

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

IN RE SHOPKO SECURITIES LITIGATION

No. 01-C-1034
Judge Adelman

**NOTICE OF PENDENCY OF CLASS ACTION, HEARING ON PROPOSED SETTLEMENT AND
APPLICATION FOR ATTORNEYS' FEES AND RIGHT TO SHARE IN SETTLEMENT FUND**

TO: ALL PERSONS OR ENTITIES WHO PURCHASED SHARES OF SHOPKO STORES, INC. ("SHOPKO" OR THE "COMPANY") COMMON STOCK ON THE OPEN MARKET DURING THE PERIOD FROM AUGUST 10, 2000 THROUGH NOVEMBER 9, 2000, INCLUSIVE (THE "CLASS PERIOD") AND WHO WERE DAMAGED THEREBY.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS ACTION. IF YOU ARE A CLASS MEMBER, YOU ULTIMATELY MAY BE ENTITLED TO RECEIVE BENEFITS PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED HEREIN.

CLAIMS DEADLINE: CLAIMANTS MUST SUBMIT PROOFS OF CLAIM, ON THE FORM ACCOMPANYING THIS NOTICE, POST-MARKED ON OR BEFORE OCTOBER 25, 2004.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS ON PAGE 6 HEREIN.

SUMMARY OF SETTLEMENT AND RELATED MATTERS

A. Purpose of this Notice

1. This Notice is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court dated June 18, 2004. The purpose of this Notice is to inform you that this Action, and the proposed Settlement with ShopKo and William J. Podany ("Podany"; collectively, "the Defendants"), will affect all Class Members' rights. This Notice describes rights you may have under the proposed Settlement and what steps you may take in relation to this action (the "Action"). This Notice is not an expression of any opinion by the Court as to the merits of any claims or any defenses asserted by any party in the Action, or the fairness or adequacy of the proposed Settlement.

B. Statement of Plaintiff Recovery

2. Pursuant to the Settlement described herein, a Settlement Fund consisting of \$4,900,000 plus interest, has been established. Plaintiffs' Co-Lead Counsel estimate that there were approximately 5.93 million shares of ShopKo common stock traded during the Class Period which may have been damaged as a result of the alleged wrongdoing described at paragraphs 12 to 20 below. Plaintiffs' Co-Lead Counsel estimate that the average recovery per damaged share under the Settlement is \$0.83 per damaged share before deduction of Court-awarded attorneys' fees, expenses, taxes and other court-approved expenses. Depending on the number of claims submitted, when during the Class Period a Class Member purchased his shares, and whether those shares were held at the end of the Class Period or sold during the Class Period, and if sold, when they were sold, an individual Class Member may receive more or less than this average amount.

3. Under the relevant securities laws, a claimant's recoverable damages are limited to the losses attributable to the alleged securities law violations. Losses which resulted from factors other than an alleged securities law violation (for example, adverse business trends) are not recoverable from the Settlement Fund. For purposes of the proposed Settlement herein, a Class Member's distribution from the Net Settlement Fund will be governed by the proposed Plan of Allocation described below at paragraphs 29 to 35, or such other Plan of Allocation as may be approved by the Court. The approval of the proposed Plan of Allocation is not a condition of the proposed Settlement.

C. Statement of Potential Outcome of Case

4. The parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs (identified in paragraph 12 below) were to have prevailed on each claim alleged. The issues on which the parties disagree include: (a) the appropriate economic model for determining the amount by which ShopKo shares were allegedly artificially inflated (if at all) during the Class Period; (b) the amount by which ShopKo shares were allegedly artificially inflated (if at all) during the Class Period; (c) the effect of various market forces influencing the trading price of ShopKo shares at various times during the Class Period; (d) the extent to which external factors, such as general market and retail industry conditions, influenced the trading prices of ShopKo shares at various times during the Class Period; (e) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading prices of ShopKo shares at various times during the Class Period; and (f) whether the statements which Lead Plaintiffs alleged were false and misleading were in fact false or misleading.

5. Plaintiffs' Co-Lead Counsel consider that there was a substantial risk that Lead Plaintiffs and the Class might not have prevailed on their claims against Defendants and that there were risks that the decline in the prices of ShopKo shares could be attributed, in whole or in part, to factors unrelated to the claimed fraud. Therefore, Lead Plaintiffs and the Class could have recovered nothing or substantially less than the amount of the Settlement.

6. The Defendants deny that they engaged in any wrongdoing or are liable to the Lead Plaintiffs or the Class and deny that Lead Plaintiffs or the Class have suffered any damages.

