an effort to maximize profitability. The Retail and Distribution

segments generated a combined \$68 million in operating earnings and had a third consecutive year of over \$100 million in Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA).<sup>1</sup> Cash flow from operating activities remained at a strong annual level \$90 million, which enabled us to strengthen our balance sheet by reducing debt and allowed the Board of Directors to increase dividends and authorize a share repurchase program in May 2011.

The tables below show our Company profile during the tenure of our Chief Executive Officer, Dennis Eidson (who was promoted to Chief Executive Officer in October 2008). We believe the data reflect the Company's response to a challenging economic environment during Mr. Eidson's tenure, including the execution of our strategy to increase our presence in fuel and pharmacy, and closing stores that were not profitable. We believe we have built a stronger offering to our customers that has helped mitigate extraordinarily difficult economic conditions.

#### *Company Profile*

|  | Fiscal Year Ended |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | March 28,<br>2009 | March 27,<br>2010 | March 26,<br>2011 |



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|                                 |     |     |     |
|---------------------------------|-----|-----|-----|
| Stores                          | 100 | 96  | 97  |
| Fuel Centers                    | 19  | 24  | 25  |
| Pharmacies                      | 63  | 66  | 67  |
| Stores serviced by Distribution | 372 | 358 | 375 |

<sup>1</sup> This information was discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Fiscal 2011 Form 10-K, which included a reconciliation of Adjusted EBITDA to net earnings on a GAAP basis, and a discussion of why the Company believes the non-GAAP financial measure is useful to investors. A copy of our Fiscal 2011 Form 10-K is being provided with our proxy statement to our shareholders.

The table below reflects our financial performance during Mr. Eidson's tenure as Chief Executive Officer, which began approximately midway through our 2009 fiscal year. The following selected financial information shows the impact of the economic conditions which had

adversely affected our results in fiscal years 2009, 2010 and 2011.<sup>2</sup> Due to the execution of our business plan, we have been able to limit the negative impact, and begun to increase the important results of operating earnings, net earnings, cash flow and diluted earnings per share

### *Selected Financial Information*

*(in millions, except per share data and percentage data)*

|   | <b>Fiscal Year Ended</b>  |                           |                           |
|---|---------------------------|---------------------------|---------------------------|
|   | <b>March 28,<br/>2009</b> | <b>March 27,<br/>2010</b> | <b>March 26,<br/>2011</b> |
| Net Sales                               | \$ 2,577                  | \$ 2,552                  | \$ 2,533                  |
| Gross Profit Margin                     | 20.8%                     | 21.9%                     | 22.0%                     |
| Operating Earnings <sup>3</sup>         | 73                        | 59                        | 68                        |
| Net Earnings <sup>3</sup>               | 37                        | 26                        | 32                        |
| Diluted Earnings Per Share <sup>3</sup> | 1.66                      | 1.14                      | 1.42                      |
| Adjusted EBITDA                         | 108                       | 103                       | 104                       |
| Cash from Operating Activities          | 81                        | 92                        | 90                        |
| TotalNet Long-Term Debt <sup>4</sup>    | 192                       | 176                       | 131                       |

We believe that our investors should consider these financial results in the context of the challenging economic conditions in which we achieved them. As a grocery retailer and wholesaler, we are greatly affected by the economic conditions of the communities we serve, which are located primarily in Michigan, and also in Indiana and Ohio. The unemployment rate in Michigan at the end of fiscal 2009, 2010 and 2011 was 12.6%, 13.3% and 10.3% respectively.<sup>5</sup> Michigan's unemployment rate exceeded the

national rate for that entire three-year period. The employment conditions in Michigan were actually significantly worse than the general unemployment rate suggests. A broader measure of labor underutilization (called the U-6 measure) reveals that the actual rate of unemployed and underemployed workers in Michigan was 17.2%, 21.7% and 20.3% at the end of fiscal 2009, 2010 and 2011 respectively.<sup>6</sup> This rate also exceeded the national rate for the same periods by approximately 5%.

<sup>2</sup> The table provides selected historical consolidated financial information of Spartan Stores derived from our audited consolidated financial statements as of and for each of the fiscal years presented. For all years presented, earnings information has been adjusted for the reclassification of discontinued operations information. See Note 14 to our consolidated financial statements in Item 8 of our Form 10-K for the fiscal year ended March 26, 2011 for additional information on discontinued operations.

<sup>3</sup> Fiscal years 2010 and 2011 include impacts of \$6.2 million expense (\$4.0 million net of taxes) and \$2.9 million income (\$1.8 million net of taxes) respectively related to restructuring, asset impairment and pension curtailment. These items impacted diluted earnings per share by negative \$0.17 in fiscal 2010 and positive \$0.08 in fiscal 2011.

<sup>4</sup> This information was discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Fiscal 2011 Form 10-K, which included a reconciliation of total net long-term debt to long-term debt and capital lease obligations on a GAAP basis, and a discussion of why the Company believes the non-GAAP financial measure is useful to investors. A copy of our Fiscal 2011 Form 10-K is being provided with our proxy statement to our shareholders.

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<sup>5</sup> Seasonally adjusted unemployment rate for March 2009, 2010, and 2011, according to the U.S. Department of Labor, Bureau of Labor Statistics.

<sup>6</sup> The U-6 alternative measure of labor underutilization (which includes total unemployment, marginally attached workers, and workers employed part-time for economic reasons) for the quarters ending March 31, 2009, 2010 and 2011, according to the U.S. Department of Labor, Bureau of Labor Statistics.

We also believe that the uncertainty regarding the rate of economic recovery, particularly in Michigan, may affect our stock price and its relative performance. Comparing our stock price and dividend performance (commonly referred to as total shareholder return or TSR) to the total shareholder return of other organizations with whom we share a four-digit S&P Global Industry Classification Standard (GICS) code for each calendar quarter in the 12-month period ending March 31, 2011 reveals the following:

| Calculation Date | One Year Total Shareholder Return |                              |
|------------------|-----------------------------------|------------------------------|
|                  | Spartan Stores                    | Median Industry (GICS 3010)* |
| 3/31/2011        | 3.95%                             | 4.82%                        |
| 12/31/2010       | 20.25%                            | 18.57%                       |
| 9/30/2010        | 4.08%                             | 10.45%                       |
| 6/30/2010        | 12.13%                            | 2.28%                        |

\*Based on Russell 3000 companies within the four-digit GICS industry group (3010, Food & Staples Retailing)

As reflected in the table above, in two of the four TSR measurement dates our TSR was above the median of the industry benchmark. Based on this, we regard our TSR performance for fiscal 2011 to be within reasonable proximity of the industry median.

#### *Executive Compensation Decisions in 2011*

In fiscal 2011, the Compensation Committee believed it was appropriate to increase the compensation of Mr. Eidson, our Chief Executive Officer, because his total compensation opportunity was significantly below the market and because he was instrumental in driving the operational success of our organization. The Compensation Committee's actions regarding the compensation of Mr. Eidson also reflected his relatively recent tenure as our Chief Executive Officer (2011 was only his second full fiscal year in that position). Following the Committee's review of competitive market data prepared by the Committee's independent consultant, the Committee increased Mr. Eidson's base salary, adjusted his annual incentive compensation opportunity, and granted a long-term incentive opportunity that would bring his total compensation opportunity closer to the market median for the Peer Group Companies although still below the market median.

The increase in the Chief Executive Officer's compensation also reflects the completion of the gradual transition of Mr. Eidson's compensation from the median levels for a Chief Operating Officer at the Peer Group Companies to those of the Chief Executive Officer position.

In addition, for fiscal 2011, the total compensation for our Chief Executive Officer and other named executive officers increased over total compensation for fiscal 2010 in part because each executive earned an annual cash incentive award and a portion of a long-term cash incentive award, in each case due to Company performance achieved in fiscal 2011. No annual incentive award payments were made to our named executive officers in fiscal 2010, and no performance-based restricted stock units granted to our officers in fiscal 2010 vested.

In fiscal 2011, the Committee also made other changes to our compensation program for all of our named executive officers.<sup>7</sup> The changes included the following, as described in more detail below:

The Compensation Committee changed the long-term incentive component so that 50% of the value is paid in cash based on specified measures of Company performance.

<sup>7</sup> Mr. Sturken retired as an officer of the Company in February 2011 and no longer participates in our cash incentive award plans.

The Compensation Committee did not grant stock options or restricted stock units, and instead granted long-term performance-based cash awards, thereby reducing the Company's burn rate (the annual use of shares) and thus also reducing shareholder dilution.

The Compensation Committee modified the performance and payment range of our annual incentive plan. The Committee also reviewed the Company's compensation programs to utilize best practices (and avoid poor pay practices), including the following:

A majority of the compensation paid to our named executive officers is at-risk, which requires specific and disclosed financial performance, continued employment, or both, or is granted in the form of equity and therefore dependent on the value of our common stock.

No guaranteed salary increases;

All performance payouts for named executive officers are based on financial performance linkage; all financial goals both short-term and long-term metrics and targets are disclosed; Our severance agreements require a loss of employment following a change in control (a double-trigger) before severance payments based on salary and bonus are made; the multiple used to determine the severance payments is not greater than two times the salary and bonus components of severance;

Perquisites are limited to certain tax and financial planning benefits provided to our executives;

No tax reimbursements, except that existing executive severance agreements provide modified tax gross-ups with respect to certain payments in connection with termination following a change in control of the Company (the Company did not enter into any new change-in-control agreements in fiscal 2011);

Repricing of options is prohibited without shareholder approval; and

No dividends are paid on unvested performance shares or units.

**Elements of Executive Compensation Program for Fiscal 2011**

The following table lists the elements of our fiscal 2011 executive compensation program and a description of each element.

| <b>Element</b>                 | <b>Description, Objectives and Characteristics</b>  |
|--------------------------------|---|
| Base Salary                    | <p>Base compensation that is competitive.<br/>                     Reviewed annually and at the time of hire or promotion.<br/>                     Generally set within 10% of the median of Peer Group Companies, as described on pages 43-44.</p> <p>Other factors are considered, including input from our Chief Executive Officer on non-CEO officers, the executive's experience, the level of responsibility and complexity of the executive's job, and individual performance in the prior year.</p>  |
| Annual Cash Incentive Award    | <p>Opportunity to earn cash compensation based on the achievement of specified levels of consolidated net earnings for the fiscal year.<br/>                     Target amount is set as a percentage of base salary.<br/>                     No payout unless the Company achieves a threshold performance level.<br/>                     Reviewed annually and at the time of hire or promotion.<br/>                     Generally set within 15% of the median for the Peer Group Companies.</p>  |
| Long-Term Cash Incentive Award | <p>Aligns executive and shareholder interests by encouraging executives to focus on long-term profitable growth.<br/>                     No payout unless threshold performance levels are achieved.<br/>                     Each component of the award is subject to an additional vesting requirement (for a total service period of three years) to encourage executive retention.<br/>                     Reviewed annually and at the time of hire or promotion.<br/>                     Generally set within 15% of the median for the Peer Group Companies.</p> |
| Long-Term Incentives           | <p>Aligns executive and shareholder interests by rewarding executives for building shareholder value.</p>   |
| Restricted Stock               | <p>Promotes executive retention through the use of vesting periods (vesting of restricted shares depends on continued service by the executive for specified periods of time).<br/>                     Generally set within 15% of the median for the Peer Group Companies.</p>  |

In addition to the elements of compensation discussed above, our executives participate in certain defined benefit and deferred compensation plans. These plans are discussed below under the captions "Pension Benefits" and "Nonqualified defined contribution plans and other nonqualified deferred compensation plans."

## Analysis of Compensation Elements for Fiscal 2011

### Overview

The following is a discussion of key compensation programs and decisions for fiscal 2011.

#### 1. Base Salaries

Following Mr. Eidson's promotion to Chief Executive Officer in October 2008, the Compensation Committee has focused on transitioning his compensation from the median levels for a Chief Operating Officer at the Peer Group Companies to that of the Chief Executive Officer position over two to three years, subject to satisfactory performance. In light of Mr. Eidson's performance as Chief Executive Officer and our stated compensation policy of providing compensation consistent with market practices, the Compensation Committee approved a 10% increase in Mr. Eidson's base salary in May 2010. As of the end of fiscal 2011, base compensation for Mr. Eidson remained below the 50th percentile for corresponding positions within the Peer Group Companies.

The Compensation Committee concluded that the base salaries for the other named executive officers were generally consistent with the 50th percentile market level of Peer Group Companies. Accordingly, each named executive officer received a 2% increase in base salary, effective in October 2010, consistent with the general increase in the base salary for other Company associates at that time.

#### 2. Changes to Incentive Compensation Plan Design for Annual Awards

The Compensation Committee reviews annually incentive compensation opportunities for named executive officers and certain other management associates to establish the financial objectives and award parameters on a short-term (*i.e.*, annual) and long-term basis.

The Committee determines the payout levels for threshold, target, and maximum performance by reviewing and analyzing payout levels of the Peer Group Companies and other industry groups.

In fiscal 2011, the Compensation Committee analyzed the Company's incentive compensation programs and concluded that the structure of the programs designed to reward our executives for performance on consolidated net earnings and earnings per share were not competitive compared to the programs of the Peer Group Companies. For example, our incentive compensation programs have in recent years required the achievement of at least 90% of the performance goal target in order to receive any payout. Based on analysis of Peer Group Companies and general industry, the Compensation Committee believes a more competitive range for performance threshold is approximately 80% to 85%. As a result of this misalignment, over the past several years our named executive officers have not realized compensation opportunities that are consistent with those at our Peer Group Companies when considered in the context of the value delivered to our shareholders over the same period.

Accordingly, in May 2010 the Compensation Committee made the changes illustrated below to the annual incentive award opportunity.

| <b>Fiscal Year</b> | <b>Threshold Performance</b> | <b>Threshold Payout</b> | <b>Maximum Performance Level</b> | <b>Maximum Payout</b> |
|--------------------|------------------------------|-------------------------|----------------------------------|-----------------------|
| 2010               | 90%                          | 50%                     | 125%                             | 160%                  |
| 2011               | 80%                          | 10%                     | 116.3%                           | 200%                  |

Under the restructured incentive compensation arrangements, our executives will earn a 10% threshold payout at 80% threshold performance and a 200% maximum payout for maximum performance. Therefore, executives will receive incrementally more compensation for achievement above the target level compared to achievement below the target level. This structure creates additional incentive for executives to meet and exceed the target level of performance, while offering compensation levels more consistent with those in Peer Group Companies.

