

**CHARTER OF THE
COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS OF
FAMILY DOLLAR STORES, INC.**

Purpose

The purpose of the Compensation Committee (the “Committee”) of Family Dollar Stores, Inc. (the “Company”) shall be to:

1. Evaluate, approve and report to the Board of Directors (the “Board”) compensation of the Chief Executive Officer (“CEO”);
2. Evaluate and recommend to the Board the compensation of other selected senior executive officers and of the Non-Management Directors;
3. Administer the Company’s equity plans, including the Family Dollar Stores, Inc. 1989 Non-Qualified Stock Option Plan;
4. Evaluate and review the Company’s overall compensation and benefit structure, including the Company’s equity and incentive compensation plans;
5. Prepare a report on executive compensation to be included in the Company’s annual proxy statement as required by the Securities and Exchange Commission.

Committee Membership

The Committee shall consist of no fewer than three members of the Board. The Committee members shall be Independent Directors in that they satisfy the requirement of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code, that they qualify as a “Non-employee Director” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934 (as amended), and that they qualify as “independent” in accordance with New York Stock Exchange listing standards. The members of the Committee shall be appointed by the Board on the recommendation of the Nominating/Corporate Governance Committee. Committee members may be replaced by the Board at any time. The Board shall elect the Chairperson of the Committee. The Chairperson will chair all regular sessions of the Committee and set agendas for Committee meetings.

Meetings

The Committee shall meet as often as it deems necessary, but not less frequently than three times per year. Minutes should be recorded at every Committee meeting and filed in the Company records. The Committee Chairperson shall report to the Board significant issues facing, and significant findings of, the Committee. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, provided that any such delegation shall be reported to the full Board.

Committee Authority and Responsibilities

If the Committee deems it necessary to retain compensation consultants to assist the Committee in the evaluation of Director, CEO or senior executive compensation, the Committee shall have the sole authority to select, retain and subsequently terminate, such consultants, and to approve the consultant's fees and other retention terms. Additionally, the Committee may conduct or authorize studies, or retain legal or other necessary advisors to investigate matters within the scope of its stated responsibilities.

The Committee shall have the following responsibilities, along with other responsibilities or duties as may be delegated by the Board from time to time:

1. Annually review and approve corporate goals and objectives relevant to the compensation of the CEO. Annually evaluate the CEO's performance in light of the previously established goals and report to the Board regarding such evaluation. Based upon this evaluation, the Committee shall determine and approve CEO compensation which may include, but is not limited to, an annual base salary, annual and/or long term incentive compensation in the form of a bonus, and long term incentive compensation in the form of cash or equity and such other compensation or benefits as the may be deemed reasonable and appropriate by the Committee. In considering the long-term incentives provided to the CEO, the Committee shall consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies and the awards previously granted to the CEO.
2. In conjunction with the CEO, annually review the performance of selected senior executive officers of the Company and make recommendations to the Board regarding the compensation of such senior executive officers. This compensation may include, but is not limited to, an annual base salary, annual and/or long term incentive compensation in the form of a bonus, and long term incentive compensation in the form of cash or equity and such other compensation or benefits as may be deemed reasonable and appropriate by the Committee.
3. Annually recommend to the Board the compensation of the Company's Non-Management Directors.
4. Periodically review and recommend to the Board and management the underlying principles for the compensation of Directors and executive officers and general compensation philosophy. Monitor the Company's compliance with applicable laws, regulations and rules relating to the compensation of Directors and executive officers, including the New York Stock Exchange rules, and requirements established by the Securities and Exchange Commission and/or the Internal Revenue Service regarding the Company's equity compensation plans.

5. Oversee and administer the Company's incentive and equity based plans. In this regard the Committee's role includes, but is not limited to, periodically evaluating and making recommendations to the Board regarding the designs of the respective plans. The Committee shall have the power and authority, as set forth in such plans, to interpret the plans, establish rules for the administration of the plans, select and approve participants and grants under the plans, and approve guidelines for the grant of options by management as necessary for the efficient operation of the Company's option plans.
6. Annually prepare a report addressing executive compensation to be included in the Company's annual proxy statement.
7. Evaluate the Compensation Committee's charter, performance and effectiveness on an annual basis.

Adopted: August 17, 2004