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FREDS INC  
Form PRE 14A  
May 14, 2002

SCHEDULE 14A INFORMATION  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. \_\_\_\_)

Filed by the Registrant [X]  
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to ss. 240.14a-12

FRED'S, INC.  
(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the Appropriate box):

- No fee required
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1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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FRED'S, INC.  
4300 NEW GETWELL ROAD  
MEMPHIS, TENNESSEE

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
to be held on Wednesday, June 26, 2002

TO THE SHAREHOLDERS OF FRED'S, INC.:

Notice is hereby given that the Annual Meeting of Shareholders of Fred's, Inc. (the "Company" or "Fred's") will be held at the Memphis Marriott Hotel, 2625 Thousand Oaks Boulevard, Memphis, Tennessee on Wednesday, June 26, 2002, at 10:00 A.M., Central Daylight Time, for the following purposes:

1. To elect the Company's Board of Directors;
2. To ratify the designation of Ernst & Young LLP as independent auditors of the Company;
3. To amend the Company's Charter to increase authorized shares;
4. To approve the adoption of the 2002 Long Term Incentive Plan and ratify grants thereunder.

The accompanying Proxy Statement contains further information with respect to these matters.

Only shareholders of record at the close of business on May 3, 2002, will be entitled to vote at the meeting or any adjournment thereof.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.

By order of the Board of Directors,

Charles S. Vail  
Secretary

May 24, 2002

FRED'S, INC.  
4300 NEW GETWELL ROAD

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MEMPHIS, TENNESSEE 38118

## PROXY STATEMENT

For Annual Meeting of Shareholders, June 26, 2002

The enclosed proxy is solicited by the Board of Directors (the "Board" or "Board of Directors") of Fred's, Inc. (the "Company" or "Fred's") to be voted at the Annual Meeting of Shareholders to be held on June 26, 2002, at 10:00 A.M., Central Daylight Time, at the Memphis Marriott Hotel, 2625 Thousand Oaks Boulevard, Memphis, Tennessee, or any adjournments thereof (the "Annual Meeting"). At the Annual Meeting, the presence in person or by proxy of the holders of a majority of the total number of shares of outstanding Class A common stock ("Common Stock") will be necessary to constitute a quorum.

The election of each director, the ratification of Ernst & Young LLP as auditors, the approval of the amendment to the Charter of the Company and the adoption of the 2002 Long Term Incentive Plan each requires approval by a majority of the votes cast by the holders of Common Stock present in person or by proxy and entitled to vote on that matter.

All shares represented by properly executed proxies will be voted in accordance with the instructions indicated thereon unless such proxies previously have been revoked. If any proxies of holders of Common Stock do not contain voting instructions, the shares represented by such proxies will be voted FOR Proposals 1, 2, 3 and 4. The Board of Directors does not know of any business to be brought before the Annual Meeting, other than as indicated in the notice, but it is intended that, as to any other such business properly brought before the meeting, votes may be cast pursuant to the proxies in accordance with the judgment of the persons acting thereunder.

Any shareholder who executes and delivers a proxy may revoke it at any time prior to its use upon (a) receipt by the Secretary of the Company of written notice of such revocation; (b) receipt by the Secretary of the Company of a duly executed proxy bearing a later date; or (c) appearance by the shareholder at the meeting (with proper identification) and his request for the return of his proxy or his request for a ballot.

A copy of this Proxy Statement and the enclosed Proxy Card are first being sent to shareholders on or about May 24, 2002.

### Voting Securities

Only shareholders of record at the close of business on May 3, 2002 will be entitled to vote at the Annual Meeting. As of such date, the Company had outstanding and entitled to vote at the Annual Meeting 25,539,313 shares of Common Stock. All references to shares and share prices reflect the stock splits effected on June 18, 2001 and February 1, 2002. Each share of Common Stock is entitled to one vote for all matters before the Annual Meeting.

Ownership of Common Stock  
by Directors,  
Officers and Certain Beneficial Owners

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The following table sets forth the beneficial ownership known to the Company of Common Stock as of May 3, 2002, by (i) beneficial owners of more than five percent of Common Stock, (ii) each director, (iii) each of the persons named in the Summary Compensation Table, and (iv) all directors and executive officers of Fred's as a group.