3. Annual Cash Incentive Awards

Each named executive officer was granted an opportunity to earn an annual incentive award

under the Spartan Stores, Inc. Executive Cash Incentive Plan of 2010 (the "Executive Plan"). For each named executive officer, the value of the annual incentive award is dependent on the Company's achievement of specified levels of consolidated net earnings and is paid in cash. If the threshold level of consolidated net earnings is not achieved, then no award is paid for the fiscal year (as occurred in fiscal 2010).

For fiscal 2011, the annual incentive award opportunity provided to each named executive officer was calculated according to the following matrix:

**Fiscal 2011 Annual Cash Incentive Award**

**Payout Design**

|           | <b>Consolidated<br/>Net<br/>Earnings<br/>(in thousands)</b> | <b>Percentage of Targeted<br/>Consolidated Net<br/>Earnings<br/>Achieved for<br/>Fiscal 2011</b> | <b>Percent of Target<br/>Annual<br/>Incentive<br/>Award Paid*</b> |
|-----------|---|--|---|
|           |   | <80%   | 0%  |
| Threshold | \$ 23,627   | 80%  | 10%   |
|           |   | 85%  | 32.5%   |
|           |   | 90%  | 55%   |
| Target    | 29,534  | 95%  | 77.5%   |
|           |   | 100%   | 100%  |
|           |   | 104%   | 125%  |
|           |   | 108%   | 150%  |
|           |   | 112%   | 175%  |
| Maximum   | 34,360  | >116.3%  | 200%  |

\* The threshold, target, and maximum annual incentive award for each named executive officer is reported in the Grants of Plan-Based Awards Table in this proxy statement. The percentage of Target annual incentive award paid is interpolated for actual achievement between the threshold and maximum performance levels identified above.

The Company's actual performance after adjustments for extraordinary items permitted under the terms of the Executive Plan for the fiscal year was 105.4% of the target level of consolidated net earnings. Therefore, each named executive officer received a payout at 133.8% of the target award.

After reviewing competitive target payout levels as a percent of base salary for each named executive officer position compared to like positions at Peer Group Companies, the Compensation Committee increased the target annual incentive payout level for Mr. Eidson from





85% of base salary in fiscal 2010 to 100% in fiscal 2011. The Compensation Committee believes that increasing the target level to 100% will help to bring Chief Executive Officer annual incentive pay opportunity to market levels while improving alignment of our Chief Executive Officer's compensation with Company performance. The

Compensation Committee considered the target annual incentive payout levels for the other named executive officer to be competitive with the 50th percentile of competitive market practices, and accordingly no other changes were made. Target payout levels are summarized as follows:

| Executive Position        | Target Payout as Percentage of Base Salary |             |
|---------------------------|--|-------------|
|                           | Fiscal 2010                                | Fiscal 2011 |
| Chief Executive Officer   | 85%  | 100%        |
| Executive Vice Presidents | 50%  | 50%         |

#### 4. Long-Term Incentive Awards

In fiscal 2011, the Compensation Committee adjusted the long-term incentive plan

mix to 50% restricted stock, 50% long-term cash incentive award, as follows:

| Fiscal Year | Equity Awards    |               |     | Performance-Based Compensation  |
|-------------|------------------|---------------|-----|---|
|             | Restricted Stock | Stock Options |     |   |
| 2010        | 50%              | 25%           | 25% | Restricted Stock Units, based on achievement of consolidated earnings per share   |
| 2011        | 50%              | 0%            | 50% | Cash award, paid based on achievement of consolidated diluted earnings per share (60%) and return on invested capital (40%) |

The Compensation Committee made the change from granting stock options and restricted stock performance units to performance based cash compensation in part to address concerns regarding the Company's use of shares under its equity incentive compensation programs. Moreover, the Compensation Committee tightened the linkage between the Company's performance and named executive officer pay by introducing multi-year performance-based cash awards.

*Restricted Stock Awards.* The Committee awarded service vesting shares of restricted stock to each named executive officer in an effort to target the 50th percentile market levels for corresponding positions at the Peer Group Companies. Mr. Eidson received a grant of restricted stock having an aggregate grant date fair value approximately 25% higher than his fiscal 2010 grant as part of an effort to increase his compensation to the market median

for Chief Executive Officers at the Peer Group Companies, a process that has been in progress since his appointment to Chief Executive Officer in October 2008. The Compensation Committee increased the size of this grant for fiscal 2011 in view of the results the Company achieved during challenging economic and market conditions. In addition, the Compensation Committee considered data indicating that Mr. Eidson's target long-term incentive compensation significantly lagged the median by approximately 49% for such compensation at the Peer Group Companies, and was therefore not adequately aligned with our compensation philosophy.

The Compensation Committee determined that the equity compensation of the other named executive officers was consistent with or slightly below the median for the Peer Group Companies, and therefore awarded fiscal 2011 long-term incentive grants to other named executive officers



slightly higher than grant date fair value as grants for fiscal 2010 (2% for CFO; 7% for other named executive officers).

*Long-Term Cash Incentive Awards.* Each named executive officer was granted an opportunity to earn a long-term cash incentive award under the Executive Plan, to be earned over the three-year period covering fiscal 2011, 2012 and 2013. To the extent earned, the awards will be paid in cash. For each named executive officer, the value of the long-term incentive award is entirely dependent on the Company's performance with respect to two performance measurements: earnings per share (EPS) and return on invested capital (ROIC). The Company defines EPS as diluted earnings per share based on consolidated net earnings, subject to adjustments for extraordinary items permitted under the terms of the Executive Plan. The Company defines ROIC as operating profit after tax, adjusted for asset impairment, exit costs and LIFO expense, divided by total invested capital (total assets plus LIFO reserve less cash and non-interest bearing current liabilities), also subject to adjustments for extraordinary items permitted under the terms of the Executive Plan.

For each named executive officer, sixty percent (60%) of the long-term incentive award is determined by Spartan's EPS performance for fiscal 2011, and forty percent (40%) of the long-term incentive award will be determined by Spartan's ROIC performance determined at the end of fiscal 2012.

Each component of the long-term cash incentive award is designed to be earned and vested over a total period of three years (fiscal 2011, 2012, and 2013). Therefore, each component of the long-term incentive award earned, if any, is subject to an additional vesting period during which the executive must remain employed by the Company. For the EPS component, the performance period is fiscal 2011 and the vesting period is the two following fiscal years, and for the ROIC component, the performance level is measured at the end of fiscal 2012 and the vesting period is the following fiscal year. The fiscal 2011 award opportunity for each named executive officer can be summarized as follows:

| Performance Measurement | Percentage of Long-Term Incentive Bonus | Performance Period                           | Vesting Period   |
|-------------------------|---|--|--|
| EPS                     | 60%                                     | 1 year (fiscal 2011)                         | 2 years after completion of the Performance Period (paid after FYE 2013) |
| ROIC                    | 40%                                     | 2 years (measured at the end of fiscal 2012) | 1 year after completion of the Performance Period (paid after FYE 2013)  |

The target award for each named executive officer is expressed as a specific dollar amount determined by the Compensation Committee.

The Compensation Committee selected EPS as a metric for the long-term incentive award as it is a basis for the valuation of our stock, and therefore an effective barometer of the growth of

shareholder wealth. The Compensation Committee selected ROIC because it focuses our executives on the cost of investment when making profit and loss decisions. ROIC also places appropriate emphasis on the balance sheet by causing executives to analyze investment of the Company's resources, including in accounts receivable, inventory, prepayments and acquisitions.

The amount of the long-term incentive award earned will be determined according to the following matrices:

**Earnings Per Share Component**

|           | <b>Earnings Per Share</b> | <b>Percentage of Earnings Per Share</b> | <b>Percent of Target Long-Term Cash Incentive Award Paid*</b> |
|-----------|---------------------------|---|---|
|           |                           | <80%                                    | 0%  |
| Threshold | \$ 1.04                   | 80%                                     | 10.0%   |
|           |                           | 85%                                     | 32.5%   |
|           |                           | 90%                                     | 55.0%   |
|           |                           | 95%                                     | 77.5%   |
| Target    | 1.30                      | 100%                                    | 100.0%  |
|           |                           | 104%                                    | 125.0%  |
|           |                           | 108%                                    | 150.0%  |
|           |                           | 112%                                    | 175.0%  |
| Maximum   | 1.51                      | <sup>3</sup> 116.3%                     | 200.0%  |

\* The threshold, target, and maximum long-term cash incentive award for each named executive officer is reported in the Grants of Plan-Based Awards Table in this proxy statement. The percentage of Target long-term cash incentive award paid is interpolated for actual achievement between the threshold and maximum performance levels identified above.

**ROIC Component**

|           | <b>2-Year ROIC (Measured as of the End of Fiscal 2012)</b> | <b>Percentage of 2-Year ROIC</b> | <b>Percent of Target Long-Term Cash Incentive Award Paid*</b> |
|-----------|--|----------------------------------|---|
|           |  | <97.3%                           | 0%  |
| Threshold | 7.10%  | 97.3%                            | 50.0%   |
|           |  | 97.9%                            | 62.5%   |
|           |  | 98.6%                            | 75.0%   |
|           |  | 99.3%                            | 87.5%   |
| Target    | 7.30%  | 100.0%                           | 100.0%  |
|           |  | 100.9%                           | 133.3%  |
|           |  | 101.8%                           | 166.7%  |
| Maximum   | 7.50%  | <sup>3</sup> 102.7%              | 200.0%  |

\* The threshold, target, and maximum long-term cash incentive award for each named executive officer is reported in the Grants of Plan-Based Awards Table in this proxy statement. The percentage of Target long-term cash incentive award paid is interpolated for actual achievement between the threshold and maximum performance levels identified above.

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The fiscal 2011 long-term cash incentive award opportunities for each named executive officer are summarized in the following table:

| Name              | EPS (60%) |            |            | ROIC (40%) |            |            | Total Fiscal 2011 Target Long Term Incentive Award Value |
|-------------------|-----------|------------|------------|------------|------------|------------|--|
|                   | Threshold | Target     | Maximum    | Threshold  | Target     | Maximum    |  |
| Dennis Eidson     | \$ 37,500 | \$ 375,000 | \$ 750,000 | \$ 125,000 | \$ 250,000 | \$ 500,000 | \$ 625,000   |
| David M. Staples  | 11,250    | 112,500    | 225,000    | 37,500     | 75,000     | 150,000    | 187,500  |
| Craig C. Sturken  | 7,500     | 75,000     | 150,000    | 25,000     | 50,000     | 100,000    | 125,000  |
| Alex J.DeYonker   | 7,500     | 75,000     | 150,000    | 25,000     | 50,000     | 100,000    | 125,000  |
| Theodore Adornato | 7,500     | 75,000     | 150,000    | 25,000     | 50,000     | 100,000    | 125,000  |
| Derek R. Jones    | 7,500     | 75,000     | 150,000    | 25,000     | 50,000     | 100,000    | 125,000  |

The Company's actual EPS performance for fiscal 2011 after adjustments for extraordinary items permitted under the terms of the Executive Plan was 105.4% of the target level. Therefore, each of our named executive officers earned 135% of the EPS component of the award, as shown on the preceding table. The earned portion of the awards have not been paid, and will not be paid unless and until the named executive officer satisfies the continued service requirement.

**Mix of Compensation Elements**

When determining the mix of awards, the Compensation Committee considers factors such as the short-term and long-term compensation expense

to the Company, the economic value delivered to the executives, the overall level of share ownership by the executives, share availability under Company plans, burn rate (the annual use of shares under equity grant programs) and dilution of shareholders, and practices at the Peer Group Companies. The Compensation Committee believes that the Company's mix of pay at target levels of performance is competitively aligned with the median for the Peer Group Companies, as illustrated in the following tables showing the compensation mix at target for fiscal 2011. The Compensation Committee considers compensation at risk if it requires financial performance or continued employment, or both, or the compensation is in the form of equity and thus determined by the value of our common stock.

**Chief Executive Officer Compensation Opportunity (at Target Level)**

|                          | Base Compensation | At-Risk Compensation          |                                  |
|--------------------------|-------------------|-------------------------------|----------------------------------|
|                          |                   | Annual Incentive Compensation | Long-Term Incentive Compensation |
| Spartan Stores           | 26%               | 26%                           | 48%                              |
| Peer Group Market Median | 25%               | 23%                           | 52%                              |

**All Other Named Executive Officer Compensation Opportunity (at Target Level)**

|                | Base Compensation | At-Risk Compensation          |                                  |
|----------------|-------------------|-------------------------------|----------------------------------|
|                |                   | Annual Incentive Compensation | Long-Term Incentive Compensation |
| Spartan Stores | 43%               | 22%                           | 35%                              |

Peer Group Market Median

37%

23%

40%

### *Pay for Performance*

Our executive compensation elements and programs result in a pay for performance policy for our executives. This means that the Compensation Committee and the Board have implemented and intend to maintain compensation plans that link a substantial proportion of executive compensation to the achievement of goals that the Board considers important.

As a result of this general policy, a substantial portion of the compensation paid to our executives is incentive-based and therefore at-risk. Specifically, for fiscal 2011, approximately 66% of total compensation paid to our named executive officers in the aggregate consisted of variable, or at-risk, compensation (*i.e.*, stock awards and performance-based cash awards). Our executive officers do not realize value from annual or long-term cash incentive awards under the Executive Plan unless the Company meets specified minimum financial goals. The value of restricted stock awards to our named executive officers depends on the value of the share price. Alternatively, when the company exceeds performance goals, compensation to our named executive officers increases accordingly.

The tables above showing the mix of compensation elements illustrate the importance of at-risk compensation in our compensation programs. In addition to reviewing at-risk pay elements compared to the Peer Group Companies, the Compensation Committee analyzes the alignment of executive pay to company performance. The Compensation Committee believes that when the Company outperforms Peer Group Companies on a relative basis, then our executive pay should be relatively higher. Alternatively, when Company performance is relatively lower, executive pay should be correspondingly lower. The Compensation Committee seeks to maintain this relationship through the use of at-risk pay elements that tie compensation to company performance.