D. Statement of Attorneys' Fees and Costs Sought

7. Plaintiffs' Co-Lead Counsel intend to apply for fees of up to one-third (33-1/3%) of the Gross Settlement Fund, and for reimbursement of expenses incurred in connection with the prosecution of the Action in the approximate amount of \$250,000. The

requested fees and expenses would amount to an average of \$0.32 per damaged share in total for fees and expenses. Plaintiffs' Co-Lead Counsel have expended considerable time and effort in the prosecution of this Action on a contingent fee basis, and have advanced the expenses of the Action, in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. The time charges incurred by Plaintiffs' Co-Lead Counsel exceed the amount sought in attorneys' fees.

E. Further Information

8. Further information regarding the Action and this Notice may be obtained by contacting Plaintiffs' Co-Lead Counsel: Sherrie R. Savett, Esq., Berger & Montague, P.C., 1622 Locust Street, Philadelphia, Pennsylvania 19103, Telephone (215) 875-3000 or Richard Bemporad, Esq., Lowey Dannenberg Bemporad & Selinger, P.C., The Gateway, One North Lexington Avenue, White Plains, New York 10601, Telephone (914) 997-0500.

F. Reasons for the Proposed Settlement

9. The principal reason for the proposed Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after further proceedings, a contested trial and likely appeals, several years into the future.

NOTICE OF SETTLEMENT FAIRNESS HEARING

10. NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Eastern District of Wisconsin (the "Court") dated June 18, 2004, that a hearing will be held before the Honorable Lynn Adelman in the United States District Courthouse, Eastern District of Wisconsin, 517 Wisconsin Avenue, Milwaukee, WI 53202, at 11:00 a.m. in Courtroom 390, on August 20, 2004 (the "Settlement Fairness Hearing") to determine whether the Settlement of the Action as set forth in the Stipulation and Agreement of Settlement dated May 28, 2004 (the "Stipulation"), is fair, reasonable and adequate and to consider the proposed Plan of Allocation for the Settlement proceeds and the application of Plaintiffs' Co-Lead Counsel for attorneys' fees and reimbursement of expenses.

11. The Court, by Preliminary Approval Order, dated June 18, 2004, has appointed Christopher Peterson and Market Street Investments L.P. as Class Representatives ("Lead Plaintiffs") and certified a plaintiff Class for purposes of this proposed Settlement consisting of all persons who purchased shares of ShopKo common stock on the open market during the period from August 10, 2000 through November 9, 2000, inclusive (the "Class Period"). Excluded from the Class are Defendants in the Action, members of the immediate family (spouse, parents, siblings and children) of Podany, any person, firm, trust, corporation, entity in which any Defendant or any member of the immediate family of Podany has a controlling interest, the officers, directors, parents, subsidiaries and affiliates of any corporate Defendant, and the legal representatives, heirs, successors in interest or assigns of any such excluded party. Also excluded from the Class are all persons and entities who submit a request for exclusion in accordance with the requirements set forth in the Notice.

BACKGROUND OF THE LITIGATION

12. Beginning on October 11, 2001, five class actions were filed in this Court charging Defendants with artificially inflating the market price of ShopKo common stock in violation of the federal securities laws. On March 31, 2002, the Court consolidated the lawsuits and appointed Christopher Peterson and Market Street Investments L.P. as Lead Plaintiffs and the law firms of Berger & Montague, P.C. and Lowey Dannenberg Bemporad & Selinger, P.C. as Co-Lead Counsel.

13. On April 10, 2002, plaintiffs filed the Consolidated Class Action Complaint (the "Initial Complaint"), which alleged, *inter alia*, that Defendants misled the marketplace about ShopKo's business operations by repeatedly touting the successful integration of its newly acquired Pamida division and its expanded distribution network. The Initial Complaint alleged that in fact, Pamida was plagued with distribution problems that continued to worsen since its expanded warehouse in Lebanon, Indiana reopened in July 2000, which delayed the flow of merchandise to Pamida stores.

14. On November 9, 2000, the close of the Class Period, the Company had disclosed that it would report a loss for the third quarter of 2000, not a profit as forecasted just a few weeks earlier. Defendants further disclosed that certain operational inefficiencies with Pamida's distribution system had contributed to ShopKo's financial downturn. Following the November 9, 2000 announcement, the market price of ShopKo common stock declined.

15. On May 15, 2002, Defendants filed a motion to dismiss the Initial Complaint in its entirety. Following briefing and argument, on November 5, 2002, the Court granted in part and denied in part Defendants' motion to dismiss. Specifically, the Court sustained allegations regarding Defendants' statements made on October 5, 2000 attributing ShopKo's business downturn to external market forces while failing to disclose operational problems at Pamida.

16. Plaintiffs filed a motion for reconsideration. On February 5, 2003, the Court reaffirmed its November 5, 2002 ruling as to the October 5, 2000 statements. In addition, it declined to hold statements made by certain securities analysts to be actionable.

