

FRED'S, INC.
GOVERNANCE COMMITTEE CHARTER

Purpose

The purpose of the Governance Committee is to assist the Board of Directors (the "Board") of Fred's, Inc. (the "Company") in developing and recommending to the Board the Corporate Governance Principles applicable to the Company; and to lead the Board in its annual review of the Board's performance.

Committee Membership

The Governance Committee shall consist of at least three members. The members of the Committee shall be appointed by and may be replaced by the Board. The members of the Committee shall meet the independence requirements of the rules of the NASDAQ Stock Market.

Authority and Responsibilities

The Committee shall develop and recommend to the Board the Corporate Governance Principles applicable to the Company, review and reassess the adequacy of the Corporate Governance Principles, and recommend any proposed changes to the Board for approval.

The Committee shall receive comments from all directors and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board.

The Committee may form and delegate authority to subcommittees when appropriate.

The Committee shall make regular reports to the Board.

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review their own performance.