In the period covering fiscal 2007 through fiscal 2010, our named executive officer compensation (realizable pay) was not well aligned

with our market or financial performance. Total shareholder return and composite financial performance were positioned near the 60<sup>th</sup> percentile of the Peer Group Companies, but realizable pay was only positioned at the 20<sup>th</sup> percentile. A brief discussion of the reasons for misalignment follows:

In prior years, pay opportunity was below market median for some of Spartan's named executive officers. In particular, the Chief Executive Officer's fiscal 2009 and fiscal 2010 compensation was more than 15% below the market median for the Peer Group Companies.

Prior to fiscal 2011, threshold incentive payments required a higher level of performance than is competitively required by incentive plans at the Peer Group Companies. As a result, our named executive officers were not paid either the Restricted Stock Units awarded in fiscal 2010, or the annual cash incentive award for fiscal 2010.

In the fiscal 2007-fiscal 2010 period, our over-all performance was generally strong relative to the Peer Group Companies. However, due to significant fluctuations in the price of our stock, the current value of equity granted over this period is not consistent with the Company's overall four-year performance trend.

The recent misalignment in realizable pay and performance raises some concern regarding the retention of executive talent. Accordingly, the Compensation Committee made changes in fiscal 2011 (discussed above under the caption Analysis of Compensation Elements) to improve the alignment of our executive pay with the Company's performance while also considering executive compensation practices of Peer Group Companies.



### **Objectives of Spartan Stores Compensation Programs**

The primary objectives of the Company's compensation are to:

attract, retain, motivate, and reward talented executives who are critical to the current and long-term success of the Company;

provide an overall level of compensation opportunity that is competitive within the markets in which Spartan Stores competes and within a broader group of companies of comparable size, financial performance, and complexity;

provide targeted compensation levels that are consistent with the 50th percentile of competitive market practices for each pay component (base salary, annual incentives, and long-term incentives);

support Spartan Stores' long-range business strategy;

promote the long-term profitable growth of the Company by linking compensation elements to the achievement of key strategic and financial goals;

reward the Company's executives for individual performance; and

align the interests of the executives with those of the shareholders by linking compensation to the Company's performance and share price.

### **How the Compensation Committee Determines Compensation Levels**

The processes the Compensation Committee follows when determining pay levels are discussed in more detail below.

#### *Overview*

The Compensation Committee's overall decision making process is summarized as follows:

the Committee reviews with its independent compensation consultant recent trends and developments in executive compensation, including salaries, short-term and long-term incentive plan targets and payouts, equity awards, and perquisites and benefits;

the Committee reviews publicly disclosed grants of share-based awards to named executive officers at the Peer Group Companies and other relevant companies;

the Company's executive officers and Human Resources associates serve as a resource to the Compensation Committee and provide advice, information, analysis and documentation to the Compensation Committee upon request;

the Committee reviews and analyzes data to determine the median level of compensation for each type of compensation paid for comparable positions at comparable companies;

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the Committee compares the compensation of the Company's executives to compensation at the comparable companies in the context of the Company's financial performance, economic conditions, and other factors; and

the Committee sets compensation opportunities for our executives to target generally the median levels for comparable companies, but makes adjustments for a number of considerations discussed below, including individual performance, company performance, past compensation (as summarized on tally sheets), and other factors.

*Targeting the Median Market Level*

In general, the Compensation Committee seeks to provide target compensation opportunities that are consistent with the median (*i.e.*, 50th percentile) market levels for each major category of compensation for executives in similar positions at companies of comparable size, financial performance, industry and complexity (referred to as Peer Group Companies).

The Compensation Committee reviews the constituents of the Peer Group Companies from time to time to help ensure that the group is fairly comparable to the Company. Changing business models, mergers, growth, and other factors may necessitate adjustments. The Peer Group Companies for fiscal 2011 were as follows (there are no changes from the prior year):

Brown Shoe Co. Inc.

Chiquita Brands International

Flowers Foods, Inc.

Herman Miller

Jo-Ann Stores, Inc.

The Pep Boys Manny, Moe & Jack

Nash Finch Co.

Ralcorp Holdings

Ruddick Corp.

Steelcase, Inc.

Susser Holdings Corp.

Tractor Supply Co.

United Natural Foods, Inc.

Universal Forest Products, Inc.

Wolverine Worldwide

The Compensation Committee reviews annually the Peer Group Company constituents to help ensure that they serve as a fair and accurate basis of comparison for our executive compensation programs. In establishing the current peer group, the Compensation Committee looked for companies having characteristics similar to Spartan Stores, including revenue (approximately \$1.3 to \$5.2 billion), business operations, customer base, distribution channels, geographic diversity and locations, and market capitalization. The Compensation Committee believes that

comparator groups selected by limited criteria, such as industrial classification code, do not present a fair means of comparison because they do not account for factors such as ownership and control by a small group, simplicity or complexity of operations, business strategy (e.g., balanced focus on retail and wholesale operations), and other factors that can create a misleading comparison. Spartan's current peer group consists of companies representing five industrial classifications, including Food Retail, Grocery Stores and Supermarkets, Food Distributors, General Distributors, and Packaged Foods and Meats.

In addition to determining the median level for a compensation category at the Peer Group Companies, the Committee analyzes competitive compensation practices in the general industry for those positions that may be occupied by officers and executives recruited from outside of the wholesale and retail grocery business and performs regression analysis to adjust to Spartan's revenue size in these cases.

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In general, the Compensation Committee considers a pay component to be consistent with the 50th percentile target amount if it is within 10% of the target amount for base salary, and within 15% of the target amount for all other pay components. These targets serve as a reference point; the Committee also considers:

individual performance;

time each executive has served in the position;

the experience of each executive;

future potential of the executive;

internal equity;

retention concerns; and

company performance.

#### *Evaluating Individual Performance*

Each year, the Compensation Committee reviews and evaluates individual executive performance as part of its decision making process with respect to base salary, equity incentive award opportunities, and, from time to time, discretionary bonuses. The Chairman of the Compensation Committee coordinates the board's review of the individual performance of the Chief Executive Officer. The Chairman of the Board and the Chairman of the Compensation Committee communicate the board's review to the Chief Executive Officer.

For the named executive officers other than the Chief Executive Officer, the Chief Executive Officer reviews with the Compensation Committee and the full Board of Directors an evaluation of each executive officer's performance.

As discussed above, individual performance is only one factor among several that the Compensation Committee considers in making these adjustments, and there is no prescribed formula or mechanism for translating individual performance into specific amounts of compensation. The Compensation Committee's decision-making process necessarily involves the Committee's informed judgment with respect to individual executive performance in the context of many considerations and criteria, none of which are individually controlling, including experience, potential of the executive, retention concerns, recent compensation of the executive, internal pay equity, Company performance, and general industry and economic conditions.

#### *Reviewing Tally Sheets*

When making compensation decisions, the Compensation Committee reviews tally sheets prepared for each of the named executive officers. Each of these tally sheets presents the dollar amount of each named executive officers' current cash compensation (base salary and annual incentive awards) and long-term (equity and long-term cash incentive) awards. These tally sheets

report a multi-year history of annual compensation for the named executive officers (both opportunity and realized).

#### *Internal Pay Equity*

Our core compensation philosophy is to pay our executive officers competitive levels of compensation that best reflect their individual responsibilities and contributions to the Company while providing incentives to achieve the Company's business and financial objectives. While we believe that our executive compensation program must be internally consistent and equitable in order to achieve our corporate objectives, the Compensation Committee considers internal pay equity as one factor among the many considerations discussed in this section, and is not individually determinative of any element of individual compensation. Generally speaking, each of our executive officers is compensated according to the responsibilities and competitive considerations for the position and the accomplishments and potential of the individual. As a natural result of these considerations, persons holding positions with relatively greater responsibilities receive relatively higher levels of compensation.

The ratio between Chief Executive Officer and other named executive officer target compensation is often used as an indicator of reasonableness of Chief Executive Officer compensation based on internal pay equity. For Spartan Stores, this ratio was 3.3 to 1 as of fiscal 2011. The Compensation Committee believes that this ratio is consistent with market practices.

#### *Use of Independent Compensation Consultants*

In fiscal 2011, the Compensation Committee engaged Towers Watson (Towers), a compensation consulting firm, to provide objective research and analysis regarding compensation best practices and current information regarding compensation levels at companies of similar type, size, and financial performance. The Compensation Committee instructed Towers to provide advice and guidance on compensation

proposals, including changes to compensation levels, the design of incentive plans and other forms of compensation, and to provide information about market practices and trends. Typically, Towers attends Compensation Committee meetings, reviews existing compensation programs for consistency with our compensation philosophy and current market practices and produces the comparative information derived from peer group and published survey data that the Compensation Committee reviews when setting compensation. With respect to 2011, Towers Watson's activities included:

reviewing our annual and long-term incentive plan design structure;

performing a market review of executive officer compensation and preparing tally sheets ;

reviewing the composition of the peer group we use for executive compensation benchmarking purposes;

reviewing current issues and trends in executive compensation;

assisting with executive compensation disclosures for the annual proxy filing; and

reviewing the pay-for-performance alignment of our executive compensation programs.

Under the terms of its engagement, Towers will not provide any other services to the Company in fiscal 2011.

The Compensation Committee has adopted the practice of engaging an independent compensation consultant to provide a full review and analysis of Peer Group Company executive compensation data every two years rather than annually. The Compensation Committee requested and received a full review and analysis from the compensation consultant in fiscal 2011. For years in which the consultant does not provide a full review (*i.e.*, fiscal 2012 and expected to be alternate years thereafter), the Compensation Committee reviews market trends in executive compensation, updated information and analysis provided in the previous year by the compensation consultant, reviews tally sheets, and considers focused analysis of named executive officer compensation of Spartan named executive officers compared to the named executive officers of the Peer Group Companies. Alternate years provide the Compensation Committee opportunity to engage compensation consultants in analysis of other areas of executive compensation, such as stock ownership, change-in-control, and regulatory issues. The Compensation Committee also reviews and considers independent compensation studies, compilations, analysis and surveys that are not specifically prepared or commissioned for the Company.

#### *Stock Ownership Guidelines*

Spartan's Board of Directors has established stock ownership guidelines for corporate officers. These guidelines are designed to help ensure that officers face downside risk and upside potential with other shareholders.

Under these guidelines, the Company's executive officers are expected to achieve and maintain a level of stock ownership having a value that is approximately equal to or greater than a specified percentage of the executive's annual base salary. The percentages are as follows:

| <b>Position</b>                              | <b>Percentage of<br/>Base Salary</b> |
|--|--------------------------------------|
| Chairman                                     | 500%                                 |
| Chief Executive Officer                      | 500%                                 |
| President                                    | 400%                                 |
| Executive Vice Presidents                    | 300%                                 |
| Senior Vice President                        | 200%                                 |
| Vice Presidents and Division Vice Presidents | 100%                                 |

Each executive is expected to achieve the target value within three years of the date that the executive first became subject to the policy by adoption of the policy or by the individual's promotion or appointment to a designated executive position. If an executive's target ownership level increases due to a promotion or an amendment to the policy, then the executive will have two additional years to achieve the target ownership level. The two additional years are measured from the later of the date of the increase or the date the executive would otherwise have been required to achieve the target ownership level before the increase. Until the specified level of ownership is achieved, executives are required to hold at least 25% of all restricted stock granted to them, and designate at least 20% of any annual bonus granted under the Company's cash incentive plans. As of March 26, 2011, all of the Company's executive officers were in compliance with the Company's stock ownership policy.

The Board of Directors periodically reviews the stock ownership guidelines for corporate officers to help ensure that the policy effectively encourages key associates to own a meaningful equity stake in the Company, but does not interfere with the Company's ability to attract and retain talented individuals. The Board believes that it is appropriate to require more senior executives to own a relatively greater stake in the Company. Accordingly, the ownership requirements are set on a sliding scale ranging from 100% to 500%.

*Personal Benefits, Perquisites, and Loans*

Spartan Stores has long believed that compensation in the form of executive perquisites and personal benefits does not provide transparency for shareholders or efficiently serve the goals of the Company's compensation programs. Consequently, such benefits play a minor role in the Company's compensation program. Spartan Stores does not provide perquisites such as club memberships, use of private aircraft, use of automobiles owned or leased by the Company, security details, commuting expenses, clothing, jewelry, discounts that are not available to all associates, or personal travel unrelated to our business. Spartan Stores does not make loans or extend credit to its directors or executive officers. None of Spartan Stores' directors or executive officers was indebted to the Company in fiscal 2011.

*Risk Considerations*

In the context of the domestic retail and distribution operating company nature of our business, the Compensation Committee does not believe our compensation program encourages excessive or inappropriate risk taking for the following additional reasons:

we structure our pay to consist of both fixed compensation and variable compensation;

we cap our cash incentive opportunity at twice the target level;

our restricted stock awards generally vest over five years, stock option awards granted in previous fiscal years generally vest over four years;

because consolidated net earnings is the performance measure for determining annual cash incentive payments for named executive officers and certain other officers, we believe that our executives are encouraged to take a balanced approach that focuses on corporate profitability;

our consolidated net earnings targets are applicable to other management associates as well as executives;

we have strict internal controls;

our Chief Executive Officer and Chief Financial Officer are contractually obligated to reimburse the Company for any incentive-based or equity-based compensation if the Company is required to prepare an accounting restatement due to misconduct; and

we have stock ownership guidelines.

#### *Severance and Change in Control Payments*

Spartan Stores believes that severance payments upon certain terminations of employment benefit the Company and the shareholders by attracting and retaining executives and allowing executives to remain focused during uncertain times while also obtaining restrictive covenants for the benefit of the Company. Spartan Stores also believes that cash payments upon a double-trigger of both termination of employment and a change in control benefit the Company and the shareholders by motivating and encouraging each executive to be receptive to potential strategic transactions that are in the best interest of shareholders, even if the executive faces potential job loss, and by motivating the executives in the period leading up to a potential change in control. To accomplish these goals, Spartan Stores has entered into an employment agreement and an

executive severance agreement with each named executive officer, which are discussed in more detail elsewhere in this proxy statement.