Beneficial Owner -----	Options (3) -----	Shares of Common Stock Beneficially Owned (1) ----- Number of Shares ----- Total (4) -----
Michael J. Hayes (5) (7)	10,937	1,880,576
David A. Gardner (6) (7)	--	1,677,893
John R. Eisenman	26,172	34,374
Roger T. Knox	32,030	39,192
John D. Reier	53,124	62,499
Thomas H. Tashjian	9,062	198,905
John A. Casey	13,750	33,671
Charles Brunjes	5,624	5,624
Reggie Jacobs	13,471	14,596
Jerry A. Shore	7,500	11,250
All Directors and Executive Officers as a Group 11 persons including the directors named above)	173,545	3,984,999

\* Less than 1%  
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(1) As used in this table, beneficial ownership means the sole or shared power to vote, or direct the voting of, a security, or the sole or shared power to dispose, or direct the disposition, of a security. Except as otherwise indicated, all persons listed above have (i) sole voting power and investment power with respect to their shares of Common Stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of Common Stock.

(2) Calculated as the number of shares beneficially owned, divided by 26,093,180, which consists of the total outstanding shares of Common Stock (25,539,313) and vested options (553,867) as of May 3, 2002.

(3) Represents stock options that are exercisable as of May 3, 2002.

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- (4) Includes stock options that are exercisable as of May 3, 2002.
- (5) Includes 153,571 shares owned by Mr. Hayes' wife and 37,888 shares owned by Memphis Retail Limited Partnership which are attributable to Mr. Hayes and two of his children.
- (6) Mr. Gardner was an officer and director of the Company until his death on December 23, 2001. Mr. Gardner's widow is the beneficial owner of these shares and of 169,690 shares which she owns in her own name.
- (7) The address for all except Mr. Gardner is 4300 New Getwell Rd., Memphis, TN 38118. The address of the estate of Mr. Gardner is 445 Park Avenue, Suite 1600, New York, New York 10022.

FRED'S PROPOSAL 1 (ELECTION OF DIRECTORS)

Five directors, constituting the entire Board of Directors, are to be elected at the Annual Meeting to serve one year or until their successors are elected. The Board of Directors proposes the election of the following nominees:

Nominee -----	Age ---	Principal Occupation, Business and Directorship -----
Michael J. Hayes.....	60	Director and Chairman
John R. Eisenman.....	60	Director
Roger T. Knox.....	64	Director
John D. Reier.....	62	Director
Thomas H. Tashjian.....	47	Director

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Michael J. Hayes was elected a Director of the Company in January 1987 and has been a Managing Director of the Company since October 1989. Mr. Hayes has been Chief Executive Officer since October 1989 and was named Chairman of the Board in November 2000. He was previously employed by Oppenheimer & Company, Inc. in various capacities from 1976 to 1985, including Managing Director and Executive Vice President - Corporate Finance and Financial Services.

John R. Eisenman is involved in real estate investment and development with REMAX Island Realty, Inc., located in Hilton Head Island, South Carolina. Mr. Eisenman has been engaged in commercial and industrial real estate brokerage and development since 1983. Previously, he founded and served as President of Sally's, a chain of fast food restaurants, from 1976 to 1983, and prior thereto held various management positions in manufacturing and in securities brokerage. Mr. Eisenman has served as a Director since the Company's initial public offering in March 1992.

Roger T. Knox has served the Memphis Zoological Society as its President and Chief Executive Officer since January 1989. Mr. Knox was the President and Chief Operating Officer of Goldsmith's Department Stores, Inc. (a full-line department store in Memphis and Jackson, Tennessee) from 1983 to 1987 and its Chairman of the Board and Chief Executive Officer from 1987 to 1989. Prior thereto, Mr. Knox was with Foley's Department Stores in Houston, Texas for 20 years. Mr. Knox has served as a Director since the Company's initial public offering in March 1992. Additionally, Mr. Knox is a Director of Hancock Fabrics, Inc.

