

To: Our Valued Supplier Partners

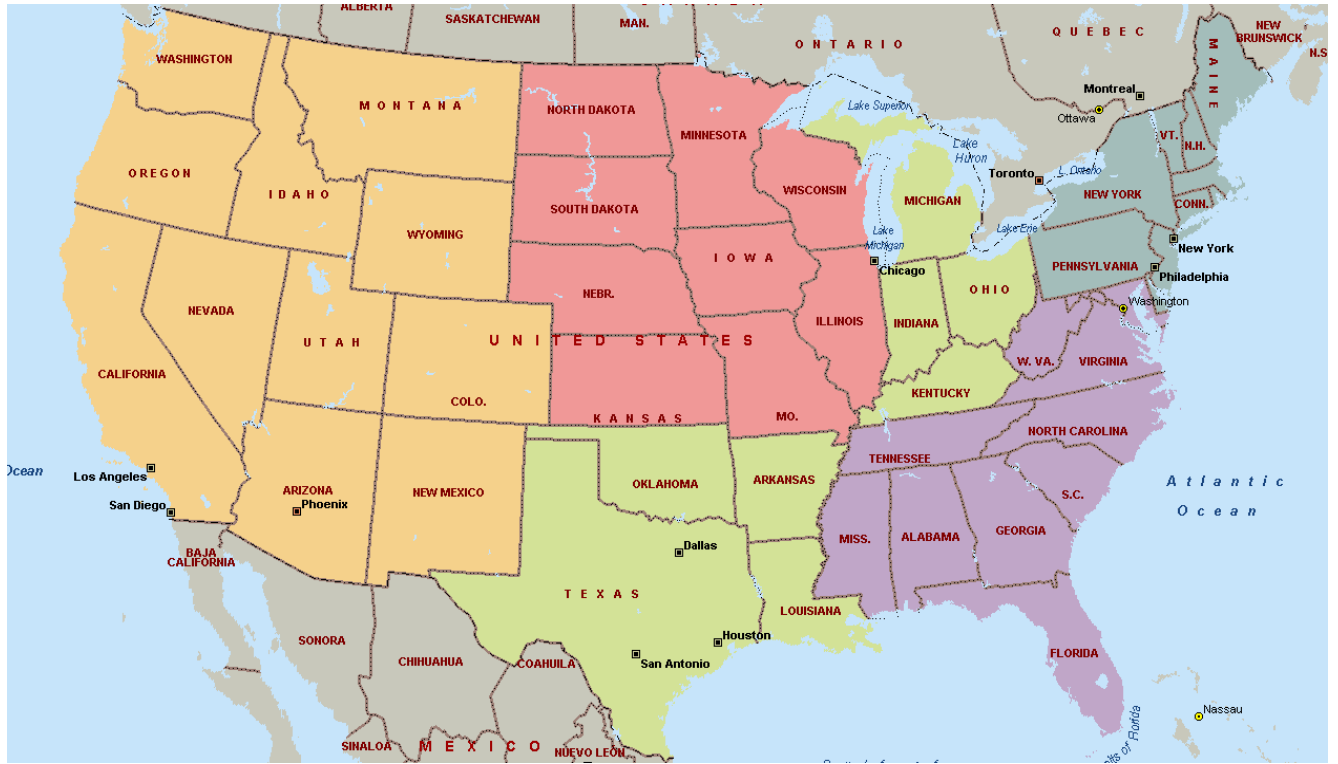
From: Jerry Shore, CEO; Mike Bloom, President & COO; Bryan Pugh, Chief Merchant & Marketing Officer; Craig Barnes, EVP Supply Chain & Loss Prevention

Re: Regional Zone Shipping Program

We want to thank you for being a partner with us at Fred's. As our business continues to grow, it is critical we deliver solutions that will move us from a warehouse based organization to an end-to-end supply chain driven company. Reducing the volume of less than truckload shipments freight in to our Distribution Centers is a major step in this direction. To assist in accomplishing this, we will roll out a Regional Zone Shipping model. We have divided the U.S. into five regions with consolidation points in each region. Suppliers within in each region will have a specified ship day. Suppliers shipping on a specific day within each zone/region, allows us to leverage the consolidation points convert LTL shipments to Truck Load.

This model will benefit both Fred's and our Supplier Partners. Some of the benefits are consistent order and pickup days, combining purchase orders across multiple categories supplied by a single supplier and an improvement in overall planning. In addition, it will lead to freight consolidation and reduction of LTL. Below is an overview of what is affected, an example of how the schedule works, a map of Phase two zone with a list of requirements, and an acknowledgement form.

Effective 10/26/2015, Fred's will begin implementing the new Regional Zone shipping model for all POs that are FOB Collect. This applies to all Fred's POs that will be picked up by Fred's 3rd Party Logistics partners, or by our private fleet. The following map below outlines the 5 regional zones, and their assigned pickup days.



- Monday
- Tuesday
- Wednesday
- Thursday
- Friday

This implementation will be phased in by geographic zone. Fred's will contact the Supplier Partners in each zone prior to activation. Phase I is complete with suppliers located in the West Region. Phase 2 covering Wednesday pick-ups is shown on the map below.

Fred's Regional Zone Pickup Map Phase 2



November 2015 (Phase 2 Zone Pickup Schedule Example)

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11 ORDER DAY	12	13	14
15	16	17	18 CALL DAY	19	20	21
22	23	24	25 SHIP DAY	26	27	28
29	30	1	2	3	4	5 ARRIVAL DAY

It is your responsibility to either update the PO via the website or contact Fred's Traffic at Traffic@Fredsync.com at least 5 business days prior to the expected ship date and provide:

- Shipping Location (Name, Address, City, State, Zip, Phone #, and Email)
- Ship Date (confirm product will be ready or provide an updated date if product will not be ready as expected)
- Cubic feet of entire PO (i.e. 40" x 48" x 72" divided 1,728 inches = 80 cubic feet for a standard pallet that is 6 foot tall)
- Pallets (stackable yes or no)
- Pieces
- Weight
- Reefer or Dry Van
- Pickup # (if shipper requires a pickup #)

Please carefully review the document. We require that each Supplier Partner fill out, sign, and date the acknowledgment form (located on the last page).

Feel free to contact us with any questions and thank you for your support and assistance.

Sincerely,



Jerry Shore
CEO



Bryan Pugh
Chief Merchandising & Marketing Officer



Mike Bloom
President/COO



Craig Barnes
EVP Supply Chain & Loss Prevention

Regional Zone Pickup Supplier Acknowledgement Form

Supplier Partner Name

Date

Supplier Partner Address

Respondent Name

Respondent Title

Respondent Email

Respondent Telephone #

I, _____, an authorized representative of above-mentioned company, do hereby acknowledge and confirm the following:

- I acknowledge receipt of the Fred’s zone pickup notification and have read and understand how zone pickups will work and my companies’ responsibilities.
- I understand that Fred’s reserves the right to provide recommendations for the improvement of this process.

Authorized Signature

Date

Email completed form to:

supplychain@fredsinc.com

Upon receipt of this email, Fred’s requests that the form be filled out and returned within 5 business days.

This document and form will be located on the Fred’s website – www.fredsinc.com under the Vendor Relations Tab.