Under the terms of our equity based compensation plans and our executive employment and severance agreements, the Chief Executive Officer and other named executive officers are entitled to payments and benefits upon the occurrence of specified events including termination of employment and upon a change in control of the Company. The specific terms of these arrangements and an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end are described in detail in the section of this Proxy Statement entitled

Potential Payments Upon Termination or Change in Control. The terms and conditions of these arrangements are the result of arms-length negotiations between the Compensation Committee and the Company's executive officers.

The termination of employment provisions of the executive employment and severance agreements are intended, in part, to address retention concerns by providing these individuals with a certain amount of compensation that would offset the potential disincentive to support an effort that would result in a change in control of the Company that could threaten the executive's own jobs. From time to time, the Compensation Committee reviews and reassesses the termination and change in control arrangements with the named executive officers to determine whether the arrangements effectively serve their intended purposes and are consistent with prevailing practices for the markets in which the Company competes for executive talent. The Committee typically engages a compensation consultant to assist the determination of prevailing market practices.

#### *Deductibility of Executive Compensation*

Section 162(m) of the Internal Revenue Code includes potential limitations on the deductibility of compensation in excess of \$1 million paid to certain officers. While we do not design our compensation programs solely for tax



purposes, we do design our programs to be tax efficient for the Company where possible. Under appropriate circumstances, Spartan Stores may approve compensation that is not deductible under

Section 162(m) if it determines that it would be in the best interests of Spartan Stores and its shareholders for such compensation to be paid.

### Summary Compensation Table

The following table shows certain information concerning the compensation earned by the Chief Executive Officer, the Chief Financial Officer, each of the Company's three most highly compensated executive officers other than the Chief Executive Officer or Chief Financial Officer who were serving as executive officers as of fiscal year end, and Mr. Sturken, who would have been included among the three most highly compensated executive officers but for the fact that he retired as an executive officer in February 2011 (the officers identified in the table below are referred to in this Proxy Statement as the named executive officers).

| Name and<br>Principal<br>Position                            | Year | Salary<br>(\$) | Bonus<br>(\$) | Stock<br>Awards<br>(1)(2)(3)<br>(\$) | Option<br>Awards<br>(1)(2)<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compen-<br>sation(4)(5)<br>(\$) | Change<br>in<br>Pension<br>Value<br>and Non-<br>qualified<br>Deferred<br>Compen-<br>sation(6)<br>(\$) | All<br>other<br>Compen-<br>sation(7)<br>(\$) | Total(8)<br>(\$) |
|--|------|----------------|---------------|--------------------------------------|------------------------------------|--|---|--|------------------|
|  |      |                |               |                                      |                                    |  |   |  |                  |
| Dennis Eidson,<br>President and CEO                          | 2011 | 691,385        | -             | 689,443                              | -                                  | 1,442,850  | 23,955  | 21,229                                       | 2,868,862        |
|  | 2010 | 615,923        | -             | 832,200                              | 196,350                            | -  | 31,834  | 16,199                                       | 1,692,506        |
|  | 2009 | 545,673        | -             | 536,858                              | 403,464                            | 509,420  | -   | 38,666                                       | 2,034,081        |
| David M. Staples,<br>EVP and CFO                             | 2011 | 411,609        | -             | 190,036                              | -                                  | 430,286  | 17,358  | 9,339  | 1,058,628        |
|  | 2010 | 403,539        | -             | 306,527                              | 72,450                             | -  | 23,915  | 8,419  | 814,850          |
|  | 2009 | 388,750        | -             | 247,321                              | 184,750                            | 213,800  | -   | 27,541                                       | 1,062,162        |
| Craig C. Sturken,<br>Executive Chairman(9)                   | 2011 | 135,577        | -             | 890,507                              | -                                  | 254,776  | 10,893  | 11,437                                       | 1,303,190        |
|  | 2010 | 233,654        | -             | 312,075                              | 73,500                             | -  | 26,812  | 22,119                                       | 668,160          |
|  | 2009 | 549,039        | 247,582       | 1,009,709                            | 747,799                            | 288,630  | 34,091  | 72,841                                       | 2,949,691        |
| Theodore C. Adornato,<br>EVP Retail Operations               | 2011 | 310,765        | -             | 126,588                              | -                                  | 311,450  | 9,682   | 6,733  | 765,218          |
|  | 2010 | 304,672        | -             | 195,567                              | 46,200                             | -  | 13,429  | 5,729  | 565,597          |
|  | 2009 | 299,750        | -             | 156,561                              | 117,009                            | 161,419  | -   | 20,849                                       | 755,588          |
| Alex J. DeYonker,<br>EVP General<br>Counsel and<br>Secretary | 2011 | 355,013        | -             | 141,005                              | -                                  | 341,380  | 9,743   | 6,982  | 854,123          |
|  | 2010 | 348,052        | -             | 195,567                              | 46,200                             | -  | 14,116  | 5,116  | 609,051          |
|  | 2009 | 342,450        | -             | 156,561                              | 117,009                            | 184,402  | -   | 21,782                                       | 822,204          |
| Derek R. Jones<br>EVP Wholesale<br>Operations                | 2011 | 303,562        | -             | 138,910                              | -                                  | 306,578  | 8,289   | 6,338  | 763,677          |

- (1) These amounts represent the grant date fair value of restricted stock and stock options determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718), and do not represent cash payments to or, except as noted in footnote 3 below, amounts realized by the named executive officers. For details regarding the assumptions used in the



valuation of share-based awards, see Note 12, *Stock-Based Compensation*, to the audited financial statements of Spartan Stores, Inc. contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 26, 2011.

- (2) The amounts reported in the *Stock Awards* and *Option Awards* columns are not reduced by the amount of any awards that were not earned or were otherwise forfeited. The values reported under *Stock Awards* for fiscal 2010 include the value of performance-based Restricted Stock Units that were not earned. The named executives did not and will not realize any value from those awards. The value of the unearned awards reported under *Stock Awards* for fiscal 2010 for each named executive officer was as follows: \$282,948 for Mr. Eidson, \$104,025 for Mr. Staples, \$106,799 for Mr. Sturken, and \$ 66,576 for each of Mr. Adornato and Mr. DeYonker.
- (3) In compliance with the Company's executive stock ownership policy, Messrs. Eidson, DeYonker, and Jones received a portion of their respective fiscal 2011 annual cash incentive award in shares of the Company's common stock pursuant to the Company's 2001 Stock Bonus Plan. Pursuant to the terms of the Stock Bonus Plan, each executive received additional shares of the Company's common stock having a value of 30% of the bonus elected to be received in stock. The amounts reported in this column for fiscal 2011 for Messrs. Eidson, DeYonker, and Jones include value of the incremental shares of stock received by them under the Stock Bonus Plan, as determined under ASC 718. As a condition of participation, each executive must hold the shares for a minimum of twelve months.
- (4) In fiscal 2011, all named executive officers earned annual and long-term cash incentive awards under the Spartan Stores, Inc. Executive Cash Incentive Plan of 2010. Please see the Compensation Discussion and Analysis section of the proxy statement for the applicable fiscal year for details regarding how these amounts are determined.
- (5) The amount reported in this column for fiscal 2011 for each named executive officer consists of the annual cash incentive award earned for 2011 and the portion of the long-term cash incentive award that was earned for the Company's achievement of specified levels of earnings per share in fiscal 2011. The long-term portion of the cash award has not been paid; it remains subject to a two-year vesting condition and will be forfeited if the employment of the named executive officer is terminated under certain circumstances prior to the end of fiscal 2013. The following table provides details regarding the non-equity incentive compensation earned by each named executive officer in fiscal 2011:

| Name         | Annual Cash<br>Incentive Award<br>Earned | Portion of Long-Term<br>Cash Incentive Award<br>Earned | Total        |
|--------------|--|--|--------------|
| Mr. Eidson   | \$ 936,600                               | \$ 506,250   | \$ 1,442,850 |
| Mr. Staples  | 278,411                                  | 151,875  | 430,286      |
| Mr. Sturken  | 163,262                                  | 91,514   | 254,776      |
| Mr. Adornato | 210,200                                  | 101,250  | 311,450      |
| Mr. DeYonker | 240,130                                  | 101,250  | 341,380      |
| Mr. Jones    | 205,328                                  | 101,250  | 306,578      |

- (6) The amounts reported in this column consist of the change in the actuarial present value of the named executive officer's accumulated benefit under the Spartan Stores Cash Balance Pension Plan

and Supplemental Executive Retirement Plan, computed as of the pension plan measurement date used for financial statement reporting purposes for the reported years. For more information, see the Pension Benefits section of this proxy statement and Note 10, *Associate Retirement Plans*, to our Consolidated Financial Statements for the Fiscal Year Ended March 26, 2011. Earnings on non-qualified deferred compensation are reported below on the Non-Qualified Deferred Compensation table.

- (7) All Other Compensation includes the value of Company matching contributions to each executive's qualified and non-qualified retirement plans, dividends on unvested restricted stock awards, and company paid life insurance premiums (a benefit that is generally available to the Company's salaried associates). None of the Company's named executive officers received perquisites or personal benefits having an aggregate value of \$10,000 or greater. The following table provides details regarding all other compensation paid to named executive officers for fiscal 2011:

| Name         | Qualified Savings Plan Match | Nonqualified Savings Plan Match | Dividends on Unvested Restricted Stock | Insurance Premiums | Total     |
|--------------|------------------------------|---------------------------------|--|--------------------|-----------|
| Mr. Eidson   | \$ 1,750                     | \$ -                            | \$ 19,281                              | \$ 198             | \$ 21,229 |
| Mr. Staples  | 1,561                        | -                               | 7,580                                  | 198                | 9,339     |
| Mr. Sturken  | 115                          | -                               | 11,124                                 | 198                | 11,437    |
| Mr. Adornato | 1,571                        | -                               | 4,964                                  | 198                | 6,733     |
| Mr. DeYonker | 1,795                        | -                               | 4,989                                  | 198                | 6,982     |
| Mr. Jones    | 1,151                        | -                               | 4,989                                  | 198                | 6,338     |

- (8) The amounts reported in the Total column include the value of unearned and forfeited Stock Awards. Please see Note 2 above.
- (9) Mr. Sturken retired as an executive officer of the Company, effective February 18, 2011. He continues to serve as Chairman of the Board of Directors. Please see page 61 for information regarding the vesting of restricted stock on February 18, 2011 upon Mr. Sturken's retirement.

**Grants of Plan-Based Awards**

The following table provides information concerning each grant of an award made to the named executive officers in the last completed fiscal year.

**Grants of Plan-Based Awards**

| Name              | Grant Date   | Estimated Possible or Future Payouts Under Non-Equity Incentive Plan Awards |             |                | All Other Stock Awards: Number of Shares of Stock or Units (#) | Grant Date Fair Value of Stock Awards (\$)(1) |
|-------------------|--------------|---|-------------|----------------|--|---|
|                   |              | Thresh- old (\$)  | Target (\$) | Maxi- mum (\$) |  |   |
| Dennis Eidson     | 5/12/2010(2) | 70,000  | 700,000     | 1,400,000      |  |   |
|                   | 5/12/2010(3) | 162,500   | 625,000     | 1,250,000      |  |   |
|                   | 5/12/2010    |   |             |                | 41,120   | 633,248                                       |
|                   | 5/31/2011(4) |   |             |                | 2,978  | 56,195  |
| David Staples     | 5/12/2010(2) | 20,808  | 208,080     | 416,160        |  |   |
|                   | 5/12/2010(3) | 48,750  | 187,500     | 375,000        |  |   |
|                   | 5/12/2010    |   |             |                | 12,340   | 190,036                                       |
| Craig Sturken     | 5/12/2010(2) | 13,500  | 135,000     | 270,000        |  |   |
|                   | 5/12/2010(3) | 32,500  | 125,000     | 250,000        |  |   |
|                   | 5/12/2010    |   |             |                | 8,220  | 126,588                                       |
| Theodore Adornato | 5/12/2010(2) | 15,710  | 157,101     | 314,201        |  |   |
|                   | 5/12/2010(3) | 32,500  | 125,000     | 250,000        |  |   |
|                   | 5/12/2010    |   |             |                | 8,220  | 126,588                                       |
| Alex DeYonker     | 5/12/2010(2) | 17,947  | 179,469     | 358,938        |  |   |
|                   | 5/12/2010(3) | 32,500  | 125,000     | 250,000        |  |   |
|                   | 5/12/2010    |   |             |                | 8,220  | 126,588                                       |
|                   | 5/31/2011(4) |   |             |                | 764  | 14,417  |
| Derek Jones       | 5/12/2010(2) | 15,346  | 153,459     | 306,918        |  |   |
|                   | 5/12/2010(3) | 32,500  | 125,000     | 250,000        |  |   |
|                   | 5/12/2010    |   |             |                | 8,220  | 126,588                                       |
|                   | 5/31/2011(4) |   |             |                | 653  | 12,322  |

- (1) Amount reported is the aggregate grant date fair value determined in accordance with ASC 718, and does not represent cash payments to or amounts realized by the named executive officers. For valuation assumptions, see Note 12, *Stock-Based Compensation*, to our consolidated audited financial statements for the fiscal year ended March 26, 2011.
- (2) The amounts reported in these rows are not actual payouts; they represent the possible threshold, target, and maximum awards that could have been earned by each named executive officer for the annual cash incentive award under the Executive Plan. The actual amount earned by each named executive officer for fiscal 2011 is reported in the Summary Compensation Table. For details regarding how these amounts are determined, see the Compensation Discussion and Analysis section of this proxy statement.

- (3) The amounts reported in these rows represent the possible threshold, target, and maximum payouts that could be earned by each named executive officer under a the long-term cash incentive award granted under the 2010 Cash Incentive Plan. The actual amount earned, if any, will depend on the Company's achievement of specified levels of performance. For fiscal 2011, each named executive officer earned a portion of the long-term cash incentive award based on the Company's achievement of specified levels of earnings per share, which represents 60% of the total award opportunity. The earned amount of the award is reflected in the Summary Compensation Table. The amounts earned for fiscal 2011 will remain subject to an additional two-year vesting condition. The remaining 40% of the award opportunity is dependent on the achievement of specified levels of ROIC as measured at the end of fiscal 2012. For details regarding how these amounts are determined, see the Compensation Discussion and Analysis section of this proxy statement.
- (4) These shares were received by Mr. Eidson, Mr. DeYonker and Mr. Jones under the terms of the Company's 2001 Stock Bonus Plan. Please see the Compensation Discussion and Analysis section of this proxy statement for more information regarding the 2001 Stock Bonus Plan.

