

ShopKo Stores, Inc.
Compensation and Stock Option Committee Charter

The Compensation and Stock Option Committee (the “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 Committee’s purpose is to assist the Board in fulfilling its oversight obligations relating to compensation of the Company’s Chief Executive Officer (“CEO”) and other executive officers, as well as compensation and benefit programs, policies and practices affecting employees in general.

II. Composition and Operation

The Committee shall be appointed annually by, and serve at the discretion of, the Board and shall be comprised of at least three directors. Each director must be (i) an “independent director” as defined under the New York Stock Exchange rules, (ii) an “outside director” under Regulation Section 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended, (iii) a “Non-Employee Director,” as defined in Rule 16b – 3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended; and (iv) meet the independence requirements, if any, of the Company’s Governance Principles and any other applicable legal requirements.

The Committee shall meet at least two times per year at any time or location it deems appropriate and at such intervals as the Committee determines necessary. The Committee will invite members of management, compensation consultants or others to attend and provide pertinent information as necessary. The Committee will regularly meet in executive session as the Committee deems appropriate.

III. Responsibilities

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

A. Executive Compensation

1. To (i) determine and annually review and approve the Company’s goals and objectives relevant to CEO compensation, (ii) with the assistance of the other non-management directors of the Board, review and evaluate the CEO’s performance in light of those goals and objectives, and, (iii) as a Committee, recommend to the Board for approval the CEO’s compensation levels based on this evaluation; provided, however, that any director who does not meet one or

more of the criteria set forth in Section II above shall abstain from any action that might be affected by virtue of such director's inability to meet such criteria.

2. To review annually the long-term incentive component of CEO compensation based on the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies, and previous CEO awards. The Committee may also set formulas and performance measures and approve or take other appropriate action on any payments or awards to the CEO under incentive plans based on formulas or performance measures applicable to other senior executive officers.
3. To oversee the administration of the compensation and benefit plans for which it has oversight responsibility in a manner consistent with the terms of such plans, to approve all equity-based grants for executive officers, establish performance goals under incentive plans and determine whether or not such goals have been attained, and approve other special or supplemental benefits as may be provided to executives of the Company pursuant to such plans, and to approve any awards, benefits or compensation outside the normal guidelines for any executive position (in accordance with the Committee's past practice of delegating to the Chairman of the Committee the authority to approve such awards, benefits or compensation between meetings of the Committee if necessary to permit the Company to make timely offers to prospective executives) The Committee shall have the authority to delegate responsibility in accordance with the terms of the applicable plan for matters relating to employees other than executives. Management will report to the Committee at least annually on any material matters affecting the plans for which the Committee has oversight responsibility.
4. To review and approve all executive employment agreements and change in control agreements, as appropriate.
5. To administer the Company's incentive and equity-based compensation plans and approve awards and grant guidelines made under any such plans and review and monitor awards made under such plans.
6. To recommend to the Board any amendments to the plans for which the Committee has oversight responsibility, as well as any and all new incentive programs for executive officers and all equity-based plans.

B. Overall Compensation and Benefit Programs

1. To review periodically the compensation plans of the Company to ensure they are consistent with the general compensation policy established by the Committee as articulated in the Company's proxy statement.

2. To review and approve annually the compensation of all officers with an annual base salary or other benefits at or above an amount or level established by the Committee.
3. To review periodically with management the Company's general employee compensation and benefit policies and practices.
4. To recommend to the Board adoption and modification of employee benefit plans for which the Committee has oversight responsibility as appropriate.

C. Committee Evaluation, Reporting and Other Matters

1. To produce an annual report on executive compensation for inclusion in the Company's annual proxy statement in accordance with applicable rules and regulations.
2. To periodically review and assess this Charter and recommend to the Board such changes as are deemed necessary or advisable.
3. The Nominating and Corporate Governance Committee will review periodically the composition of the Committee and make recommendations to the Board.
4. To review annually the performance of the Committee.
5. To maintain minutes and other relevant records of the Committee's meetings and actions.
6. To report periodically to the Board with respect to the Committee's significant activities and findings, with recommendations of the Committee for action when appropriate.
7. To retain such compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its discretion.
8. To carry out such other duties as may be delegated to it by the Board.
9. To form and delegate authority to subcommittees when appropriate.