17. Beginning in December 2002, the parties engaged in extensive discovery. Plaintiffs' Counsel reviewed thousands of pages of documents produced by Defendants and by nonparty witnesses. Plaintiffs' Counsel also took the depositions of former and current ShopKo employees. Following this discovery, in September 2003, Plaintiffs' Counsel sought leave to file an amended complaint which enlarged the Class Period to three months, from August 10, 2000 to November 9, 2000, and to allege additional false and misleading statements by Defendants. Plaintiffs' Counsel also sought to take additional discovery from Defendants. On October 17, 2003, the Court granted Plaintiffs' Counsel's applications. On October 27, 2003, Plaintiffs filed their Second Amended Consolidated Class Action Complaint (the "Amended Complaint"). Plaintiffs' Counsel also took further discovery from Defendants.

Lead Plaintiffs also submitted to substantial discovery, including producing several thousand pages of documents, submitting to two days of deposition testimony, and providing extensive written responses to Defendants' interrogatories.

18. The Amended Complaint alleges, among other things, that Defendants misled investors about the success of ShopKo and Pamida, which Defendants had touted as the vehicle by which ShopKo would achieve aggressive growth over the next several years. Plaintiffs allege that Defendants also understated the severity of the Company's downturn in business for the remainder of 2000, and blamed macroeconomic factors such as interest rates and gasoline prices, while failing to disclose the operational deficiencies at Pamida's distribution centers.

19. The Amended Complaint further alleges that Lead Plaintiffs and the other Class Members purchased shares during the Class Period at prices artificially inflated as a result of the Defendants' dissemination of materially false and misleading statements regarding ShopKo in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.

20. In April 2004, the parties participated in a mediation before the Honorable Nicholas Politan, a retired United States District Judge. In advance of the mediation, the parties provided the mediator with comprehensive submissions setting forth their positions on the claims and defenses in this Action. As a result of the mediation, the parties reached agreement on the terms of the Settlement.

21. Plaintiffs' Co-Lead Counsel's decision to enter into this proposed Settlement was made when discovery was near completion, and therefore with knowledge of the facts and circumstances underlying Lead Plaintiffs' claims and the strengths and weaknesses of those claims. In determining to settle the Action, they have evaluated the pre-trial investigation and discovery taken in the Action and taken into account the substantial expense and length of time necessary to prosecute the Action through trial, post-trial motions, and likely appeals, taking into consideration the significant uncertainties in predicting the outcome of this complex litigation. Based upon the amount of the proposed Settlement and consideration of all of these factors, Lead Plaintiffs and their counsel have concluded that it is in the best interest of Lead Plaintiffs and the Class to settle the Action on the terms described herein.

22. The Defendants, while continuing to deny all allegations of wrongdoing or liability whatsoever, desired to settle and terminate all existing or potential claims against them, without in any way acknowledging any fault or liability.

TERMS OF THE SETTLEMENT

23. In full and complete settlement of the Settled Claims (as defined below), and subject to the terms and conditions of the Stipulation, on or about June 7, 2004, Defendants caused \$4,900,000 (the "Cash Settlement Amount") to be paid into an interest-bearing escrow account for the benefit of the Class.

24. Pursuant to the proposed Settlement, and on the Effective Date, Lead Plaintiffs and all other members of the Class on behalf of themselves, their heirs, executors, administrators, successors and assigns will release and discharge the Released Parties (defined below), and will be enjoined from prosecuting each and every Settled Claim (defined below).

25. The "Defendants" include the following, each of whom will be released from all Settled Claims: ShopKo and William J. Podany (Chairman of the Board, President and Chief Executive Officer of ShopKo during the Class Period). In addition, the Settlement will release all Class Members' Settled Claims against any and all of the Defendants, their past or present subsidiaries, affiliates, parents, successors and predecessors, officers, directors, agents, attorneys, employees, accountants, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, heirs, successors in interest or assigns of the Defendants (collectively, the "Released Parties").

26. "Settled Claims" means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, at law or in equity, matured or un-matured, whether class or individual in nature, including both known claims and unknown claims: (a) that have been asserted in this Action by the Lead Plaintiffs, Class Members or any of them against any of the Released Parties; or (b) that could have been asserted in any forum by the Class Members or any of them against any of the Released Parties which arise out of, are based upon or related to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Action and relate to the purchase of shares of ShopKo common stock during the Class Period.

27. If the proposed Settlement is approved by the Court, all Settled Claims will be dismissed on the merits and with prejudice as to all Class Members and all Class Members will be barred from prosecuting a class action or any other action raising any Settled Claims against any Released Party.

28. The proposed Settlement will become effective at such time as an Order entered by the Court approving the proposed Settlement becomes final and not subject to appeal (the "Effective Date").

