



March 23, 2009

Dear Supplier:

As one of our valued suppliers, I want to make you aware of an important step we took today to make BI-LO a stronger, more financially sound company.

Specifically, we announced that the Company filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. We decided to pursue this Court-supervised reorganization after extensive discussions with our lenders and after careful consideration of all available alternatives.

From an operational standpoint, we have already made significant progress this year and we have seen solid sales momentum and strong cash flow. While our strong operations and liquidity position continue to demonstrate the strength of our business model, we must address a debt maturity which in a normal credit environment we would have expected to refinance on reasonable terms in the ordinary course of business. Importantly, we have continuously met all our financial obligations under the existing term loan and otherwise.

We will continue to serve our customers and provide them with the same high-quality products and excellent service they have come to expect. We intend to move through this process as quickly as possible and firmly believe this course of action will better position BI-LO for continued growth and long-term success.

During the restructuring process, BI-LO intends to fund operations primarily through its cash on hand and cash generated from operations. To further strengthen our liquidity, we have received a commitment for up to \$100 million in debtor-in-possession (DIP) financing. We expect that the DIP financing, once approved by the Court, will be used to support the Company's operational cash flow to meet normal business obligations during the Chapter 11 process.

I want to emphasize we intend it to be “business as usual”. We can and will pay for goods and services you provide to us from and after our filing.

As you may know, the provisions of the Bankruptcy Code generally do not allow us to make payments at this time for goods and services received before the filing date. Distributions to creditors on account of such pre-petition claims will generally be made pursuant to, and in the amount established by, BI-LO's plan of reorganization, which will be developed by BI-LO, in consultation with its creditor constituencies, in the upcoming months. During the Chapter 11 case, BI-LO will establish a process for evaluating all claims for pre-petition amounts. If you think you may have a claim against BI-LO for goods delivered prior to the petition date, you may have to file a pleading or proof of claim. You will receive instructions about how to file a claim in the coming weeks.

The partnership our organizations have developed is a key reason we continue to remain such an integral part of the communities we serve. As we move through the restructuring process, we expect to continue ordering goods and services. With your ongoing support, BI-LO will continue to offer customers the same top quality brands and high quality fresh foods, all at a great value.

We will keep you informed of developments as appropriate throughout this process. In the meantime, if you have additional questions, please do not hesitate to contact your normal BI-LO representative. You may also refer to our website, www.BI-LO.com, or call the toll-free Restructuring Information Line we have set up at 866-967-0268. You can also find regular updates on the case at www.kccllc.net/BI-LO.com.

Sincerely,

A handwritten signature in black ink that reads "Michael D. Byars". The signature is written in a cursive, flowing style.

Michael Byars

President and Chief Executive Officer