### Discussion of Summary Compensation and Plan-Based Awards Tables

The Company paid the compensation set forth in the Summary Compensation Table and the grants of Plan Based Awards table pursuant to the philosophy, procedures, and practices set forth above in the Compensation Discussion and Analysis section of this proxy statement. A summary of certain material terms of our compensation plans and arrangements is set forth below.

**Salary; Employment Agreements.** Each named executive officer is paid a salary pursuant to an employment agreement with the Company. For information regarding determination of base salaries, see the Compensation Discussion and Analysis section of this proxy statement.

The Company has entered into an Executive Employment Agreement with each of its executive officers. None of the agreements have a specified term of years. Under the terms of each Agreement, the Company will employ the executive as an officer of the Company for an indefinite period of time until termination of employment. Each executive officer receives a base salary that will be reviewed annually and is eligible to participate in any of the Company's

bonus programs. Each executive officer's employment terminates automatically in the event of death, and the Company may terminate the executive's employment for disability or for cause. Please see the Potential Payments Upon Termination or Change-in-Control section of this proxy statement for detailed information regarding payments to executive officers upon termination of employment for any reason.

**Non-Equity Incentive Plan Awards.** As discussed in detail on pages 35-39, for fiscal 2011, each named executive officer was granted the opportunity to earn cash incentive compensation on an annual basis for fiscal 2011, and a long-term incentive award covering fiscal 2011 through fiscal 2013. The awards were granted under the Company's shareholder approved Executive Cash Incentive Plan of 2010.

The Executive Plan is a non-equity incentive compensation plan that is designed to motivate executive officers and other participants who are in a position to make substantial contributions toward the achievement of goals established under the plan. The plan is designed to:

motivate participants to achieve Spartan Stores' annual financial and business objectives;

allow participants to share appropriately in Spartan Stores' financial success;

provide a competitive incentive compensation opportunity;

create linkage between participant contribution and Spartan Stores' business and financial objectives; and

assist in the attraction, retention, and motivation of plan participants.

The Executive Plan permits incentive compensation paid under the plan to be deductible under the Internal Revenue Code. Under the terms of the Executive Plan, the Compensation Committee may use only objective measures of financial performance specified in the Plan itself (or approved by the Company's shareholders at a later date), and it must specify the relationship between the level of the cash incentive award and the performance measure. Payment of cash incentive awards under the Executive Plan is entirely contingent on the achievement of specified objective measures of performance.

**Restricted Stock.** All shares of restricted stock were awarded to the named executive officers pursuant to the Stock Incentive Plan of 2005. This plan, and the 2001 Stock Incentive Plan, are the Company's two equity incentive plans. Both plans have been approved by the Company's shareholders. Awards under Spartan's equity compensation plans are designed to:

align executive and shareholder interests;

reward executives and other key associates for building shareholder value; and

encourage long-term investment in Spartan.

Prior to making any equity awards, the Compensation Committee considers share usage under all of the Company's equity compensation plans, dilution of shareholders, and each executive's current ownership of the Company's stock.

Equity incentive awards have several key advantages over cash compensation, including promoting executive retention through the use of vesting periods and aligning executive and shareholder interests by giving executives an ownership stake in the Company.

The shares of restricted stock granted to the named executive officers in fiscal 2011 are service vesting shares which vest in five equal yearly increments on May 1 of each year. In other words, the first one-fifth of the shares vested on May 1, 2011, the second one-fifth vests on May 1, 2012, the third one-fifth vests on May 1, 2013, the fourth one-fifth vests on May 1, 2014, and the final one-fifth vests on May 1, 2015. If the employment of an executive officer is terminated for any reason other than death, disability, or retirement, then all unvested shares of restricted stock are forfeited unless the Compensation Committee exercises its discretion to waive any remaining restrictions. If an executive officer dies or becomes disabled, then all outstanding shares of restricted stock will vest automatically. In the event of retirement, a pro-rata portion of the outstanding shares will vest (based on the number of months of service during the vesting period divided by the length of the service period). If a change in control (as defined in the Incentive Plan) occurs, then all unvested shares of restricted stock will automatically vest.

**Dividends.** Executives receive any dividends paid on vested and unvested restricted shares. For information regarding accelerated vesting of restricted stock upon termination or a change-in-control of the Company, please see the section entitled "Potential Payments Upon Termination or Change-in-Control."

**Holding Period.** The shares of restricted stock awarded to the named executive officers are subject to forfeiture if not held until the restrictions applicable to the shares have elapsed. While the shares of restricted stock once vested are not subject to an express holding period, each named executive officer must comply with the stock ownership guidelines discussed on page 45. Until the specified level of ownership is achieved, executives are required to hold at least 25% of all restricted stock granted to them.





**Stock Bonus Plan.** Spartan's named executive officers and certain other key associates may elect to receive all or a portion of any annual cash incentive award they may receive in the form of Spartan Stores common stock pursuant to the Company's 2001 Stock Bonus Plan. The Stock Bonus Plan is designed to create additional incentive for participants to make significant contributions to the long-term performance and growth of the Company and to join the interests of participants with the Company's shareholders. Under the Plan, participants have ten days following notification of the amount of their annual cash incentive award (if any) to provide a written election to receive up to 100% of their annual cash incentive award in the form of Spartan Stores stock. At the conclusion of the ten-day election period, associates who make such an election receive Spartan common stock having a value equal to the portion of the annual cash incentive award designated by the associate, plus an additional grant of shares having a value of 30% of the portion of the participant's annual cash incentive award that he or she elected to receive in stock. The common stock granted under the plan is

valued at the average of the highest and lowest sales prices of Spartan common stock reported by Nasdaq on the first trading day following the conclusion of the ten-day election period. All shares issued under the Stock Bonus Plan are subject to a twelve-month holding period.

**Pension Benefits and Non-Qualified Deferred Compensation.** For information on pension benefits and non-qualified deferred compensation, please see the tables and accompanying narrative below.

**All Other Compensation.** The amounts reported under All Other Compensation include dividends paid on unvested restricted stock awards (which are paid at the same rate as dividends paid on the Company's common stock), matching payments for contributions to the Company's qualified and non-qualified retirement plans, and the dollar value of premiums paid by the Company for group term life insurance for the named executive officers. The Company pays group term life insurance premiums for all of its associates.

*The proxy statement continues on the following page.*

The following table provides information concerning unexercised options and restricted stock awards that have not vested for each named executive officer outstanding as of March 26, 2011:

### Outstanding Equity Awards at Fiscal Year-End

| Name                 | Option Awards   |   |                            |                        | Stock Awards   |   |
|----------------------|---|---|----------------------------|------------------------|--|---|
|                      | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested(3) (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(2) |
|                      | Exercisable(1)  | Unexercisable(3)  |                            |                        |  |   |
| Dennis Eidson        | 9,350   | 28,050  | 13.87                      | 5/15/2019              | 96,407   | 1,453,818   |
|                      | 5,600   | 5,600   | 23.04                      | 10/15/2018             |  |   |
|                      | 17,150  | 17,150  | 22.69                      | 5/16/2018              |  |   |
|                      | 765   | 255   | 22.50                      | 10/17/2017             |  |   |
|                      | 7,950   | 2,650   | 28.28                      | 5/18/2017              |  |   |
|                      | 12,000  | -   | 13.70                      | 5/10/2016              |  |   |
|                      | 6,250   | -   | 11.50                      | 5/11/2015              |  |   |
|                      | 3,125   | -   | 3.25                       | 5/12/2014              |  |   |
| 5,000                | -   | 2.44  | 3/17/2013                  |                        |  |   |
| David M. Staples     | 3,450   | 10,350  | 13.87                      | 5/15/2019              | 37,900   | 571,532   |
|                      | 10,500  | 10,500  | 22.69                      | 5/16/2018              |  |   |
|                      | 5,625   | 1,875   | 28.28                      | 5/18/2017              |  |   |
|                      | 9,000   | -   | 13.70                      | 5/10/2016              |  |   |
|                      | 3,125   | -   | 11.50                      | 5/11/2015              |  |   |
| 1,563                | -   | 3.25  | 5/12/2014                  |                        |  |   |
| Craig C. Sturken     | 3,500   | 10,500  | 13.87                      | 5/15/2019              | -  | -   |
|                      | 42,500  | 42,500  | 22.69                      | 5/16/2018              |  |   |
|                      | 21,125  | 7,875   | 28.28                      | 5/18/2017              |  |   |
|                      | 19,875  | 6,625   | 13.70                      | 5/10/2016              |  |   |
|                      | 4,688   | -   | 11.50                      | 5/11/2005              |  |   |
| Theodore C. Adornato | 2,200   | 6,600   | 13.87                      | 5/15/2019              | 24,820   | 374,286   |
|                      | 6,650   | 6,650   | 22.69                      | 5/16/2018              |  |   |
|                      | 3,675   | 1,225   | 28.28                      | 5/18/2017              |  |   |
|                      | 8,000   | -   | 13.70                      | 5/10/2016              |  |   |
|                      | 3,282   | -   | 11.50                      | 5/11/2015              |  |   |
|                      | 2,188   | -   | 3.25                       | 5/12/2014              |  |   |
|                      | 3,750   | -   | 5.65                       | 12/8/2013              |  |   |
| Alex J. DeYonker     | 2,200   | 6,600   | 13.87                      | 5/15/2019              | 24,070   | 362,976   |
|                      | 6,650   | 6,650   | 22.69                      | 5/16/2018              |  |   |
|                      | 3,675   | 1,225   | 28.28                      | 5/18/2017              |  |   |
|                      | 6,000   | -   | 17.13                      | 10/1/2016              |  |   |
| Derek R. Jones       | 2,200   | 6,600   | 13.87                      | 5/15/2019              | 24,070   | 362,976   |
|                      | 6,650   | 6,650   | 22.69                      | 5/16/2018              |  |   |
|                      | 3,675   | 1,225   | 28.28                      | 5/18/2017              |  |   |
|                      | 6,000   | -   | 17.13                      | 9/17/2016              |  |   |

(1) All exercisable options are fully vested.

- (2) The market value reflected in this column is based on a closing market price of \$15.08 on March 25, 2011 as reported by the Nasdaq Global Select Market.
- (3) The following table sets forth the vesting dates for unvested option awards and restricted stock awards to each named executive officer as of March 26, 2011.

**Vesting Schedule for Restricted Stock and Options**

| Vesting Date | Dennis Eidson       |                          | David Staples       |                          | Craig Sturken       |                          | Theodore Adornato   |                          | Alex DeYonker       |                          | Derek R. Jones      |                          |
|--------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|
|              | Options Vesting (#) | Restr. Stock Vesting (#) | Options Vesting (#) | Restr. Stock Vesting (#) | Options Vesting (#) | Restr. Stock Vesting (#) | Options Vesting (#) | Restr. Stock Vesting (#) | Options Vesting (#) | Restr. Stock Vesting (#) | Options Vesting (#) | Restr. Stock Vesting (#) |
| 5/1/2011     | 11,375              | 4,714                    | 5,250               | 2,180                    | 21,250              | -                        | 3,325               | 1,380                    | 3,325               | 1,380                    | 3,325               | 1,380                    |
| 5/1/2011     | 9,350               | 7,920                    | 3,450               | 2,920                    | 3,500               | -                        | 2,200               | 1,860                    | 2,200               | 1,860                    | 2,200               | 1,860                    |
| 5/1/2011     | -                   | 8,224                    | -                   | 2,468                    | -                   | -                        | -                   | 1,644                    | -                   | 1,644                    | -                   | 1,644                    |
| 5/10/2011    | -                   | 3,500                    | -                   | 3,500                    | -                   | -                        | -                   | 2,500                    | -                   | -                        | -                   | -                        |
| 5/18/2011    | 2,905               | 2,982                    | 1,875               | 1,920                    | 7,250               | -                        | 1,225               | 1,260                    | 1,225               | 1,260                    | 1,225               | 1,260                    |
| 9/18/2011    | -                   | -                        | -                   | -                        | -                   | -                        | -                   | -                        | -                   | -                        | -                   | 1,750                    |
| 10/1/2011    | -                   | -                        | -                   | -                        | -                   | -                        | -                   | -                        | -                   | 1,750                    | -                   | -                        |
| 5/1/2012     | 11,375              | 4,714                    | 5,250               | 2,180                    | 21,250              | -                        | 3,325               | 1,380                    | 3,325               | 1,380                    | 3,325               | 1,380                    |
| 5/1/2012     | 9,350               | 7,920                    | 3,450               | 2,920                    | 3,500               | -                        | 2,200               | 1,860                    | 2,200               | 1,860                    | 2,200               | 1,860                    |
| 5/1/2012     | -                   | 8,224                    | -                   | 2,468                    | -                   | -                        | -                   | 1,644                    | -                   | 1,644                    | -                   | 1,644                    |
| 5/18/2012    | -                   | 2,983                    | -                   | 1,920                    | -                   | -                        | -                   | 1,260                    | -                   | 1,260                    | -                   | 1,260                    |
| 5/1/2013     | -                   | 4,714                    | -                   | 2,180                    | -                   | -                        | -                   | 1,380                    | -                   | 1,380                    | -                   | 1,380                    |
| 5/1/2013     | 9,350               | 7,920                    | 3,450               | 2,920                    | 3,500               | -                        | 2,200               | 1,860                    | 2,200               | 1,860                    | 2,200               | 1,860                    |
| 5/1/2013     | -                   | 8,224                    | -                   | 2,468                    | -                   | -                        | -                   | 1,644                    | -                   | 1,644                    | -                   | 1,644                    |
| 5/1/2014     | -                   | 7,920                    | -                   | 2,920                    | -                   | -                        | -                   | 1,860                    | -                   | 1,860                    | -                   | 1,860                    |
| 5/1/2014     | -                   | 8,224                    | -                   | 2,468                    | -                   | -                        | -                   | 1,644                    | -                   | 1,644                    | -                   | 1,644                    |
| 5/1/2015     | -                   | 8,224                    | -                   | 2,468                    | -                   | -                        | -                   | 1,644                    | -                   | 1,644                    | -                   | 1,644                    |

**Option Exercises and Stock Vested Table**

The following table provides information concerning each exercise of stock options and each vesting of restricted stock during the last completed fiscal year for each of the named executive officers on an aggregated basis.