PLAN OF ALLOCATION OF SETTLEMENT PROCEEDS AMONG CLASS MEMBERS

29. The \$4,900,000 Cash Settlement Amount and the interest earned thereon constitutes the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") will be distributed to members of the Class who submit valid and timely Proofs of Claim ("Authorized Claimants"). The Net Settlement Fund will be allocated among the Authorized Claimants in accordance with this "Plan of Allocation." The Plan of Allocation is based upon Plaintiffs' Co-Lead Counsel's assessment of the merits and the relative strengths and weaknesses, including recoverable damages, of the claims of the members of the Class. No determination has been made by the Court as to the amount, if any, of damages suffered by the Class, nor on the proper measure of determining such damages sustained by Class Members.

30. This Plan of Allocation reflects the proposition that shares of ShopKo common stock were inflated by reason of the allegedly false and misleading statements made by Defendants during the Class Period until November 9, 2000, when the price of ShopKo's shares declined by 45 percent, reflecting the elimination of the artificial inflation that the Defendants' misrepresentations allegedly caused. However, this does not mean that if the case were to proceed to trial, and Lead Plaintiffs were to recover on all of its claims, Class Members could also prove that during the Class Period, the market price of ShopKo common stock was inflated by 45 percent due to Defendants' alleged wrongdoing. Similarly, on October 5, 2000, following ShopKo's issuance of a press release regarding the Company's outlook for the fiscal third quarter, the price of ShopKo stock declined by \$2.56 per share on heavy volume. However, this does not mean that Lead Plaintiffs could prove at trial that this entire price decline resulted from the partial disclosure of the Defendants' alleged wrongdoing.

31. Each Authorized Claimant will receive, on a proportionate basis, that share of the Net Settlement Fund that the Authorized Claimant's Recognized Loss (as defined below) bears to the total Recognized Losses of all Authorized Claimants, subject to the further provisions set forth below.

32. An Authorized Claimant's Recognized Loss will be determined by the date(s) the Authorized Claimant purchased or sold any shares of ShopKo common stock during the Class Period, as set forth below.

a. For Shares Purchased between August 10, 2000 and October 4, 2000 and:

<u>Status</u>	<u>Recognized Loss (per share)</u>
Sold on or before October 4, 2000	\$0.00
Sold from October 5 through November 8, 2000	\$1.92*
Sold on November 9, 2000	\$3.80
Retained after November 9, 2000	\$4.22

*Based upon 75% of the \$2.56-per-share price decline from the closing price on October 4, 2000 to the closing price on October 5, 2000.

b. For Shares Purchased between October 5, 2000 and November 8, 2000 and:

<u>Status</u>	<u>Recognized Loss (per share)</u>
Sold on or before November 8, 2000	\$0.00
Sold on November 9, 2000	\$1.88
Retained after November 9, 2000	\$2.30

c. For Shares Purchased on November 9, 2000 and:

<u>Status</u>	<u>Recognized Loss (per share)</u>
Sold on November 9, 2000	\$0.00
Retained after November 9, 2000	\$0.42

d. For purposes of determining which shares of ShopKo stock purchased during the Class Period were either sold at any time during the Class Period or were retained past October 4, 2000 or past November 9, 2000, purchases and sales of ShopKo stock will be matched on a "first-in/first-out" ("FIFO") basis, by matching the first shares sold against any opening position of shares held as of August 9, 2000 (prior to the start of the Class Period) and then on a FIFO basis against any additional shares of ShopKo stock purchased during the Class Period on the basis of the assumption that the first share purchased was the first share sold. This matching under FIFO will be done irrespective of the different accounts in which the shares of ShopKo stock were purchased and sold unless the title or ownership of the accounts differed.

e. The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement date."

f. "Short" sales will not be recognized for any amount of loss on the cover or purchase transaction and no Recognized Loss will be computed for any such covering purchase transaction.

g. No Recognized Loss will be computed for any transactions in ShopKo shares engaged in by market makers in ShopKo shares.

h. To the extent that any shares of ShopKo stock sold during the Class Period were sold at a profit, the Recognized Loss for those shares will be zero.

33. In the interest of economy, no payment will be made to any Authorized Claimant whose share of the Net Settlement Fund would be less than \$10 based on the initial allocation of the Net Settlement Fund to Authorized Claimants.

34. The receipt or grant of a gift of ShopKo shares during the Class Period will not be deemed to be a purchase of ShopKo shares during the Class Period. However, the recipient of ShopKo shares as a gift or as a distribution from an estate will be eligible to file a Proof of Claim and Release form and participate in the proposed Settlement to the extent the particular donor or decedent as the actual purchaser of ShopKo shares would have been eligible, based upon the circumstances of such purchase within the Class Period; however, the donee and donor may not both claim with regard to the same ShopKo shares. If both the donor and donee make such a claim, only the claim filed by the donee will be honored.