John D. Reier is President and a Director. Mr. Reier joined the

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Company in May of 1999 as President and was elected a Director of the Company in August 2000. Prior to joining the company, Mr. Reier was President and Chief Executive Officer of Sunny's Great Outdoors Stores, Inc. from 1997 to 1999, and was President, Chief Operating Officer, Senior Vice President of Merchandising, and General Merchandise Manager at Family Dollar Stores, Inc. from 1987 to 1997.

Thomas H. Tashjian was elected a Director of the Company in March 2001. Mr. Tashjian is a private investor. Previously, he served as a managing director and consumer group leader at Banc of America Montgomery Securities in San Francisco. Prior to that, Mr. Tashjian held similar positions at First Manhattan Company, Seidler Companies, and Prudential Securities. Mr. Tashjian's earlier retail operating experience was in discount retailing at the Ayrway Stores, which were acquired by Target, and in the restaurant business at Noble Roman's.

If, for any reason, any of the nominees shall become unavailable for election, the individuals named in the enclosed proxy may exercise their discretion to vote for any substitutes chosen by the Fred's Board of Directors, unless the Board of Directors should decide to reduce the number of directors to be elected at the Annual Meeting. Fred's has no reason to believe that any nominee will be unable to serve as a director.

For information concerning the number of shares of Common Stock owned by each director, and all directors and executive officers as a group as of May 3, 2002, see "Ownership of Common Stock by Directors, Officers and Certain Beneficial Owners". There are no family relationships between any directors or executive officers of Fred's.

### Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of reports of beneficial ownership of Fred's Common Stock and written representations furnished to Fred's by its officers, directors and principal shareholders, Fred's is not aware of any such reporting person who or which failed to file with the Securities and Exchange Commission (the "Commission") on a timely basis any required reports of changes in beneficial ownership.

### Audit Committee

The Audit Committee of the Board of Directors, which is comprised of Messrs. Eisenman, Knox and Tashjian, met five times during the last fiscal year, and all Committee members were in attendance. Each of the members of the Audit Committee is an Independent Director as defined by the National Association of Securities Dealers' Automated Quotation System's listing standard. Mr. Gardner served on the Committee until his death in December 2001. Mr. Eisenman is the Chairman of the Audit Committee. The Board of Directors has delegated to the Audit Committee responsibility for making recommendations concerning the engagement of the independent public accountants; considering the range of audit and non-audit fees; assisting the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to any governmental body or the public; reviewing the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and reviewing the Company's auditing, accounting, and financial reporting processes generally. The management of the Company has the primary responsibility for the financial statements and reporting process. The accountants are responsible for conducting and reporting on the audit of the Company's financial statements in accordance with generally accepted auditing standards. The Company's independent accountants are ultimately accountable to the Audit Committee and the Board of Directors. The Board of Directors has

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adopted a written charter for the Audit Committee.

Review and Discussion of Financial Statements. In the context of the role of the Audit Committee as outlined above, the Audit Committee has reviewed and discussed the Company's audited financial statements for 2001 with management of the Company. It has also discussed with PricewaterhouseCoopers LLP those matters required by Statement of Auditing Standards 61. The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP as required by Independence Standards Board Standard No. 1 and has discussed with PricewaterhouseCoopers LLP their independence, including consideration of whether the payment to PricewaterhouseCoopers LLP of other non-audit fees is compatible with maintaining their independence. Based upon its review and discussions with Company management and PricewaterhouseCoopers LLP, the Audit Committee has recommended to the Board of Directors that Fred's, Inc. audited financial statements for fiscal 2001 be included in the annual report on Form 10-K for 2001 filing with the Securities and Exchange Commission.

### Compensation Committee

The Compensation Committee reviews and approves the salaries and incentive compensation of executive officers and recommends the grants of stock-based incentive compensation under Fred's long-term incentive plans. The Compensation Committee, which is comprised of Messers. Eisenman, and Knox, met two times during the last fiscal year, and all Committee members were in attendance. Mr. Knox is the Chairman of the Compensation Committee. Mr. Gardner was a member of the Committee until his death in December 2001. The Board of Directors receives the grant recommendations of the Committee and may approve, amend or reject the grant of restricted stock and stock options recommended by the Committee.

