

**ShopKo Stores, Inc.
Audit Committee Charter**

The Audit Committee of the Board of Directors (the “Board”) of ShopKo Stores, Inc. (the “Company”) shall have the oversight responsibility, authority and duties described in this Charter.

I. Purpose

The Audit Committee’s purpose is to assist the Board in fulfilling its oversight obligations in matters relating to auditing, accounting, financial reporting, and systems of internal controls of the Company and its subsidiaries. Additionally, the Audit Committee’s purpose is to assist the Board in independently reviewing and overseeing:

- ◆ the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company;
- ◆ management’s systems of disclosure controls and procedures and internal controls over financial reporting;
- ◆ compliance by the Company with applicable laws and regulations;
- ◆ the qualification, independence and performance of the Company’s independent public accountants; and
- ◆ the performance of the Company’s internal audit function.

It is not the responsibility of the Audit Committee or any member of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Rather, management is responsible for preparing the Company’s financial statements, and the independent public accountants are responsible for auditing such financial statements.

The Audit Committee provides an opportunity for open communication between financial management, internal auditors, independent public accountants and the Board. It is the expectation of the Audit Committee that management and the independent public accountants will fulfill their responsibility to bring any significant items to the attention of the Audit Committee.

II. Composition and Operation

The Audit Committee shall be appointed annually by the Board and shall be comprised of at least three independent directors, one or more of whom the Board of Directors may determine is an “audit committee financial expert” in accordance with applicable statutes, rules and regulations. If the Board determines no audit committee financial expert is serving on the Audit Committee, the Company shall disclose the reason for the lack of such an expert. The Chairman and each member of the Audit Committee shall satisfy the independence, financial literacy, experience and other requirements of the New York Stock Exchange (the “NYSE”) and all other applicable statutes, rules and regulations. Management will report to the Audit Committee and the Board on any developments or changes in the requirements for audit committee membership, and the Board will take appropriate action in the appointment of the Audit Committee Chairman and the members of the Audit Committee. No member

of the Audit Committee shall accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Company other than in his or her capacity as a member of the Audit Committee, Board; or any other committee of the Board.

The Audit Committee shall meet at least four times per year at any time or location it deems appropriate and at such intervals as the Committee determines necessary. The Audit Committee will invite members of management, the independent public accountants or others to attend and provide pertinent information as necessary. The Audit Committee will regularly hold private meetings with management, internal auditors, and the independent public accountants.

III. Responsibilities

The Audit Committee shall have the following specific authority, power, and responsibilities:

A. *Relations with Independent Public Accountants*

1. To recommend to the shareholders the approval of the independent public accountants to audit the books and records of the Company.

2. To review and discuss with the independent public accountants the independent public accountants' ultimate accountability to the Board of Directors and the Audit Committee and to approve the fees charged for audits and audit-related services.

3. To review, at least on an annual basis, the performance, independence and qualifications of the independent accountants, and to take appropriate action when circumstances warrant, including determining any discharge of the independent public accountants.

4. To obtain on an annual basis a written statement from the independent public accountants listing all relationships between the independent public accountants and the Company, consistent with Independence Standards Board Standard No. 1 and confirming that the accountants are independent with the meaning of all applicable statutes, rules and regulations, and to review and discuss with the independent public accountants any disclosed relationships or services that may impact the objectivity and independence of the independent public accountants and take appropriate action to ensure the independent public accountants' independence is maintained.

5. To review the scope, costs and results of the independent audit of the Company's books and records through conferences and direct, private communications with the independent public accountants, as deemed appropriate by the Committee.

6. To review on an annual basis a report by the independent public accountants describing: (a) the quality control procedures the independent public accountants have established; and (b) any material issues raised by (i) the most recent internal quality control review or peer review, or (ii) any inquiry or investigation by governmental or professional authorities within the preceding five (5) years, with respect to any independent audit carried out by the independent public accountants; and (c) any steps taken to deal with any issues raised. The Audit Committee shall also review any other material reports or communications received from the independent public accountants.

7. To review and provide prior approval of the engagement of the independent public accountants to perform non-audit services not otherwise prohibited by the NYSE or any other

applicable statutes, rules or regulations; provided that it is determined such engagement will not compromise the independence or objectivity of the independent public accountants.