35. Payments will be distributed to Authorized Claimants after all claims have been processed and the Court has finally approved the proposed Settlement. If any funds remain in the Net Settlement Fund by reason of uncashed distribution drafts or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds will, if administratively feasible, be redistributed to Class Members who have cashed their distributions and who would receive at least \$10.00 from such redistribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such redistribution. If, six months after such redistribution, any funds remain in the Net Settlement Fund, then one-half of such balance will be contributed to nonsectarian, not-for-profit 501(c)(3) organization(s) designated by Plaintiffs' Co-Lead Counsel and the other half will be contributed to nonsectarian, not-for-profit 501(c)(3) organization(s) designated by Defendants' Counsel.

THE RIGHTS OF CLASS MEMBERS

36. The Court has certified this Action to proceed as a class action. You are a Class Member if you purchased shares of ShopKo common stock on the open market from August 10, 2000 through November 9, 2000, inclusive and were damaged thereby, are not excluded by the definition of the Class, and do not elect to exclude yourself. Class Members have the following options:

a. If you wish to remain a member of the Class, you may share in the proceeds of the proposed Settlement, provided that you submit an acceptable Proof of Claim. Class Members will be represented by the Lead Plaintiffs and their Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf on or before August 10, 2004, and must serve copies of such appearance on the attorneys listed in paragraph 44 below.

b. If you do not wish to remain a member of the Class, you may exclude yourself from the Class by following the instructions in paragraph 42 below. Persons who exclude themselves from the Class will NOT receive any share of the proposed Settlement proceeds and will not be bound by the proposed Settlement.

c. If you object to the proposed Settlement or any of its terms, or to Plaintiffs' Co-Lead Counsel's application for fees and expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in paragraph 44 below.

SUBMISSION AND PROCESSING OF PROOFS OF CLAIM

37. In order to be eligible to receive any distribution from the Settlement Fund, you must complete and sign the accompanying Proof of Claim and Release ("Proof of Claim") form and send it by first-class mail postmarked on or before October 25, 2004, addressed as follows:

ShopKo Securities Litigation
c/o Heffler, Radetich & Saitta L.L.P.
Claims Administrator
Post Office Box 58817
Philadelphia, PA 19102-8817

38. If you do not submit a proper Proof of Claim form, you will not be entitled to any share of the Settlement Fund.

39. If you are a Class Member and you do not properly exclude yourself from the Class, you will be bound by the proposed Settlement and the Order and Final Judgment of the Court dismissing this Action, even if you do not submit a Proof of Claim. If you exclude yourself from the Class, you will not be bound by the judgment but you will not be entitled to any share of the Settlement Fund.

40. All Proofs of Claim must be submitted by the date specified in this Notice unless such period is extended by Order of the Court.

41. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Eastern District of Wisconsin with respect to his, her or its Proof of Claim. The Court has reserved jurisdiction to allow, disallow, or adjust any claim on equitable grounds.

EXCLUSION FROM THE CLASS

42. Each Member of the Class will be bound by all determinations and judgments in this Action concerning the proposed Settlement, whether favorable or unfavorable, unless such person sends, by first-class mail, a written request for exclusion from the Class, postmarked no later than August 10, 2004, addressed to ShopKo Securities Litigation Exclusions, c/o Heffler, Radetich & Saitta LLP, Claims Administrator, P.O. Box 58817, Philadelphia, PA 19102-8817. No person may exclude himself from the Class after that date. In order to be valid, each such request for exclusion must set forth the name and address of the person or entity requesting exclusion, must state that such person or entity "requests exclusion from the Class in the ShopKo Securities Litigation, Civil Action No. 01-C-1034", and must be signed by such person or entity. Persons and entities requesting exclusion are requested to also provide the following information: their telephone number and the date(s), price(s), and number(s) of all purchases and sales of ShopKo and the address at the time of transaction(s) during the Class Period. The request for exclusion will not be effective unless the request for exclusion provides the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

SETTLEMENT FAIRNESS HEARING

43. At the Settlement Fairness Hearing, the Court will determine whether to finally approve this proposed Settlement and dismiss the Action and the claims of the Class Members. The Court will also determine whether the Plan of Allocation for the Settlement proceeds is fair and reasonable. The Settlement Fairness Hearing may be adjourned from time to time by the Court without further written notice to the Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Plaintiffs' Co-Lead Counsel. If the Settlement is approved, the Court will also consider the application of Plaintiffs' Co-Lead Counsel for attorneys' fees.