### Board of Directors

During the last fiscal year, Fred's Board of Directors held five meetings. Messers. Hayes, Eisenman, Knox, Reier, and Tashjian attended all of the Board meetings. Mr. Gardner served as director until his death in December 2001 and attended all Board meetings until then. Non-employee directors of Fred's are paid for their services as such \$12,000 per year plus reasonable expenses for meeting attendance. The Board of Directors does not have a nominating committee.

### Executive Compensation

The following table sets forth the cash compensation paid, as well as certain other compensation paid or accrued, to Fred's chief executive officers and to each of the other five most highly compensated executive officers whose aggregate cash compensation exceeded \$100,000 during the indicated fiscal years (the "Named Executives").

#### SUMMARY COMPENSATION TABLE

Annual Compensation	Long-Term Compensation	
	Restricted	Awards ----- Option

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Name and Principal Position	Compensation Year	Salary (\$) (2)	Bonus (\$)	Stock Awards (\$) (1)	Awards (#)
Michael J. Hayes Managing Director and Chief Executive Officer	2001	195,710	--	--	27,500
	2000	184,242	--	--	32,813
	1999	180,795	--	--	--
David A. Gardner (4) Managing Director	2001	100,000	--	--	--
	2000	120,000	--	--	--
	1999	120,000	--	--	--
John D. Reier [5] President	2001	197,860	84,000	--	11,250
	2000	190,461	--	--	32,813
	1999	101,552	--	58,150	46,875
John A. Casey Executive Vice President- Pharmacy Operations	2001	113,385	52,800	--	5,000
	2000	110,097	--	--	20,625
	1999	105,000	--	--	--
Charles A. Brunjes (5) Senior Vice President- Store Operations	2001	118,654	24,000	--	7,500
	2000	59,711	--	--	25,313
Reggie E. Jacobs Senior Vice President- Distribution	2001	108,654	36,000	--	7,500
	2000	101,539	--	--	15,313
	1999	77,019	14,000	--	9,375
Jerry A. Shore (5)	2001	130,000	10,000	--	5,000
	2000	105,000	--	29,750	16,875

(1) The aggregate restricted stock holdings for the above named executive officers, using the February 1, 2002 closing price of \$27.97 per share, net of any consideration to be paid, was as follows:

	Number	Value
John D. Reier	9,375	\$262,191
John A. Casey	--	--
Charles A. Brunjes	--	--
Reggie E. Jacobs	1,125	\$ 31,463
Jerry A. Shore	3,750	\$104,888

No restricted stock awards vest in under three years from the date of grant. All restricted stock holdings pay dividends at the same dividend rate as the Company's other common stock.

(2) Fiscal 2000 salaries are based on 53 weeks. Includes Fred's contributions to defined contribution plans (401(k) and Incentive Plan).

(3) Consists of miscellaneous reimbursements.

(4) Payments for Mr. Gardner's services were made to Gardner Capital Corporation under a contractual relationship between that company and



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Fred's. Mr. Gardner was a managing director of the Company until his death on December 23, 2001.

- (5) Mr. Reier joined the Company on May 3, 1999. Mr. Brunjes joined the Company on July 24, 2000. Mr. Shore joined the Company on April 17, 2000.

### OPTION/SAR GRANTS IN LAST FISCAL YEAR

The following table sets forth information on stock option grants pursuant to the Fred's, Inc. 1993 Long-Term Incentive Plan during the last fiscal year for each of the Named Executives, all current executive officers as a group, the non-employee directors as a group and all other recipients as a group. The Company has not granted any Stock Appreciation Rights ("SARs").

Name	Individual Grants				Expiration Date	Poten Valu Ann App Opt 5% (\$)
	Options/ SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Exercise or Base Price (\$/Sh)		
Michael J. Hayes(2)	27,500	16.1%	\$18.53	\$18.53	10/09/06	\$ 115,307
John D. Reier(2)	11,250	6.6%	\$18.53	\$18.53	10/09/06	\$ 47,171
John A. Casey (2)	5,000	2.9%	\$18.53	\$18.53	10/09/06	\$ 20,965
Charles Brunjes(2)	7,500	4.4%	\$18.53	\$18.53	10/09/06	\$ 31,447
Reggie Jacobs(2)	7,500	4.4%	\$18.53	\$18.53	10/09/06	\$ 31,447
Jerry A. Shore (2)	5,000	2.9%	\$18.53	\$18.53	10/09/06	\$ 20,965
Executive Group (7 persons)	63,750					\$ 267,302
Non-Executive Director Group (3 persons)	14,062					\$ 42,033
Non-Executive Officer Employee Group (81 persons)	106,941					\$ 339,645

(1) The potential gain is calculated from the closing price of Common Stock on the date of grants until the end of the option period at certain assumed rates of appreciation set by the Commission. They are not intended to forecast possible future appreciation in the Common Stock and any actual gains on exercise of options are dependent on the future performance of the Common Stock.

