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ShopKo Stores, Inc.
Corporate Governance Principles

The Board of Directors (the "Board") of ShopKo Stores, Inc. (the “Company”), acting on the recommendation of its Nominating/Corporate Governance Committee (the “Governance Committee”), has adopted the following corporate governance principles (the “Guidelines”) to provide the basis and foundation for the governance of the Company and assist the Board in the exercise of its responsibilities. The Board will review and, if appropriate, revise these Guidelines from time to time.

I. Director Qualification Standards

A. General Qualifications.

Directors should be of the highest character and integrity and have an inquiring mind, vision, mature judgment and the ability to work well with others. Directors should possess sufficient knowledge and ability to understand the Company’s business and demonstrate substantial and significant experience which will be of value to the Company in the performance of the duties of the director. Such experience may include senior management positions in retail, consumer products, finance or accounting. In addition, directors must be willing to devote sufficient time to the affairs of the Company in order to carry out their duties and responsibilities effectively and must be free of any conflict of interest that would interfere with the proper performance of the responsibilities of a director. No director shall be nominated for election to the Board after reaching the age of 70.

B. Selection of New Directors.

The Governance Committee is responsible for identifying, as necessary, new candidates who are qualified to serve as directors of the Company, and recommending to the Board candidates for election to the Board at the Annual Meeting of Shareholders of the Company and, as necessary or deemed appropriate, recommend nominees to fill vacancies on the Board. The Governance Committee reviews the qualifications of all candidates proposed for Board membership, including any candidates nominated by shareholders in accordance with the Company’s By-laws. Shareholders may propose nominees for consideration by the Governance Committee by submitting the names and required information to the Company’s Secretary.

The Board’s objective is to select individuals with education, experience and skills necessary to oversee and assist management in the operation of the Company’s business. In considering possible candidates for election as a director, the Board recognizes that the contribution of the Board and fulfillment of its duties depends not only on the character and the capacities of the directors individually but also on their collective strengths. Thus, the Governance Committee shall strive to include individuals with diverse and varied experiences and backgrounds.

C. Independence of Directors.

At least a majority, and preferably a significant majority, of the Board shall be comprised of individuals who meet the criteria for independence required by the New York Stock Exchange (the “NYSE”) Listing Standards. In addition, all members of the Company’s Audit Committee, Compensation and Stock Option Committee, and Nominating/Corporate Governance Committee shall meet such independence requirements.

To be considered independent under the NYSE Standards, an individual (and immediate family members) must avoid certain disqualifying relationships set forth in the rule and the Board must determine that a director does not have a material relationship with the Company, either directly or as a partner, shareholder or executive officer of an organization that has a relationship with the Company. A material relationship is one that would interfere with a director's exercise of independent judgment.

To assist in determining director independence, the Board has determined that a "material relationship" is one where annual payments to or from the other organization would exceed the greater of $1 million or two percent (2%) of the other entity's consolidated annual revenues. For purposes of determining material relationships, however, the Board will not consider ownership by a director (or immediate family member) of less than two percent (2%) of the equity or voting interests of another entity that provides supplies or services to the Company as material. In addition, the Board has determined that the following charitable relationships will not be considered material relationships that would impair a director's independence: a director (or an immediate family member) serving as an officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions to the organization are less than ten percent (10%) of that organization's total annual charitable receipts; provided, however, that the Board does not intend for this standard to deter charitable contributions by the Company to particular organizations where directors may have some affiliation.

The Board will annually review all commercial and charitable relationships of directors. The determination of whether directors meet these categorical independence tests will be reviewed and will be made public annually in the Company's proxy statement prior to the election of directors. The Board may determine the independence of a director who does not meet the above categorical standards but will specifically disclose the basis for any such finding in the Company's proxy statement. The Board may determine the materiality of all relationships based on all relevant facts and circumstances.

In addition, to ensure the independence of the Directors, the Company will not make any personal loans or extensions of credit to directors.

D. Size of Board.

The Company's Articles of Incorporation and By-laws provide that the Board shall be comprised of up to fifteen (15) directors, the exact number of directors to be determined from time to time by the directors then in office. The Governance Committee shall review periodically the number of members of the Board and recommend any modification deemed appropriate.

E. Director Retirement Policy.

Age. Directors must resign from the Board effective with the date of the Annual Meeting of Shareholders following the director's 72nd birthday.

Former Company Officers. Any director who is employed by the Company shall submit to the Board his or her written resignation from Board upon termination of employment for any reason with the Company. The Board, with input from the Governance Committee, shall have the discretion to accept or ask that the resignation be withdrawn.

Change in Circumstance. Any non-employee director who experiences a material change in his or her personal circumstances, including a change in principal employment or professional position at any time after being elected to the Board shall offer to resign from the Board. Within one year of receipt of such offer of resignation, the Governance Committee shall review such offer and recommend to the Board whether the offer should be accepted or, if it deems continued service of such director is in the best interests of the Company and its shareholders, withdrawn. The Board shall vote to accept the resignation or ask that the resignation be withdrawn.