44. At the Settlement Fairness Hearing, any Class Member who has not properly submitted a request for exclusion from the Class may appear in person or by counsel and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness and adequacy of the proposed Settlement, the Plan of Allocation, or the application for an award of attorneys' fees and reimbursement of expenses, provided, however, that in no event shall any person be heard in opposition to the proposed Settlement, the Plan of Allocation, or Plaintiffs' Co-Lead Counsel's application for attorneys' fees and expenses and in no event shall any paper or brief submitted by any such person be accepted or considered by the Court, unless, on or before August 10, 2004, such

person: (a) files with the Clerk of the Court notice of such person's intention to appear, showing proof of such person's membership in the Class, and providing a statement that indicates the basis for such opposition, along with any documentation in support of such objection, and (b) simultaneously serves copies in person or by mail upon Plaintiffs' Co-Lead Counsel:

Richard Bemporad, Esq.
**LOWEY DANNENBERG
BEMPORAD & SELINGER, P.C.**
The Gateway, One North
Lexington Avenue
White Plains, NY 10601
(914) 997-0500

Sherrie R. Savett, Esq.
BERGER & MONTAGUE, P.C.
1622 Locust Street
Philadelphia, PA 19103
(215) 875-3000

and upon Defendants' Counsel:

Richard B. Kapnick, Esq.
SIDLEY AUSTIN BROWN & WOOD
Bank One Plaza
10 South Dearborn Street
Chicago, IL 60602
(312) 853-7000

Attendance at the Settlement Fairness Hearing is not necessary, and Class Members do not need to take any other action to indicate their approval.

ATTORNEYS' FEES AND DISBURSEMENTS

45. At the Settlement Fairness Hearing or at such other time as the Court may direct, Plaintiffs' Co-Lead Counsel intend to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not greater than one-third (33-1/3%) of the Gross Settlement Fund and for reimbursement of their expenses up to a maximum amount of \$250,000, plus interest at the same rate as earned by the Settlement Fund. Plaintiff's Co-Lead Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the Settlement proceeds to the members of the Class and any proceedings subsequent to the Settlement Fairness Hearing.

FURTHER INFORMATION

46. For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Eastern District of Wisconsin, 517 Wisconsin Avenue, Milwaukee, WI 53202, during regular business hours.

47. ALL INQUIRIES CONCERNING THIS NOTICE OR THE PROOF OF CLAIM FORM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING AT THE ADDRESS INDICATED BELOW.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

48. If you purchased ShopKo common shares for the beneficial interest of a person or entity other than yourself at any time during the Class Period from August 10, 2000 through November 9, 2000, inclusive, the Court has directed that, WITHIN TEN (10) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either: (a) provide to the Claims Administrator the name and last known address of each person or entity for whom or which you made the purchase; or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of the ShopKo shares. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you are to send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

ShopKo Securities Litigation
c/o Heffler, Radetich & Saitta L.L.P.
Claims Administrator
P.O. Box 58817
Philadelphia, PA 19102-8817
(800) 528-7199

Dated: Milwaukee, Wisconsin
June 18, 2004

By Order of the Court

CLERK OF THE COURT

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN**

IN RE SHOPKO SECURITIES LITIGATION

: Case No. 01-C-1034
:
: Judge Adelman
:

PROOF OF CLAIM AND RELEASE

IF YOU PURCHASED SHARES OF SHOPKO STORES, INC. (“SHOPKO”) COMMON STOCK ON THE OPEN MARKET DURING THE PERIOD FROM AUGUST 10, 2000 THROUGH NOVEMBER 9, 2000, INCLUSIVE (THE “CLASS PERIOD”), AND WERE DAMAGED THEREBY, YOU MAY WISH TO FILE A PROOF OF CLAIM FOR A POTENTIAL RECOVERY.

GENERAL INSTRUCTIONS

1. In order to receive any payments to which you may be entitled as a member of the Class in this action entitled, *In re ShopKo Securities Litigation*, Civil Action No. 01-C-1034 (“the Action”), you must complete and sign this Proof of Claim and Release (the “Proof of Claim”). If you fail to submit a timely filed and properly addressed Proof of Claim (as set forth in Paragraph 3 below), your claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the proposed Settlement of the Action.

2. Submission of this Proof of Claim, however, does not assure that you will share in the proceeds of the proposed Settlement in the Action.

3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM TO THE CLAIMS ADMINISTRATOR BY FIRST-CLASS MAIL POSTMARKED ON OR BEFORE OCTOBER 25, 2004, ADDRESSED AS FOLLOWS:

ShopKo Securities Litigation
c/o Heffler, Radetich & Saitta L.L.P
Claims Administrator
P.O. Box 58817
Philadelphia, PA 19102-8817
(800) 528-7199

4. If you are a member of the Class and you did not timely request exclusion in connection with the proposed Settlement, you are bound by the terms of any judgment entered in the Action, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM.