(2) All options vest and are exercisable in one-third increments on each of the first three anniversaries after the date of grant, and vesting is also contingent upon both individual and Company performance requirements having been met. The exercise price of all options is the fair market value of the Common Stock at the time of the grant.

The following table shows the stock option exercises by the Named Executives during the last fiscal year. In addition, this table includes the number of exercisable and unexercisable stock options held by each of the Named

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Executives as of February 2, 2002. The fiscal year-end value of "in-the-money" stock options is the difference between the exercise price of the option and the fair market value of the Common Stock (not including options with an exercise price greater than the fair market value) on February 1, 2002 (the last trading date before the fiscal year-end), which was \$27.97 per share. No SARs have been granted.

### AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

	Stock Option Exercises		Number of Securities Underlying Unexercised Options/SARs		Value
	Shares Acquired on Exercise	Value Realized (\$)(1)	At Fiscal Year-end Exercisable	Unexercisable	In-Th At Exercisab
Michael J. Hayes	37,889	511,167	--	49,376	\$ --
John D. Reier	--	--	42,187	48,751	\$ 898,50
John A. Casey	17,578	186,327	6,875	18,750	\$ 137,27
Charles A. Brunjes	--	--	14,062	11,250	\$ 280,77
Reggie E. Jacobs	18,590	157,301	9,531	20,000	\$ 170,74
Jerry A. Shore	--	--	1,875	20,000	\$ 37,43

(1) "Value Realized" is the difference between the fair market value of the underlying shares on the exercise date and the exercise price of the option.

### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors of Fred's, Inc. (the "Committee") hereby presents its report on executive compensation. This Committee report documents the components of Fred's executive officer compensation programs and describes the basis on which fiscal 2001 compensation determinations were made by the Committee with respect to the executive officers of Fred's, including the Named Executives.

#### Compensation Philosophy and Overall Objectives of Executive Compensation Programs

It is the philosophy of Fred's that executive compensation be linked to improvements in corporate performance and increases in shareholder value. The following objectives have been adopted by the Committee as guidelines for compensation decisions:

- \* Provide a competitive total compensation package that enables Fred's to attract and retain key executives.
- \* Integrate all pay programs with Fred's annual and long-term business objectives and strategy, and focus executive behavior on the fulfillment of those objectives.
- \* Provide variable compensation opportunities that are linked with the performance of Fred's and that align executive remuneration with the interests of stockholders.

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### Compensation Program Components

The Committee reviews Fred's compensation program annually to ensure that pay levels and incentive opportunities are competitive and reflect the performance of Fred's. The particular elements of the compensation program for executive officers are further explained below.

**Base Salary** - Base pay levels are largely determined through comparisons with other retailing companies. Actual salaries are based on individual performance contributions within a salary structure that is established through job evaluation and job market considerations. Base pay levels for the executive officers are competitive within the middle of a range that the Committee considers to be reasonable and necessary. Various increases in base salary were recommended by the Chief Executive Officer in fiscal 2001 for the Named Executives, based on performance and competitive considerations, and the Committee acted in accordance with the recommendation.

**Incentive Compensation** - Fred's officers are eligible to participate in an annual incentive compensation plan with awards based primarily on the attainment of various specified levels of operating profits. The objective of this plan is to deliver competitive levels of compensation for the attainment of financial objectives that the Committee believes are primary determinants of earnings growth. Targeted awards for executive officers of Fred's under this plan are consistent with targeted awards of other retailing companies of similar size and complexity to Fred's. Specified awards were recommended by the Chief Executive Officer for the Named Executives of Fred's for fiscal 2001, based upon the Company's performance, and the Committee acted in accordance with the recommendation.