**Option Exercises and Stock Vested**

| Name                 | Option Awards(1)                          |                                    | Stock Awards                             |                                   |
|----------------------|---|------------------------------------|--|-----------------------------------|
|                      | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$)(2) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$)(3) |
| Dennis Eidson        | -   | -                                  | 22,866                                   | 349,401                           |
| David M. Staples     | -   | -                                  | 14,270                                   | 217,935                           |
| Craig C. Sturken     | -   | -                                  | 117,270                                  | 1,815,862                         |
| Theodore C. Adornato | -   | -                                  | 9,625                                    | 146,909                           |
| Alex J. DeYonker     | -   | -                                  | 6,250                                    | 95,062                            |
| Derek R. Jones       | -   | -                                  | 6,250                                    | 94,747                            |

- (1) None of the named executive officers exercised any stock options in fiscal 2011.
- (2) The dollar values reported in this column are calculated by multiplying the number of shares acquired on exercise by the spread between the closing price of Spartan Stores common stock on the date of the exercise and the exercise price of the option.
- (3) The dollar values reported in this column are calculated using the market value of the stock on the date of vesting.

**Pension Benefits**

Our named executive officers are eligible to participate in the Spartan Stores, Inc. Cash Balance Pension Plan, a qualified pension plan. The Plan utilizes a cash balance formula under which principal credits are added annually to a participant's account. Effective January 1, 2011, the Cash Balance Pension Plan was frozen and, as a result, additional service credits will no longer be added to each associate's account, however, interest credits will continue to accrue. Prior to the suspension of basic credits, the basic principal credit formula equaled a percentage of the participant's compensation based upon a participant's years of service at the beginning of the calendar year in accordance with the following table:

| Years of<br>Service as of<br>January 1 | Percentage of<br>Participant's<br>Compensation |
|--|--|
| 0 - 5                                  | 2.5%   |
| 6 - 15                                 | 3  |
| 16 - 25                                | 4  |
| 26 or more                             | 5  |

The participants in the Cash Balance Pension Plan will continue to accrue interest credits at the end of each month until the cash balance is paid out. The interest rate used for this purpose is

the average of the 10-year Treasury interest rate over the 12 months ending in November of the prior calendar year.

Upon termination of employment, a participant will be entitled to his or her vested accrued benefit, which may be distributed either in a monthly annuity or in a lump sum. A participant is considered vested after 3 years of vested service. For the calendar years beginning January 1, 2004 a year of vested services is credited for each calendar year that a participant is credited with 1,000 hours of service. If distributed in a lump sum, the participant's benefit generally will be equal to the participant's account balance.

A participant's years of service for vesting purposes includes all service with the Company, including service in an ineligible job classification. However, for purposes of determining the participant's service for basic principal credit purposes, years of service generally only includes employment while a participant in the Plan.

The table on the following page summarizes the pension benefits for our named executive officers.

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**Pension Benefits**

| Name                    | Plan Name                                      | Number<br>of Years<br>Credited<br>Service<br>(#) | Present<br>Value of<br>Accumulated<br>Benefit<br>\$(1)(2) |
|-------------------------|--|--|---|
| Dennis Eidson           | Spartan Stores, Inc. Cash Balance Pension Plan | 7.75   | 46,257  |
|                         | Supplemental Executive Retirement Plan         | 7.75   | 95,714  |
| David M. Staples        | Spartan Stores, Inc. Cash Balance Pension Plan | 10.92  | 86,106  |
|                         | Supplemental Executive Retirement Plan         | 10.92  | 93,181  |
| Craig C. Sturken        | Spartan Stores, Inc. Cash Balance Pension Plan | 7.75   | 49,076  |
|                         | Supplemental Executive Retirement Plan         | 7.75   | 165,847   |
| Theodore C. Adornato(3) | Spartan Stores, Inc. Cash Balance Pension Plan | 6.00   | 38,102  |
|                         | Supplemental Executive Retirement Plan         | 6.00   | 33,614  |
| Alex J. DeYonker(3)     | Spartan Stores, Inc. Cash Balance Pension Plan | 3.00   | 18,752  |
|                         | Supplemental Executive Retirement Plan         | 3.00   | 20,169  |
| Derek R. Jones          | Spartan Stores, Inc. Cash Balance Pension Plan | 3.00   | 18,752  |
|                         | Supplemental Executive Retirement Plan         | 3.00   | 13,437  |

- (1) Represents the actuarial present value of the named executive officer's accumulated benefit under the plan, computed as of the same pension plan measurement date used for financial statement reporting purposes (March 26, 2011). For more information, see Note 10, *Associate Retirement Plans*, to our Consolidated Financial Statements for the Fiscal Year Ended March 26, 2011.
- (2) None of our named executive officers received a distribution from any pension plan during the fiscal year ended March 26, 2011.
- (3) Mr. Adornato's actual service to the Company exceeds his credited service by one year as of the measurement date. Mr. DeYonker's and Mr. Jones' actual service to the Company exceeds their respective credited service by 1.25 years as of the measurement date.

**Qualified defined contribution retirement plan.**

The Company maintains the Spartan Stores, Inc. Savings Plus Plan, a qualified 401(k) defined contribution retirement plan that is generally open to all of the Company's non-union associates. Our named executive officers are eligible to participate in the Savings Plus Plan, subject to wage and contribution limits imposed by the Internal Revenue Code.

The Savings Plus Plan allows for 50% matching contributions by the Company up to 6% of salary. Matching contributions are subject to a

vesting schedule for associates with less than five years of service. In April 2009, the Company suspended matching contributions in the Savings Plus Plan for most associates, including our named executive officers, due to the challenging economic environment. Effective January 1, 2011, in conjunction with the suspension of basic credits under the Company's Cash Balance Pension Plan, the Company reinstated the matching

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contributions in the Savings Plus Plan for participants, including our named executive officers. In addition, the Company introduced a discretionary profit-sharing contribution for eligible participants. The profit-sharing contribution is targeted at 1.5% of eligible compensation annually.

**Nonqualified defined contribution plans, and other nonqualified deferred compensation plans.**

Spartan Stores maintains two nonqualified deferred compensation plans: the Supplemental Executive Retirement Plan ( SERP ), which provides nonqualified deferred compensation benefits to Spartan Stores officers, and the Supplemental Executive Savings Plan (the SESP ), which is a nonqualified deferred compensation plan for Spartan Stores officers and director-level associates.

The purpose of the SERP is to provide officers with the benefits that they are otherwise denied under the Cash Balance Pension Plan due to the annual dollar limit on compensation and other limitations of the Internal Revenue Code, which are referred to collectively as the statutory limits. Accordingly, each officer's benefit under the SERP is equal to the officer's benefit that would have accrued under the Pension Plan but for the operation of the statutory limits, minus the accrued benefit actually payable to the officer under the Pension Plan calculated in accordance with the statutory limits. The suspension of basic credits under the Cash Balance Pension Plan (as described above) will have a corresponding impact on the SERP (*i.e.*, SERP participants will no longer accrue basic credits under the SERP, but may accrue interest credits).

Benefits under the SERP are paid from Spartan Stores general assets. There is no separate trust that has been established to fund benefits.

The purpose of the SESP is to provide officers with the benefits that they are otherwise denied under the Company's qualified savings plan, the Spartan Stores, Inc. Savings Plus Plan, due to statutory limits. Participants in the SESP may defer up to 50% of base salary and up to 100% of any bonuses under the plan. This opportunity is in addition to a participant's savings opportunity under the Savings Plus Plan (subject to statutory limits). Participants in the SESP are entitled to a Company-matching contribution that mirrors the matching 50% matching contribution under the Savings Plus Plan, except the statutory limits do not apply. Matching contributions in the SESP were suspended in April 2009 in conjunction with the suspension of matching contributions in the Savings Plus Plan, but reinstated effective January 1, 2011 in conjunction with the reinstatement of matching contributions in the Savings Plus Plan. Effective January 1, 2011, SESP participants will be entitled to a profit sharing contribution that mirrors the Company's discretionary profit-sharing contribution in the Savings Plus Plan, as described above under caption

Qualified defined contribution retirement plan, but only to the extent that statutory limits prevent such participants from receiving the match under the Savings Plus Plan.

The SESP provides participants with various investment alternatives, consisting primarily of mutual funds. The investments are only hypothetical investments, also referred to as phantom investments. The investment results for a participant are determined as if the contributions had actually been invested in the selected investment fund during the relevant time period.

The following table provides certain information regarding participation of the named executive officers in our non-qualified deferred compensation plans.

#### Non-Qualified Deferred Compensation

| Name                 | Executive Contributions In Last FY(1)<br>(\$) | Registrant Contributions In Last FY<br>(\$) | Aggregate Earnings In Last FY<br>(\$) | Aggregate Withdrawals/Distributions<br>(\$) | Aggregate Balance At Last FYE(2)<br>(\$) |
|----------------------|---|---|---------------------------------------|---|--|
| Dennis Eidson        | 27,655  | -   | 9,620                                 | -   | 288,229                                  |
| David M. Staples     | 21,621  | -   | 4,597                                 | -   | 296,000                                  |
| Craig C. Sturken     | 6,779   | -   | 16,551                                | -   | 414,160                                  |
| Theodore C. Adornato | 9,323   | -   | 17,785                                | -   | 128,559                                  |
| Alex J. DeYonker     | 21,301  | -   | 21,123                                | -   | 205,461                                  |
| Derek R. Jones       | 9,107   | -   | 5,311                                 | -   | 51,586                                   |

- (1) All of the amounts in this column are also reported as either Salary or Non-Equity Incentive Plan Awards in the Summary Compensation Table of this proxy statement.
- (2) The aggregate balance at last fiscal year-end shown in this column includes Company contributions in prior years which were reported as All Other Compensation on the Summary Compensation Table for the applicable year. Company contributions in prior years that have previously been reported for each named executive officer are as follows: \$66,416 for Mr. Eidson, \$46,828 for Mr. Staples, \$114,202 for Mr. Sturken, \$29,942 for Mr. Adornato, and \$16,961 for Mr. DeYonker.

### Potential Payments Upon Termination or Change-in-Control

#### *The Executive Chairman*

Mr. Sturken retired as an executive officer of the Company on February 18, 2011. He continues to serve as Chairman of the Board of Directors. In connection with his retirement as an executive officer, Mr. Sturken did not and will not receive any payments under his Executive Employment Agreement or Executive Severance Agreement, each of which effectively terminated as of the date of his retirement (except for certain ongoing obligations of Mr. Sturken with respect to non-competition with the Company and other customary continuing provisions under the Executive Employment Agreement).

Upon his retirement, Mr. Sturken was entitled to receive a pro-rata portion of the unvested restricted stock previously granted to him.

In recognition of Mr. Sturken's extraordinary contributions to the Company during his eight years of service, the Compensation Committee exercised its discretion under the Company's Stock Incentive Plan and the terms of each grant to waive the remaining restrictions on the balance of the unvested restricted stock effective as of Mr. Sturken's retirement. As a result, the Company recognized compensation expense of \$763,919 for the shares of restricted stock that would have otherwise been forfeited. Mr. Sturken received no other discretionary compensation from the Company as a result of his retirement.

#### *All Other Named Executive Officers*



The following discussion applies to the Company's named executive officers other than Mr. Sturken.

Spartan Stores has entered into an employment agreement and severance agreement with each of its named executive officers.

The employment agreements and severance agreements are summarized below.

#### ***Executive Employment Agreements***

Each of Spartan Stores' executive officers has an employment agreement with Spartan Stores providing that if the officer's employment is terminated by Spartan Stores other than due to death, disability or cause (as defined in the employment agreement), or if the employment is terminated by the officer for good reason (as defined in the employment agreement), the officer will receive the payments and benefits described and quantified in the tables below.

Each named executive officer's employment agreement requires that the officer meet certain conditions to be eligible for severance pay, including execution of a release of certain employment-related claims and compliance with the post-employment confidentiality and non-competition provisions of the employment agreement.

Executives will not receive severance payments or benefits under the Executive Employment Agreements if they receive any payments or benefits under the Executive Severance Agreements, which are described below.

#### ***Executive Severance Agreements***

Each of Spartan Stores' executive officers has an executive severance agreement with Spartan Stores. Under these agreements, if the officer's employment with Spartan Stores terminates for reasons other than a nonqualifying termination (as described below) during the two-year period following a change in control (as described below) of Spartan Stores, then the officer will receive the payments and benefits described and quantified in the tables below. Each of the Company's

executives is required to accept up to a 10% reduction of severance benefits to avoid imposition of any excise tax imputed under the Internal Revenue Code.

Spartan Stores will not provide benefits under the executive severance agreements in the event of a nonqualifying termination. A nonqualifying termination is defined in the agreements as any of the following: termination by Spartan Stores for cause, termination by the officer (with notice to the Company) for any reason other than for good reason (as defined in the executive severance agreement), retirement of the officer, and death or disability of the officer.

The term "change in control" is defined in the executive severance agreements generally as (1) the acquisition by any person or group of 20% or more of the outstanding common stock or voting power of Spartan Stores, (2) the majority of the Board being comprised of persons other than the current members of the Board or their successors whose nominations were approved by at least two-thirds of the Board, or (3) the effective time of certain mergers, reorganizations, plans of dissolution or sales of substantially all of Spartan Stores' assets. Prior to June 2010, under the executive severance agreements a change in control was deemed to occur upon the shareholder approval of a change in control transaction. In June 2010, our executive officers agreed to amendments to the executive severance agreements providing that a change in control is deemed to occur only upon the effective time and consummation of a change in control transaction. This modification eliminates the possibility that benefits under the executive severance agreements would be payable if the change in control transaction is approved by shareholders but not completed.