5. If you are NOT a member of the Class (as defined in the enclosed Notice, ¶11), DO NOT submit a Proof of Claim.

CLAIM FORM

1. If you purchased ShopKo stock and held the certificate(s) in your name, you are the beneficial purchaser as well as the record purchaser. If, however, you purchased ShopKo stock and the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser and the third party is the record purchaser.

2. Use Part I of this form entitled “Claimant Identification” to identify each beneficial purchaser and, if different, each purchaser of record of ShopKo stock which forms the basis of this claim. THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER OR PURCHASERS OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER OR PURCHASERS, OF THE SHOPKO STOCK UPON WHICH THIS CLAIM IS BASED.

3. All joint purchasers must sign this claim. Executors, administrators, guardians, conservators, and trustees must complete and sign this form on behalf of persons represented by them and documentation establishing their current authority must accompany this claim and their titles and capacities must be stated. The Social Security (or Employer Identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

4. Use Part II, Sections A, B, C and D of this form entitled "Schedule of Transactions in ShopKo Stock" to supply all required details of your transaction(s) in ShopKo stock, the number of shares owned at close of trading on August 9, 2000 and the number of shares held at the close of trading on November 9, 2000. On the schedules, provide all of the requested information with respect to *all* of your purchases, *all* of your acquisitions, and *all* of your sales of ShopKo stock which took place from August 10, 2000 through November 9, 2000, inclusive (the "Class Period"), regardless of whether such transactions resulted in a profit or loss. Failure to report all such information and transactions may result in the rejection of your claim.

5. List each transaction in the Class Period separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day, and year of each transaction you list.

6. Brokerage commissions and transfer taxes paid by you in connection with your purchase and sale of ShopKo stock should be excluded in computing the "total purchase price" and the "total sales price."

7. Brokers' confirmations or other documentation of your transactions in ShopKo stock (including shares held at the close of August 9, 2000 and November 9, 2000) should be attached to your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.

UNITED STATES DISTRICT COURT—EASTERN DISTRICT OF WISCONSIN

In re ShopKo Sec. Litigation, Civil Action No. 01-C-1034

PROOF OF CLAIM, RELEASE AND SUBSTITUTE FORM W-9

Must Be Postmarked No Later Than: October 25, 2004

PART I: CLAIMANT IDENTIFICATION *Please Type or Print*

Beneficial Owner's Name (First, Middle, Last)

[Grid for Beneficial Owner's Name]

Joint Beneficial Owner's Name (First, Middle, Last)

[Grid for Joint Beneficial Owner's Name]

If you are a bank or other institution filing on behalf of a third-party, and an account number is needed to identify the claimant for your records, indicate account number: _____

[Grid for Account Number]

[Grid for Account Number]

[Grid for Account Number]

State: [] []

Zip Code: [] [] [] [] - [] []

Address:

[Grid for Address]

Address:

Foreign Province

Foreign Country

[Grid for Foreign Address]

City:

[Grid for City]

E-Mail Address

Social Security Number:

[] [] [] - [] [] - [] [] [] []

OR

Employer Identification Number:

[] [] - [] [] [] [] [] []

[] [] [] [] - [] [] [] []

[] [] [] [] - [] [] [] []

Area Code Telephone No. (Day)

Area Code Telephone No. (Evening)

Claimant is (check one): Individual Trust Joint Tenants in Common IRA Corporation Other (Specify) _____

Record Owner's Name (if different from beneficial owner listed above)

[Grid for Record Owner's Name]

PART II: SCHEDULE OF TRANSACTIONS IN SHOPKO STOCK

A. NUMBER OF SHARES OF SHOPKO STOCK OWNED AS OF CLOSE OF TRADING ON AUGUST 9, 2000 (IF NONE, WRITE "NONE"): _____ (must be documented).

B. PURCHASES AND/OR ACQUISITIONS OF SHOPKO STOCK (FROM AUGUST 10, 2000 THROUGH NOVEMBER 9, 2000, INCLUSIVE) (must be documented):

Trade Date(s) Month / Day / Year	Number of Shares Purchased	Purchase Price Per Share	Total Purchase Price (excluding commissions, transfer taxes, or other fees)
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []

TOTAL SHARES PURCHASED/ACQUIRED _____.

C. SALES OF SHOPKO STOCK (FROM AUGUST 10, 2000 THROUGH NOVEMBER 9, 2000, INCLUSIVE) (must be documented):

Trade Date(s) Month / Day / Year	Number of Shares Sold	Sale Price Per Share	Total Sales Price (excluding commissions, transfer taxes, or other fees)
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []
[] [] - [] [] - [] []	[] [] [] [] [] []	\$ [] [] [] . [] [] [] []	\$ [] [] [] [] [] [] . [] [] [] []

TOTAL SHARES SOLD _____.

