



**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF GOODY'S FAMILY CLOTHING, INC.**

I. AUDIT COMMITTEE PURPOSE

The Audit Committee of the Board of Directors of Goody's Family Clothing, Inc. (the "Company") is appointed by the Board of Directors to assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Oversee the integrity of the Company's financial statements.
- Oversee the Company's internal controls and procedures for finance, accounting, disclosure and legal compliance.
- Monitor the performance of the Company's internal auditing department and the independence and performance of the Company's independent auditors.
- Provide an avenue of communication between the independent auditors, management, the internal auditing department and the Board of Directors.

The Audit Committee has the authority to conduct or authorize investigations into any matter within the scope of its responsibilities, and it shall have direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other financial consultants or experts it deems necessary in the performance of its duties or to assist in the conduct of any investigation.

II. AUDIT COMMITTEE COMPOSITION AND MEETINGS

Audit Committee members shall meet the requirements of the National Association of Securities Dealers. The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors, each of whom shall be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements. Members of the Audit Committee may enhance their familiarity with finance and accounting by participating in educational programs.



Audit Committee members shall be appointed by the Board of Directors. If an audit committee Chair is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee membership.

The Audit Committee will have regular meetings at least four times per year (which should coincide with, and precede, the Company's public announcement of its quarterly and annual results) or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee or one or more of its members should meet privately and separately, as often as is reasonably necessary, with management, with the director of the internal auditing department and with the independent auditors, to discuss any matters that the Audit Committee or each of these groups believes should be discussed.

III. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit this Charter to the Board of Directors for approval and have it published in a proxy or information statement in accordance with the Securities and Exchange Commission regulations.
2. Review the Company's annual audited financial statements and related footnotes prior to filing or distribution. The review should include separate discussions with management and with the independent auditors of significant issues and disagreements regarding accounting principles, practices and judgments, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and the effect of using different accounting principles, practices and judgments.
3. Review and discuss with management and with the independent auditors the Company's quarterly earnings releases and reports prior to public distribution.
4. Review any reports or other documents filed with the Securities Exchange Commission that include public financial disclosures prior to filing and discuss with management, if appropriate, whether the information contained in these documents is consistent with the information contained in the Company's financial statements.
5. In consultation with management and the independent auditors, consider the integrity of the Company's financial reporting processes and adequacy of controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures.



6. Review written reports and significant findings, if any, prepared by the independent auditors and, if appropriate, discuss the information contained in the reports with the independent auditors. Review management's responses, if any, to such reports and findings, including the status of previous recommendations.
7. Receive copies of reports to management prepared by the internal auditing department and management's responses to any such reports.
8. Review, annually, the procedures, organizational structure, and qualifications of the internal audit department. Discuss with the independent auditors the performance of the internal audit department and any recommendations the independent auditors may have.
9. Oversee compliance with governing laws or regulations, for hiring employees or former employees of the independent auditors.
10. To the extent that they have not been reviewed by the Compensation Committee of the Board or another committee of the Board of Directors composed of independent directors, review related party transactions and transactions involving potential conflicts of interest with corporate officers and directors, whenever possible in advance of the creation of such transaction or conflict. To the extent that they have not been reviewed by the Compensation Committee of the Board or another committee of the Board of Directors composed of independent directors, cause to be reviewed compensation, expenses, perquisites and related party transactions with corporate officers and directors to verify that they are in accordance with corporate policies and with any agreements or arrangements approved by the Board of Directors.
11. Establish procedures for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
12. Establish procedures for the receipt, retention, and treatment – including independent reporting to the Audit Committee of significant problems identified – of complaints regarding accounting, internal accounting control, or auditing matters.

Independent Auditors and Internal Auditors

13. The independent auditors are ultimately accountable to the Audit Committee of the Board of Directors, which has the ultimate authority and responsibility to select, compensate, evaluate and, where appropriate, replace the independent auditors. The Audit Committee shall oversee the resolution of any financial reporting disagreements between management and the independent auditors, review the independence and performance of the independent auditors and the experience and qualifications of the partners and managers of the independent auditor team. The Audit Committee shall annually appoint the independent



auditors or approve any discharge of the independent auditors when circumstances warrant.

14. Approve the audit fees and other significant compensation to be paid to the independent auditors.
15. Approve, in advance, the retention and related fees of the independent auditors for any non-audit services and consider whether the provision of these other services is compatible with maintaining the auditors' independence. This duty may be delegated to one or more designated members of the Audit Committee with any such pre-approval reported to the Audit Committee at its next regularly scheduled meeting. Review disclosure of information regarding the approval of independent auditors' audit services as required by the SEC in periodic reports to investors.
16. On an annual basis, the Audit Committee should receive from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company and representing to the Company the independent auditors' independence consistent with applicable standards. The Audit Committee should discuss with the independent auditors the disclosed relationships or services that may impact the objectivity and independence of the auditors, and take, or recommend that the Board of Directors take, appropriate action to ensure the independence of the auditors.
17. Review the independent auditors' audit plan - discuss scope, staffing, reliance upon internal audit and audit approach.
18. Discuss matters required to be communicated to audit committees in accordance with the American Institute of Certified Public Accountants: A Statement of Auditing Standards No. 61 (as amended).
19. Obtain and consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting; the discussion should include such issues as the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates, the clarity of the Company's financial disclosures and other significant decisions made by management in preparing the financial disclosures.
20. The internal auditors will be responsible to the Board of Directors through the Audit Committee. The Audit Committee shall annually review the performance, objectivity and organizational autonomy of the internal auditors. Review and approve the appointment and replacement of the director of the internal audit department when circumstances warrant.



21. Review the annual internal audit financial budget, audit plan and the processes used to develop the plan. Discuss the scope of the internal audit plan, staffing, status of activities, significant findings, and any recommendations. Approve the compensation of the director of the internal audit department, and fees and other compensation to be paid to third party firms for providing significant internal auditor services.

Legal Compliance

22. On at least a quarterly basis, review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities

23. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.
24. Report Audit Committee actions to the Board of Directors on a regular basis including any recommendations the Audit Committee deems appropriate.
25. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.
26. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.