The Company believes that the employment agreements and executive severance agreements help retain our executives and keep them focused on implementing our strategic plan during a time of increased competition, consolidation, and uncertainty in our industry. The agreements provide a measure of earnings security by offering income protection in the form of

severance and continued benefits if the executive is terminated without cause, economic protection for the executive's family if the executive becomes disabled or dies, and additional protections in connection with a change in control of the company.

Providing severance to our executives is an appropriate bridge to subsequent employment if the person is terminated without cause. This is particularly so for executive-level positions for which the opportunities are typically more limited and the job search lead time longer. In addition, the agreements benefit the Company by enabling executives to remain focused on the business of the Company in uncertain times without the distraction of potential job loss.

The executive severance agreements are even more important in the context of a change in control as we believe they will motivate and

encourage each executive to be receptive to potential strategic transactions that are in the best interest of shareholders, even if the executive faces potential job loss, which would otherwise result in losing the opportunity to vest in equity awards, which comprise a significant portion of each executive's compensation. We believe this benefits the Company and the potential acquirer because it enables the Company to retain and motivate the executive during the time preceding a potential change in control.

The following table summarizes the potential payments and benefits payable to each named executive officer upon termination for the reasons set forth below, assuming that the triggering event took place on March 26, 2011 (and that no change in control took place before the triggering event):

**Potential Payments upon Termination Not in Connection  
with a Change in Control**

|  | <b>Dennis<br/>Eidson</b> | <b>David M.<br/>Staples</b> | <b>Theodore C.<br/>Adornato</b> | <b>Alex J.<br/>DeYonker</b> | <b>Derek R.<br/>Jones</b> |
|--|--------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------|
| <b>Termination Other than for Retirement, Death, Disability or Cause(1)(2)</b> |                          |                             |                                 |                             |                           |
| Lump-Sum Salary Payment(3)   | \$ 700,000               | \$ 416,160                  | \$ 314,201                      | \$ 358,938                  | \$ 306,918                |
| Health Coverage Reimbursement (COBRA)(4)                                       | 18,750                   | 18,750                      | 6,053                           | 12,266                      | 21,114                    |
| Outplacement Assistance  | 10,000                   | 10,000                      | 10,000                          | 10,000                      | 10,000                    |
| <b>TOTAL</b>   | <b>\$ 728,750</b>        | <b>\$ 444,910</b>           | <b>\$ 330,254</b>               | <b>\$ 381,204</b>           | <b>\$ 338,032</b>         |
| <b>Retirement(5)(6)</b>  |                          |                             |                                 |                             |                           |
| Restricted Stock Vesting(7)  | 381,844                  | 191,877                     | 126,932                         | 110,872                     | 113,460                   |
| Long-Term Cash Incentive Award(8)  | 631,250                  | 189,375                     | 126,250                         | 126,250                     | 126,250                   |
| <b>TOTAL</b>   | <b>\$ 1,013,094</b>      | <b>\$ 381,252</b>           | <b>\$ 253,182</b>               | <b>\$ 237,122</b>           | <b>\$ 239,710</b>         |
| <b>Death or Disability(5)(6)</b>   |                          |                             |                                 |                             |                           |
| Restricted Stock Vesting(7)  | 1,453,818                | 571,532                     | 374,286                         | 362,976                     | 362,976                   |
| Long-Term Cash Incentive Award(9)  | 631,250                  | 189,375                     | 126,250                         | 126,250                     | 126,250                   |
| <b>TOTAL</b>   | <b>\$ 2,085,068</b>      | <b>\$ 760,907</b>           | <b>\$ 500,536</b>               | <b>\$ 489,226</b>           | <b>\$ 489,226</b>         |

- (1) Under the Employment Agreements with each named executive officer, the Company will provide severance payments and benefits only if the named executive officer is terminated by the Company at will (*i.e.*, not for death, disability, or cause as defined in the agreements), or if the executive terminates the employment for good reason, as defined in the Employment Agreements.

- (2) Any named executive officer who is terminated for cause (as defined in the Employment Agreements) will receive only salary and benefits accrued as of the date of termination.
- (3) The Employment Agreements with each named executive officer requires lump-sum payment of an amount equal to the executive's salary for a period of fifty-two weeks following the week in which the employment terminates.
- (4) The amounts would be paid as reimbursement by the Company to the executive for the COBRA continuation coverage premium necessary to continue the named executive officer's then-current health, dental, and prescription drug coverage (for the executive and any dependents) for a period of 52 weeks following termination, assuming an 8.7% annual increase in the cost of coverage.
- (5) The named executive officers will receive benefits under the SERP and Cash Balance Pension Plan as described in the Pension Benefits and Non-Qualified Deferred Compensation sections of this proxy statement.
- (6) Under the terms of each stock option grant to our named executive officers, a participant that retires as an associate of the Company may exercise any options granted under the Plan according to their terms during the remaining term of the options. If a participant dies or becomes disabled, then any options that are not exercisable at the time of the death or disability are forfeited.
- (7) Under the terms of the Company's stock incentive plans, if a Plan participant retires, becomes disabled, or dies, then the participant will receive a pro-rata portion of any unvested restricted stock, but the plans also permit the Compensation Committee, in its sole discretion, to waive any restrictions remaining on any remaining shares of restricted stock before or after the death, retirement, or disability of the participant. Pursuant to its discretionary authority, the Compensation Committee has included in the terms and conditions of each grant of restricted stock to the named executive officers a provision for the automatic vesting of restricted stock upon the death or disability of the named executive officer. No such provision has been made for the automatic vesting of restricted stock upon retirement, but the Compensation Committee may exercise its discretionary authority at the time of any retirement on a case-by-case basis. The amounts reported for Retirement assume that the Compensation Committee did not waive the restrictions remaining on any unvested shares of restricted stock following retirement. If the Committee were to exercise such authority, the values reported would be the same as those reported for Death or Disability.
- (8) Under the terms set forth in the letter agreement governing each named executive officer's long-term cash incentive award under the Executive Plan, if a named executive officer retires during the performance period, then the payout, if any, will be the amount the officer would have earned had he remained employed with the Company for the full performance and vesting period based on actual performance results, paid on a pro-rated basis according to the length of employment during the performance period. If an officer retires after the performance period but before the vesting date, the earned portion of the award, if any, will be paid. The amounts reported in the table are based on the Company's actual performance for fiscal 2011 with respect to the EPS component of the award, and the Company's projected performance at the end of fiscal 2012 with respect to the ROIC component of the award.
- (9) Under the terms set forth in the letter agreement governing each named executive officer's long-term cash incentive award under the Executive Plan, if a named executive officer dies or becomes disabled with 12 months or more remaining in the performance period, the target bonus will be paid on a pro-rata basis based on the length of employment during the performance period. If an officer dies or becomes disabled with less than 12 months remaining in the performance period, the payout, if any, will be paid based on actual performance results on a pro-rata basis based on the length of employment during the performance period. If an officer dies or becomes disabled after the performance period, any earned portion of the award will be paid. The amounts reported in the table are based on the Company's actual performance for fiscal 2011 with respect to the EPS component of the award, and each officer's target award with respect to the ROIC component of the award to be determined at the end of fiscal 2012.

The following table summarizes the potential payments and benefits payable to each of Spartan's named executive officers upon termination after a change of control of the Company, assuming that the termination took place on March 26, 2011.

**Potential Payments upon Termination in  
Connection with a Change in Control**

|  | <b>Dennis<br/>Eidson</b> | <b>David M.<br/>Staples</b> | <b>Theodore C.<br/>Adornato</b> | <b>Alex J.<br/>DeYonker</b> | <b>Derek R.<br/>Jones</b> |
|--|--------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------|
| Lump Sum Payment(1)                                      | \$ 3,385,592             | \$ 1,389,142                | \$ 1,048,802                    | \$ 1,226,950                | \$ 1,049,132              |
| Long-Term Cash Incentive Award(2)                        | 631,250                  | 189,375                     | 126,250                         | 126,250                     | 126,250                   |
| Acceleration of Options(3)                               | 33,941                   | 12,524                      | 7,986                           | 7,986                       | 7,986                     |
| Acceleration of Restricted Stock                         | 1,453,818                | 571,532                     | 374,286                         | 362,976                     | 362,976                   |
| Cash Balance Pension Plan Benefit and SERP<br>Benefit(4) | 8,907                    | 11,247                      | 4,517                           | 2,442                       | 2,020                     |
| Continued Benefits(5)                                    | 79,494                   | 76,857                      | 32,544                          | 57,189                      | 84,741                    |
| Outplacement Services(6)                                 | 25,000                   | 25,000                      | 25,000                          | 25,000                      | 25,000                    |
| Adjustment to Avoid Tax Gross-Up(7)                      | -                        | -                           | -                               | -                           | (116,354)                 |
| Excise Tax Gross-Up(7)(8)                                | 1,808,438                | -                           | -                               | 580,725                     | -                         |
| <b>TOTAL</b>   | <b>\$ 7,426,440</b>      | <b>\$ 2,275,677</b>         | <b>\$ 1,619,385</b>             | <b>\$ 2,389,518</b>         | <b>\$ 1,541,751</b>       |

- (1) Under the Executive Severance Agreements, each officer is entitled to receive a lump sum payment equal to the sum of: (i) the executive's unpaid base salary through the date of termination, (ii) any unpaid annual incentive awards that have been earned and become payable, (iii) a pro-rata portion of the executive's target bonus under the Incentive Plan for the year of termination, and (iv) an amount equal to twice the sum of: (A) the higher of the executive's annual base salary rate as of the date of termination and base salary on the date before the change in control; and (B) the higher of the executive's current year target bonus under the Incentive Plan (with such calculations to be made as though the target level has been achieved) and the current-year forecasted bonus under the Incentive Plan as of the Date of Termination.
- (2) Under the terms set forth in the letter agreement governing each named executive officer's long-term cash incentive award, upon a change in control of the Company during the performance period, each officer will earn a long-term cash incentive award equal to the greater of the target amount or the projected earned amount of the award based on the Company's performance as of the date of the change in control, to be paid on a pro-rata basis for the length of employment during the performance period. If a change in control follows the performance period, any earned but unvested portion of the award will be payable in full upon the earliest to occur of the termination of the officer's employment for any reason, the applicable vesting date, or the date that is the 15th day of the third month following the change in control. The amounts reported in the table represent the actual amount earned by each officer with respect to the EPS component of the award for fiscal 2011, and the pro-rata portion of the target award for each officer with respect to the ROIC component of the award to be determined at the end of fiscal 2012.
- (3) Upon a change in control, each officer's unvested stock options will vest and unvested shares of restricted stock will vest. The amounts in these rows represent the positive spread (if any) between the closing price of Spartan Stores common stock on March 25, 2011 and the exercise price of the option multiplied by the number shares subject to each option with a positive spread.
- (4) Each Executive Severance Agreement calls for a lump sum payment equal to: (i) the difference between the named executive officer's SERP account balance as of the date of employment termination and the account

balance if the executive remained employed for 24 additional months; and (ii) a lump sum payment equal to the difference between the amount he or she would have been entitled to receive under the Spartan Stores, Inc. Cash Balance Pension Plan, assuming the officer was fully vested under the Plan and had continued employment and years of service coverage for 24 additional months.

- (5) Under the Executive Severance Agreements, each named executive officer will receive reimbursement for the following benefits (a) for 24 months, all health, dental and prescription drug benefits for the officer and his or her family; (b) for 12 months, tax and financial planning benefits; and (c) for 24 months, Company funded life insurance coverage. The reimbursement amount also includes an amount necessary to eliminate the income tax cost to the named executive officer resulting from any conversion of such benefits from non-taxable employee benefits to taxable reimbursements.
- (6) Under the Executive Severance Agreement, each named executive officer is entitled to outplacement assistance in an amount not to exceed \$25,000.
- (7) Upon a change in control, the named executive officers may be subject to certain excise taxes under Section 280G of the Internal Revenue Code. The Executive Severance Agreements require the Company to reimburse the affected associates for those excise taxes as well as any income and excise taxes payable by the executive as a result of any reimbursements for the 280G excise taxes (the Excise Tax Gross-Up ), except that each of the named executive officers will be required to accept up to a 10% reduction of severance benefits to avoid imposition of any excise tax imputed pursuant to IRC Sections 280G and 4999. As shown on the table, for fiscal 2011, Mr. Jones would have been required to take a reduction in severance benefits to avoid the imposition of excise tax.
- (8) The calculations used to determine potential excise tax liability under Section 280G are based on an excise tax rate of 20%, a 35.08% effective federal income tax rate, a 1.45% Medicare tax rate and a 4.35% state income tax rate.

*The proxy statement continues on the following page.*

## Compensation of Directors

Spartan Stores believes that attracting and retaining talented directors is of fundamental importance to the Company and its shareholders. The Compensation Committee coordinates with the Nominating and Corporate Governance Committee to evaluate whether the Company's non-employee directors are fairly compensated for their services to the Company. Employee directors do not receive compensation for service as a director. In making director compensation decisions, the Compensation Committee is guided by three basic principles:

compensation should fairly pay directors for services expected of a director of a company of similar size and scope to the Company;

compensation should align directors' interests with the long-term interests of shareholders; and

the structure of the compensation should be transparent and easy for shareholders to understand.

The Compensation Committee conducts periodic reviews of non-employee director compensation with these guiding principles in mind. The Committee also reviews compensation survey data for retail companies and companies of comparable size by revenue to help the Company compensate its directors fairly and competitively.

Each non-executive director except for Mr. Sturken receives an annual retainer of \$40,000 per year and \$1,500 for attendance at each meeting of the Board of Directors (or \$750 if attending the meeting by telephone conference), and \$1,000 for attendance at any meeting of a Board committee (or \$500 if attending by telephone conference). The Audit Committee chair receives an additional \$7,500 fee, and the chairs of the Compensation Committee and Nominating and Corporate Governance Committee each receives an additional

\$5,000 fee. Non-executive directors also are reimbursed for travel and lodging expenses for meetings attended.

As Chairman of the Board, effective February 18, 2011, Mr. Sturken receives an annual retainer of \$150,000. He is not entitled to receive any fees for meeting attendance.