**Fred's Stock Option Program** - The Committee strongly believes that by providing those persons who have substantial responsibility for the management and growth of Fred's with an opportunity to increase their ownership of Common Stock, the best interests of stockholders and executives will be closely aligned. Therefore, executives are eligible to receive stock options from time to time, giving them the right to purchase shares of Common Stock in the future at a specified price. The number of stock options granted to executive officers is based on competitive practices, with the value of such options estimated by using a Black-Scholes pricing model.

### Discussion of Compensation for the Chief Executive Officer

The Committee has considered Chief Executive Officer's base salary, incentive compensation and long-term incentives to be less than or equal to the total compensation paid to other executives similarly situated, and has deemed his beneficial ownership of Common Stock to provide adequate linkage between the interests of Fred's stockholders and Mr. Hayes' personal interests.

### Summary

After its review of all existing programs, the Committee continues to believe that the total compensation program for executives of Fred's is competitive with the compensation programs provided by other companies with which Fred's competes. The Committee believes that any amounts paid under the incentive compensation plan will be appropriately related to corporate and individual performance, yielding awards that are linked to the annual financial and operational results of Fred's. The Committee also believes that the stock option program provides opportunities to participants that are consistent with

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the returns that are generated on behalf of Fred's stockholders.

### STOCK PRICE PERFORMANCE GRAPH

#### Comparison of Cumulative Total Return

The total cumulative return on investment assumes that \$100 was invested in Fred's, the Nasdaq Retail Trade Stocks Index and the Nasdaq Stock Market (U.S.) Index on January 31, 1997 and that all dividends were reinvested.

#### Compensation Committee Interlocks and Insider Participation

Mr. Gardner served as a managing director of Fred's and as a member of the Compensation Committee and Audit Committee until his death in December 2001.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE NOMINEES TO FRED'S BOARD OF DIRECTORS.

#### FRED'S PROPOSAL 2 (RATIFICATION OF SELECTION OF AUDITORS)

The Board of Directors has selected Ernst & Young LLP to be the independent accountants of Fred's for the year ending February 1, 2003. The Board of Directors will offer a resolution at the Annual Meeting to ratify this selection. On May 9, 2002 the Company retained Ernst & Young LLP as the Company's new independent auditors to audit the Company's financial statements. A representative of Ernst & Young LLP is expected to be represented at the Annual Meeting, will have the opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE "FOR" THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS INDEPENDENT ACCOUNTANTS FOR FISCAL YEAR 2002.

#### Changes in Certifying Accountant

On May 9, 2002, the Company dismissed PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") as its independent accountant and engaged Ernst & Young LLP ("Ernst & Young") as its new independent accountant. The decision to change the independent audit firm was recommended by the Company's Audit

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Committee and approved by the Board of Directors.

The audit reports of PricewaterhouseCoopers on the consolidated financial statements of the Company for the years in the two-year period ended February 2, 2002 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two-year period ended February 2, 2002, and the subsequent interim period ended May 9, 2002, there were no disagreements with PricewaterhouseCoopers on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to PricewaterhouseCoopers' satisfaction, would have caused them to make reference to the subject matter of the disagreement in its reports on the consolidated financial statements for such years.

During the past two fiscal years and through May 9, 2002, PricewaterhouseCoopers has not advised the Company of any reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934).

PricewaterhouseCoopers was provided a copy of the above disclosures, also as set forth in the Company's Report on Form 8-K dated May 14, 2002 filed with the Securities and Exchange Commission, and was requested to furnish the Company with a letter addressed to the Commission stating whether it agreed with the above statement and, if not, stating the respects in which it did not agree. PricewaterhouseCoopers' letter concurring with the disclosures was filed as an exhibit to such report. A representative of PricewaterhouseCoopers LLP is expected to be represented at the Annual Meeting, will have the opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

The Company engaged Ernst & Young as its new independent accountant as of May 9, 2002. During the two year period ended February 2, 2002 and through May 9, 2002, the Company has not consulted with Ernst & Young regarding any matters specified in Items 304(a)(2)(i) or (ii) of Regulation S-K under the Securities Exchange Act of 1934. Ernst & Young was also provided a copy of the above disclosures. The Company has authorized PricewaterhouseCoopers to respond fully to any inquiries from Ernst & Young relating to its engagement as the Company's independent accountant.

