

Fred's Compensation Committee Charter

I. Purpose

The purpose of the Compensation Committee of Fred's Inc. is to:

- Discharge the Board of Directors' responsibilities relating to compensation of the Company's executives;
- Oversee the administration of the Company's stock and cash incentive plans
- Review and approve the report on executive compensation required by U.S. Securities and Exchange Commission rules to be included in the Company's annual proxy statement.

II. Duties and Responsibilities

The duties and responsibilities of the Committee shall include the following:

- In consultation with senior management, establish the Company's general compensation philosophy and oversee the development and implementation of compensation programs.
- Review and approve corporate goals and objectives relevant to the compensation of the CEO and senior management. Evaluate the performance of the CEO in light of those goals and objectives, and set the CEO's compensation level based on this evaluation
- Review and approve the significant terms of employment agreements, severance arrangements and change in control agreements..
- Make recommendations to the Board with respect to the compensation of the Company's non-CEO executive officers.
- Review and approve with the Company's executives the Compensation Discussion and Analysis required by the rules of the U.S. Securities and Exchange Commission and recommend to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's annual proxy statement and Annual Report on Form 10 K.
- An annual performance self-evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation shall also recommend to the Board, for its approval, any improvements to this charter deemed necessary or desirable by the Committee
- Report regularly to the Board of Directors.
- Review such other matters that the Board of Directors or the Committee shall deem appropriate.

III. Composition

The Committee shall consist of at least three members of the Board, including a Chair, each of whom meets the independence requirements of the NASDAQ listing rules. The members shall be appointed by the Board upon the Nominating Committee's recommendations and shall serve at the pleasure of the Board for such term as the Board determines. The Committee may delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

IV. Meetings

The Committee shall meet in person, telephonically, or via other electronic means of communication at least twice annually with further meetings to occur, or actions to be taken by unanimous consent, when deemed necessary by the Committee or its chairperson. The Committee shall designate a secretary for each meeting to record minutes. The secretary is not required to be a Committee member

V. Resources and Authority

The Committee shall have the resources and authority to retain and terminate, at the expense of the Company, legal and consulting firms it considers appropriate to carry out its duties and responsibilities, including determining the fees and terms of engagement of such firms.