

February 19, 2018

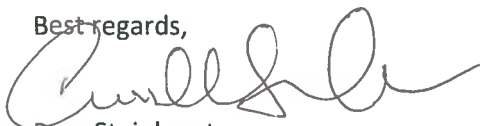
Dear Valued Vendor Partner:

As we close the books on a very challenging and interesting 2017 we would like to update you on our progress. At Shopko we spent the year re-tooling our business by refining store processes, right sizing inventory levels, and raising new capital. These improvements delivered improved profitability in 2017, and have us very excited about our prospects for continued momentum into 2018. Our final audited financial statements will be released in early April, however, we would like to share some preliminary unaudited results:

- Effectively managed promotional and clearance sales mix, which reduced sales by \$71 million, but increased gross margin dollars by \$12 million
 - Reduced inventory by approximately 5% vs. last year
 - Reduced clearance sales by 19.0%, with a +940 basis point increase in gross margin rate
 - Improved gross margin rates in our Main Store by +150 basis points
- Reduced operating expenses by \$22 million
- We expect EBITDA measured on a GAAP basis to be 2.6 times 2016 results
- Received a \$35 million term loan from our largest landlord with an option to exercise lease deferrals worth another \$12 million in liquidity

Thank you for your continued support and confidence in our plans and in our ability to execute those plans. Together we have exceeded the objectives we laid out for 2017. We look forward to your continued partnership in 2018.

Best regards,



Russ Steinhorst
Chief Executive Officer

This letter has been provided for illustrative purposes. Any financial data, views or terms contained herein are preliminary and unaudited, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are subject to change. We undertake no obligations or responsibility to update any of the information contained in this document. Past performance does not guarantee or predict future performance.