D. NUMBER OF SHARES HELD AT THE CLOSE OF TRADING ON NOVEMBER 9, 2000 (IF NONE, WRITE "NONE"): _____ (must be documented). This number should be A + B - C.

If you require additional space, attach extra schedules in the same format as above. Sign and print your name and taxpayer identification number on each additional page and check this line : _____

YOU MUST READ AND SIGN THE RELEASE ON PAGE 11.

SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I submit this Proof of Claim and Release under the terms of the Stipulation of Settlement (“Stipulation”) described in the Notice. I also submit to the jurisdiction of the United States District Court, Eastern District of Wisconsin with respect to my claim as a Class Member and for purposes of enforcing the release set forth herein and any judgment that may be entered in the Action. I agree to furnish additional information to Plaintiffs’ Co-Lead Counsel to support this claim if required to do so. I have not submitted any other claim covering the same purchases, acquisitions or sales of ShopKo stock during the Class Period and know of no other person having done so on my behalf.

DEFINITIONS

1. “Defendants” means ShopKo Stores, Inc. and William J. Podany.
2. “Released Parties” means Defendants, their past or present subsidiaries, affiliates, parents, successors and predecessors, officers, directors, agents, attorneys, employees, accountants, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, heirs, successors in interest or assigns of the Defendants (collectively, the “Released Parties”).
3. “Released Claims” means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, at law or in equity, matured or un-matured, whether class or individual in nature, including both known claims and unknown claims: (A)(i) that have been asserted in this Action by the Lead Plaintiffs, Class Members or any of them against any of the Released Parties; or (ii) that could have been asserted in any forum by the Class Members or any of them against any of the Released Parties which arise out of, are based upon or related to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Action and relate to the purchase of shares of ShopKo common stock during the Class Period; and (B) claims arising out of the prosecution or defense of the Action, including, but not limited to, claims related to the execution of, and entry into, the Stipulation, such as but not limited to, claims for fraud in the inducement, negligent misrepresentation, or fraud; except that nothing in this Release releases any claim arising out of the violation or breach of the terms of the Stipulation.

RELEASE

A. I hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release and discharge each and all of Defendants, and each and all of the "Released Persons" from and of any and all "Released Claims."

B. With respect to any and all Released Claims, I expressly waive any and all rights or benefits I may now have, or in the future may have, under any law relating to the releases of unknown claims, including, without limitation, Section 1542 of the California Civil Code, which provides:

A general release does not extend to the claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

I expressly have waived any and all provisions, rights and benefits conferred by any law or any state or territory of the United States or any foreign country, or any principle of common law, which is similar, comparable or equivalent in substance or intent to Section 1542 of the California Civil Code.

C. This Release shall be of no force and effect unless and until the Court approves the settlement and the settlement becomes effective as to all Defendants or any Released Persons as of the Effective Date (as defined in the Stipulation).

D. I hereby warrant and represent that I have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this Release or any other part or portion thereof.

E. I hereby warrant and represent that I have included information about all of my transactions in ShopKo common stock which occurred during the Class Period, as well as the number of shares of ShopKo held by me on the close of trading on August 9, 2000 and November 9, 2000.

F. I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406(a)(1)(c) of the Internal Revenue Code and check here .

Note: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, please strike out the word "NOT" in the Certification above.

I hereby certify under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct and that this Proof of Claim form was executed this ____ day of _____, _____ in _____, _____, _____.

(Month) (Year) (City) (State) (Country)

(The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.)

Signature of Claimant

(Type or print your name here)

(Signature of Joint Claimant, if any)

(Type or print your name here)

(Capacity of person(s) signing, e.g. Beneficial Purchaser(s),
Executor or Administrator)

In re ShopKo Securities Litigation
c/o Heffler Radetich & Saitta L.L.P.
Claims Administrator
P.O. Box 58817
Philadelphia, PA 19102-8817

FIRST CLASS MAIL
U.S. POSTAGE
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PERMIT NO. 2323
PHILADELPHIA, PA

FIRST CLASS MAIL

PLEASE FORWARD—IMPORTANT LEGAL NOTICE

**ACCURATE CLAIMS PROCESSING
TAKES A SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the Proof of Claim and Release.
2. Remember to attach copies of supporting documentation.
3. Do not send stock certificates.
4. If you move, please send your new address to the address above.
5. Please keep a copy of your claim form for your records.
6. If you have any questions concerning this Proof of Claim, contact the Claims Administrator at:

ShopKo Securities Litigation
c/o Heffler, Radetich & Saitta L.L.P.
Claims Administrator
P.O. Box 58817
Philadelphia, PA 19102-8817
(800) 528-7199