F. Service on Multiple Audit Committees.

If a director who serves on the Company's Audit Committee simultaneously serves on the audit committee of more than three public companies, the Board shall determine whether such simultaneous service would impair the ability of such director to effectively serve on the Company's Audit Committee and will disclose such determination in the Company's annual proxy statement.

II. Director Responsibilities

A. General Responsibilities.

While management is responsible for the day-to-day business operations of the Company, the Board oversees and guides the Company's management and its business. The basic responsibility of the Board is to exercise its business judgment and to act in what it reasonably believes to be in the best interests of the Company and its shareholders. Within that framework, the Board may also consider interests of other constituents, including the Company's customers, employees and the communities in which the Company operates. In discharging their obligations, directors shall be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisers and auditors.

In discharging their responsibilities, directors shall be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, with benefits of indemnification to the fullest extent permitted by law and the Company's Articles of Incorporation and By-Laws.

B. Meetings of the Board.

The Board meets regularly on previously determined dates and conducts special meetings on the call of the Chairman or as otherwise specified in the Company's By-Laws. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The Chairman approves the agenda for each Board meeting. Directors are encouraged to suggest items for inclusion on the agenda. The agenda for each meeting is provided to the directors in advance of the meeting together with written materials on certain matters to be presented for consideration. Directors are expected to review and understand these materials in advance of meetings.

C. Executive Sessions of Independent Directors.

Non-Management directors will meet regularly in executive session without management participation. Such executive sessions will be presided over by the Chairman of the Board if he is a "non-executive"; any "Lead Director" designated by the Board; or by the Chairman of the Governance Committee; or, if circumstances render it inappropriate for the Chairman of the Governance Committee to preside, the Chairman of the Audit Committee.

D. Board Committees.

The Board establishes committees to assist the Board in overseeing the management and Company's business. The Board shall, at a minimum, have standing committees that comply with the NYSE Listing

Standards. The Board shall evaluate and determine the circumstances under which to form additional committees.

E. Access to Management & Independent Advisors.

Directors shall have complete access to the Company's senior management. It is assumed that directors will use judgment to be sure that such contact is not distracting to the Company's operations. Furthermore, the Board encourages management to include key members of senior management in Board meetings to provide additional insight into items being discussed.

The Board, as well as each committee of the Board, shall be entitled to retain independent outside financial, legal, compensation or other advisors, as appropriate, at the expense of the Company.

F. Code of Ethics.

The Company shall adopt and disclose a code of ethics for directors, officers and employees. The Governance Committee shall approve all waivers of the code for directors and the Audit Committee shall approve all waivers of the code for executive officers of the Company. All waivers shall be disclosed to shareholders.

III. Director Compensation

The Board sets the level of compensation for non-employee directors annually based on the recommendation of the Governance Committee. Directors who are also current employees of the Company receive no additional compensation for service as directors. In order to align more closely the interest of directors and long-term interests of shareholders, the Board believes that a significant portion of director compensation should be equity-based.

From time to time, the Governance Committee reviews the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other companies and current compensation practices.

IV. Director Orientation and Continuing Education

The Governance Committee shall be responsible for ensuring that new directors receive an adequate orientation to the Company. Each new non-management director shall participate in an orientation program, which will be conducted as soon as practicable after the new director is elected to the Board. This orientation will include presentations by senior management to familiarize new directors with the Company's operations and strategic plans; its significant financial, accounting and risk management issues; its compliance programs; its code of ethics; and its principal officers.

The Board encourages directors to attend appropriate continuing director education programs to ensure directors stay current on board-related issues, including corporate governance issues, best practices, financial and accounting practices, and ethical issues. The Company will reimburse directors for reasonable expenses in connection with attending such programs. In addition, the Company is committed to providing continuing educational materials to directors on an ongoing basis.

V. Management Evaluation and Succession

A. Evaluation of Chief Executive Officer

The Compensation and Stock Option Committee will annually determine and approve the goals and objectives relevant to compensation for the Company's chief executive officer. The Committee, with input from the Board, will annually review and evaluate the performance of the Company's chief executive officer in light of those goals and objectives. The Compensation and Stock Option Committee will then recommend to the Board for approval the compensation of the chief executive officer based on such evaluation.

B. Succession Planning

The Compensation and Stock Option Committee, in consultation with the Company's chief executive officer, will oversee the Company's executive succession and management development plans for the chief executive officer position and make appropriate recommendations to the Board. The chief executive officer shall review with the Committee an assessment of persons considered potential successors, along with a review of any development plans recommended for such individuals. The Board will consider the recommendations of the chief executive officer and the Compensation and Stock Option Committee in this regard, along with any other advice or input deemed necessary by the Board in its review of succession planning.

In addition, the chief executive officer shall, on a continuing basis, make known to the Board, his or her recommendation as to a successor in the event the chief executive officer unexpectedly becomes unable to function in that role.

VI. Annual Performance Evaluation of the Board

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. In addition, the Governance Committee will organize each of the Board's Committees in reviewing its respective performance.

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