8. To provide independent direct communication between the Board of Directors, internal auditors and independent public accountants.

B. Internal Audit

1. To review with management and the independent public accountants, at least on an annual basis, the objectives and scope of the internal audit process.

2. To review the organizational structure of the internal audit function to ensure full and unrestricted access to senior management and the Audit Committee.

3. To review periodically the internal audit program, including audit plans, significant findings, staffing and any other issues that may arise regarding the program.

C. Financial Reporting

1. To review with management and the independent public accountants the Company's annual audited financial statements and quarterly financial statements, including the critical accounting and disclosure policies involved in the preparation of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and the impact of these policies on the contents of such reports, including a discussion regarding the qualitative judgment of management and the independent public accountants regarding the appropriateness of accounting principles, estimates and financial disclosure practices employed.

2. To review with management and the independent public accountants the effect of off-balance sheet financing (if any) on the Company's financial statements.

3. To discuss periodically with management the Company's earnings releases as well as other financial information and earnings guidance shared publicly.

4. To review changes in critical accounting and disclosure policies significantly affecting the Company, and significant unusual nonoperating or nonrecurring items.

5. To review any significant disagreements between management and the independent public accountants in connection with the preparation of the Company's financial statements.

6. To make a recommendation to the Board of Directors regarding inclusion of the audited financial statements in the Company's Annual Report on Form 10-K.

D. Control Environment

1. To review with management and the independent public accountants the adequacy and effectiveness of the Company's accounting and internal control policies and procedures, including the Company's internal control over financial reporting (as defined under applicable law) and management's assessment thereof.

2. To review with management the existence of (i) any significant deficiencies and material weaknesses in the design or operation of the Company's internal control over financial reporting which are reasonably likely to adversely effect the Company's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

3. To review with management the measures the Company has instituted to correct deficiencies and address any significant matters noted by the independent public accountants in their annual review.

4. To review audit reports received from the independent public accountants and internal auditors and recommend such action in respect of such reports as the Audit Committee deems appropriate to ensure the integrity of financial information.

5. To review with management the programs established to (i) provide for compliance with applicable laws and regulations and (ii) prevent unethical, questionable, or illegal activities by Company employees, including a periodic review of the Company's code of business conduct and management's system of enforcing such code. The Audit Committee or the Board shall be responsible for granting waivers to such code for executive officers and directors of the Company.

6. To review with management reports on lawsuits, claims and governmental actions against the Company which pose significant risk of losses which could materially impact the financial condition of the Company.

7. To review any reports of material transaction to which the Company is a party involving a potential conflict of interest with a director, executive officer or other affiliate of the Company.

8. To review guidelines and policies governing the processes and procedures for management's monitoring of significant risks or exposures the Company may face.

9. To review with management, the independent public accountants and any others the Audit Committee may deem appropriate, any significant risks or exposures facing the Company and steps that management has taken to minimize such risks to the Company, including accounting and financial controls.

E. Committee Evaluation, Reporting and Record Keeping

1. To review and assess on an annual basis the Audit Committee's Charter and recommend to the Board of Directors such changes as are deemed necessary.

2. To periodically review the Audit Committee's composition and recommend to the Board of Directors such changes as are deemed necessary.

3. To evaluate on an annual basis whether the Audit Committee is satisfying its responsibilities.

4. To report periodically to the entire Board of Directors with regard to the significant activities, findings and recommendations of the Audit Committee.

5. To maintain minutes and other relevant records of the Audit Committee's meetings and actions.

6. To prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

7. To make such other reports to the entire Board of Directors or the shareholders as deemed appropriate or as may be required by law.

F. Other

1. To take action in connection with such other powers and responsibilities as the Board of Directors may, from time to time, determine.

2. To direct an investigation into any matter the Audit Committee deems necessary and appropriate, including the authority to retain independent outside counsel or other professional services.

3. To retain or consult with independent outside counsel or other professionals at the Committee's discretion without permission of the Board of Directors or Company management.

4. To review and approve hiring decisions by the Company for internal positions involving any partner or manager of the independent public accountant who has worked on the Company's account during the preceding two (2) years.

5. To establish procedures for the receipt, retention and treatment of complaints regarding the Company's accounting, internal controls or auditing matters.