Each non-employee director receives an annual equity award having an economic value established at \$65,000. The value of the equity grant is designed to align director equity compensation with the 50th percentile level for such compensation among directors of our Peer Group Companies. In February 2011, the Board amended its director compensation program to provide that annual equity awards to directors will be made in the form of restricted stock only.

The Company has established stock ownership guidelines for non-employee directors to help align the interests of directors with those of our shareholders. Under these guidelines, each director is expected to acquire and continue to hold shares of the Company's common stock having an aggregate market value from time to time which equals or exceeds five times the rate of the regular annual retainer then in effect for non-employee directors who are not chairs. Each director is expected to achieve the target ownership level within five years of becoming a director. Incumbent directors at the time of the policy's adoption in 2006 have five years from the date of adoption to comply.

On May 15, 2010, each non-executive director was issued 4,280 shares of restricted stock pursuant to the Stock Incentive Plan of 2005, which vest over a period of three years, subject to certain limitations and acceleration of vesting upon retirement from the Board.





The following table provides information concerning the compensation of non-employee directors for Spartan's last completed fiscal year.

### Director Compensation

| Name                         | Fees Earned<br>Or Paid in<br>Cash<br>(\$) | Stock<br>Awards(1)(2)<br>(\$) | Total(3)<br>(\$) |
|------------------------------|---|-------------------------------|------------------|
| M. Shân Atkins               | 54,250                                    | 65,912                        | 120,162          |
| Wendy A. Beck                | 25,500                                    | 32,923                        | 58,423           |
| Dr. Frank M. Gambino         | 51,250                                    | 65,912                        | 117,162          |
| Yvonne R. Jackson            | 26,000                                    | 32,923                        | 58,923           |
| Frederick J. Morganthall, II | 52,750                                    | 65,912                        | 118,662          |
| Elizabeth A. Nickels         | 60,000                                    | 65,912                        | 125,912          |
| Timothy J. O' Donovan        | 57,750                                    | 65,912                        | 123,662          |
| Craig C. Sturken(4)          | 37,500                                    | -                             | 37,500           |
| James F. Wright              | 58,750                                    | 65,912                        | 124,662          |

- (1) These amounts represent the portion of the grant date fair value of restricted stock and options determined in accordance with ASC 718. For details regarding the assumptions used in the valuation of share-based awards, see Note 12, Stock-Based Compensation, to the audited financial statements of Spartan Stores, Inc. contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 26, 2011.
- (2) On May 12, 2010 each of the directors named above except for Ms. Beck, Ms. Jackson and Mr. Sturken received a grant of 4,280 shares of restricted stock having a grant date fair value of \$15.40 per share (for an aggregate value of \$65,912). Ms. Beck and Ms. Jackson joined the Board of Directors on October 12, 2010, and each received a grant of 2,200 shares of restricted stock on that date having a grant date fair value of \$14.83 (for an aggregate value of \$32,626). Mr. Sturken did not receive stock awards for service as a director in fiscal 2011. All of the shares of restricted stock awarded to directors during fiscal 2011 will vest annually on a ratable basis over a three-year period beginning May 1, 2011 and ending May 1, 2013.
- (3) As of March 26, 2011, each director named above except for Ms. Jackson and Ms. Beck had 9,462 option awards outstanding (of which 5,144 were exercisable), and each director had restricted stock awards outstanding at fiscal year end in the amount of 6,484 shares. The 6,484 shares consists of 2,829 shares vesting on May 1, 2011, 2,229 shares vesting on May 1, 2012, and 1,426 shares vesting on May 1, 2013. Neither of Ms. Jackson or Ms. Beck had any option awards outstanding as of March 26, 2011.
- (4) Mr. Sturken retired as an executive officer on February 18, 2011 and continues to serve as Chairman of the Board. The fees reported above were earned by Mr. Sturken following his retirement as an officer. Mr. Sturken did not receive any stock awards for service as a director in fiscal 2011. The stock awards earned by Mr. Sturken as an officer of the Company prior to his retirement are reported on the Summary Compensation Table.

## **Compensation Committee Interlocks and Insider Participation**

Messrs. Wright and O'Donovan, Ms. Jackson, and Dr. Gambino served as members of the Compensation Committee during the last completed fiscal year. None of the above members of the Compensation Committee were, during the fiscal year, an officer or associate of

Spartan or formerly an officer of Spartan. None of Spartan's executive officers served as a member of a compensation committee (or Board committee performing a similar function) for another entity.

## **Compensation Committee Report**

*Compensation Committee Report.* The Compensation Committee has reviewed and discussed with management the information provided under the heading Compensation Discussion and Analysis. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Spartan's annual report on Form 10-K and proxy statement.

Respectfully submitted,

Frank M. Gambino

Yvonne R. Jackson

Timothy J. O'Donovan

James F. Wright

## **Transactions with Related Persons**

Spartan Stores recognizes that transactions with related persons can present potential or actual conflicts of interest. Accordingly, the Company has adopted written policies and procedures intended to ensure that potential conflicts of interests are identified, reviewed, approved, and disclosed as necessary. The Company has regular communications with related persons and relevant associates regarding these policies.

It is the responsibility of Spartan Stores' management to conduct an appropriate review of all transactions with related persons (as defined by Nasdaq and SEC rules) for potential conflicts of interest situations on an ongoing basis. Pursuant to Nasdaq Listing Rule 5630 and the Audit Committee Charter, the Audit Committee must evaluate and approve every proposed transaction with a related person. For any proposed transaction in which a director has an interest, Spartan Stores' general policy is that the director may proceed with the transaction only if the material facts of the transaction and the director's interest in the

transaction have been disclosed to the Audit Committee of the Board, the Audit Committee determines that the transaction is fair to Spartan Stores, and the transaction is approved by the Audit Committee. There is no established criteria for evaluating such transactions, and the Audit Committee may consider any information or factors and it deems appropriate in making this determination. However, the Audit Committee may not determine that the proposed transaction is fair to the Company unless it determines that the transaction will be made on terms no less favorable than those offered generally to entities that are not affiliated with any director.

Directors and executive officers are required to complete an annual written questionnaire that solicits information regarding any direct or indirect interest that they or members of their family may have in any transaction or series of transactions involving the Company and having a value of \$120,000 or more. Directors and executive officers are required to promptly update

the Company of any change in the information provided by them in the questionnaire.

Spartan Stores has adopted a written conflict of interest policy that requires all associates to report actual and potential conflicts of interest to the Company's internal auditor.

There were no related person transactions requiring disclosure under SEC rules during the fiscal year ended March 26, 2011 or the current fiscal year to the date of this proxy statement.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires Spartan Stores' directors and officers and persons who beneficially own more than 10% of the outstanding shares of Spartan Stores common stock to file reports of ownership and changes in ownership of shares of common stock with the SEC. Directors, officers and greater than 10% beneficial owners are required by SEC regulations to furnish Spartan Stores with copies of all Section 16(a) reports they file with the SEC. Spartan Stores and its legal counsel file Forms 4

and other reports under Section 16(a) on behalf of directors and executive officers to report transactions with the Company under our compensation and benefit plans. Based solely on our review of the copies of such reports received by us, or written representations from certain reporting persons that no reports on Form 5 were required for those persons for fiscal 2011, we believe that there have been no failures to timely file required reports by our directors and officers.

## **Shareholder Proposals**

To be considered timely, shareholder proposals intended to be presented at the 2012 Annual Meeting of shareholders, whether or not intended to be included in the proxy statement and form of proxy relating to that meeting, must be received by the Company at its principal executive offices not later than February 24, 2012. Shareholder proposals intended for consideration for inclusion in our proxy statement and form of proxy relating to that meeting should be made in accordance with SEC Rule 14a-8.

All shareholder proposals must comply with the notice provisions set forth in Spartan Stores' bylaws which require that a written notice of a proposal to be considered at the Company's 2012 Annual Meeting must be delivered to the Secretary of the Company at the principal executive offices of the Company not later than February 24, 2012, if the meeting is held within 30 days of the calendar date of the 2011 Annual Meeting. To be effective, such a notice must comply fully with the bylaws. You should address all shareholder proposals to the attention of our Secretary,

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850 76th Street, S.W., P.O. Box 8700, Grand Rapids, Michigan 49518-8700.

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## **Solicitation of Proxies**

We will initially solicit proxies by mail and by making our proxy materials available on the Internet. In addition, directors, officers and associates of Spartan Stores and its subsidiaries may solicit proxies by telephone or facsimile or in person without additional compensation. Proxies may be solicited by nominees and other fiduciaries who may mail materials to or otherwise communicate with the beneficial owners of shares

held by them. We will bear all costs of the preparation and solicitation of proxies, including the charges and expenses of brokerage firms, banks, trustees or other nominees for forwarding proxy material to beneficial owners. We have engaged Eagle Rock Proxy Advisors, LLC at an estimated cost of \$6,500, plus expenses and disbursements, to assist in solicitation of proxies.

By Order of the Board of Directors  
Alex J. DeYonker  
Executive Vice President General Counsel and Secretary

Grand Rapids, Michigan  
June 24, 2011

**2011 Annual Meeting Admission Ticket**

**2011 Annual Shareholder Meeting of**

**Spartan Stores, Inc.**

**Wednesday, August 10, 2011, 9:00 a.m. Local Time**

**JW Marriott Hotel**

**235 Louis Street NW, Grand Rapids, Michigan 49503**

**Admission Ticket Information**

Spartan Stores, Inc. will be holding its Annual Meeting of Shareholders on August 10, 2011. The Company's proxy statement provides information regarding the matters that are expected to be voted on at the meeting. Your vote is important to us. Even if you plan to attend the meeting, please read the enclosed materials and vote through the Internet, by telephone or by mailing the Proxy Card below.

**If you plan to attend the Annual Meeting of shareholders, you will need to present this ticket or your notice of availability of proxy materials to gain entrance to the meeting.**

**PLEASE NOTE THAT GIFT BAGS, PRODUCT SAMPLES AND REFRESHMENTS ARE NO LONGER OFFERED AT THE MEETING. Following the completion of the business portion of the meeting, the Company's management will present a brief report on results for fiscal 2011. Shareholders will have an opportunity to ask questions.**

**Upon arrival, please present this admission ticket or your notice of availability of proxy materials and photo identification at the registration desk.** You should send in your proxy or vote electronically even if you plan to attend the meeting.

**Telephone and Internet Voting.**

On the reverse side of this card are instructions on how to vote through the Internet or by telephone. Please consider voting through one of these methods. Your vote is recorded as if you mailed in your Proxy. We believe voting through the Internet or by telephone is convenient, and it also saves money.

Thank you in advance for your participation in our 2011 Annual Meeting.

Spartan Stores, Inc.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy Spartan Stores, Inc.

**Notice of 2011 Annual Meeting of Shareholders**

**JW Marriott Hotel**

**235 Louis Street NW.**

**Grand Rapids, MI 49503**

**Proxy Solicited by Board of Directors for Annual Meeting August 10, 2011**

Dennis Eidson and David M. Staples, or either of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Shareholders of Spartan Stores, Inc. to be held on August 10, 2011 or at any postponement or adjournment thereof.

**If this Proxy is properly executed, the shares represented by this Proxy will be voted as directed by the shareholder. If no such directions are indicated, the Proxies will have authority to vote FOR the election of all nominees named on this proxy as directors, FOR the approval of the proposals identified in this Proxy, and 1 YEAR (a vote every year) for the proposal on the frequency of the advisory vote on executive compensation.**

**In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.**

(Items to be voted appear on reverse side.)

This card also serves as voting direction to Fidelity Management Trust Company ( Fidelity ), as trustee of the Spartan Stores, Inc. Savings Plus Plan and the Spartan Stores, Inc. Savings Plus Plan for Union Associates. Shares held in these plans will be voted by Fidelity as directed by the plan participants. Unless otherwise required by law, shares for which Fidelity has not received voting instructions by three business days prior to the meeting date will not be voted.



Spartan Stores, Inc.

**Electronic Voting Instructions**

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m. Eastern time on August 10, 2011.**

**Vote by Internet**

Log on to the Internet and go to  
**www.envisionreports.com/SPTN**  
Follow the steps outlined on the secured website.

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA,

US territories & Canada any time on a touch tone

telephone. There is **NO CHARGE** to you for the call.  
Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in  X  
this example. Please do not write outside the designated areas.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

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**A Proposals** The Board recommends a vote FOR all nominees, FOR Proposals 2 and 4 and 1 YR (every year) for Proposal 3.

|                           |            |                 |                        |            |                 |                           |            |                 |    |   |
|---------------------------|------------|-----------------|------------------------|------------|-----------------|---------------------------|------------|-----------------|----|---|
| 1. Election of Directors: | <b>For</b> | <b>Withhold</b> |                        | <b>For</b> | <b>Withhold</b> |                           | <b>For</b> | <b>Withhold</b> |    |   |
| 01 - Wendy A. Beck        | ..         | ..              | 02 - Yvonne R. Jackson | ..         | ..              | 03 - Elizabeth A. Nickels | ..         | ..              | .. | + |

|   |            |                |                |  |             |              |              |                |
|---|------------|----------------|----------------|--|-------------|--------------|--------------|----------------|
|   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |  | <b>1 Yr</b> | <b>2 Yrs</b> | <b>3 Yrs</b> | <b>Abstain</b> |
| 2. Say on Pay - An advisory vote on the approval of executive compensation. | ..         | ..             | ..             | 3. Say When on Pay - An advisory vote on the approval of the frequency of shareholder votes on executive compensation. | ..          | ..           | ..           | ..             |

|   |            |                |                |
|---|------------|----------------|----------------|
|   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| 4. Proposal to ratify the appointment of Deloitte & Touche LLP as independent auditors for the current fiscal year. | ..         | ..             | ..             |

**B Non-Voting Items**

|   |   |   |    |
|---|---|---|----|
| <b>Change of Address</b> Please print your new address below. | <b>Comments</b> Please print your comments below. | <b>Meeting Attendance</b> Mark the box to the right if you plan to attend the Annual Meeting. | .. |
|---|---|---|----|

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**  
 Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

|  |   |   |
|--|---|---|
| Date (mm/dd/yyyy) Please print date below. | Signature 1 Please keep signature within the box. | Signature 2 Please keep signature within the box. |
| / /  |   |   |

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