### Fees of Ernst & Young

**Audit Fees.** There were no fees billed by Ernst & Young in fiscal 2001 for audit services.

**Financial Information System Design and Implementation Fees.** There were no fees billed by Ernst & Young in fiscal 2001 for financial information systems design and implementation services.

**All Other Fees.** Ernst & Young billed the Company \$13,000 in fiscal 2001 for all other services, such as tax-related advice and other expert services.

### Fees of PricewaterhouseCoopers

**Audit Fees.** PricewaterhouseCoopers billed Fred's \$193,725 in fiscal 2001 for audit services and for review of its financial statements included in its Forms 10-K and 10-Q for 2001.

**Financial Information System Design and Implementation Fees.** There were no fees billed by PricewaterhouseCoopers in fiscal 2001 for financial

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information systems design and implementation services.

All Other Fees. PricewaterhouseCoopers billed the Company \$168,970 in fiscal 2001 for all other services, such as tax-related advice, services relating to a completed public offering, and other expert services.

### FRED'S PROPOSAL 3 (TO AMEND THE COMPANY'S CHARTER TO INCREASE AUTHORIZED SHARES)

The Board of Directors has determined that it is in the best interests of the Company and its shareholders to amend the Company's Charter to increase the number of authorized shares of Class A voting common stock from 30,000,000 to 60,000,000 shares. Accordingly, the Board of Directors has unanimously approved a proposal to so amend the Charter of the Company, and hereby recommends that the Company's shareholders approve such an amendment. If this proposal is approved by the shareholders, the first sentence of Section A of Article Fourth of the Charter will be amended to read: "Sixty Million (60,000,000) shares of Class A voting common stock, each having no par value."

Upon approval of this proposal, the Board of Directors intends to file a Certificate of Amendment with the Secretary of State of the State of Tennessee as soon as practicable. If the shareholders do not approve the Certificate of Amendment, the existing Charter will continue in effect.

Currently, the Company has 30,000,000 authorized shares of common stock. As of May 3, 2002, the number of outstanding shares was 25,539,313 and there were 1,289,620 authorized shares reserved for issuance pursuant to the Company's Incentive Stock Option Plan (including grants already made and shares available for grant). See Proposal 4 for reserved shares if the 2002 Incentive Stock Option Plan is approved. The number of authorized and unissued shares not reserved for any specific use and available for future issuances was 3,171,067 as of May 3, 2002 (before the proposed increase in authorization shares), and would be 33,171,067 after approval of the increase in authorized shares.

The objective of the increase in the authorized number of shares of common stock is to ensure that the Company has sufficient shares available for future issuances. The Board of Directors believes that it is prudent to increase the authorized number of shares of common stock to the proposed level in order to provide a reserve of shares available for issuance to meet business needs as they arise. Such needs may include, without limitation, acquiring assets, goods, or services for use or sale in the conduct of our business, converting preferred stock, financings, establishing strategic relationships with corporate partners, providing equity incentives to employees, officers or directors, or effecting stock splits or dividends. The additional shares of common stock authorized may also be used to acquire or invest in complementary businesses or products.

If the shareholders approve the proposed amendment, the Board of Directors may cause the issuance of additional shares of common stock without further vote of the shareholders of the Company, except as provided under Tennessee corporate law or under the rules of any securities exchange on which shares of Common stock are listed. Current holders of common stock have no preemptive or similar rights, which means that current shareholders do not have a prior right to purchase any new issue of common stock in order to maintain their proportionate ownership thereof. An issuance of additional shares of common stock would decrease the proportionate equity interest of the Company's current shareholders and, depending upon the price paid for such additional shares, could result in dilution to the Company's current shareholders.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE AMENDMENT TO THE COMPANY'S CHARTER.

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### FRED'S PROPOSAL 4 (ADOPTION OF 2002 LONG TERM INCENTIVE PLAN)

At the Fred's Annual Meeting, stockholders will be asked to approve the adoption of the 2002 Long-Term Incentive Plan (the "2002 Plan"). The Company's 1993 Long-Term Incentive Plan (the "Prior Plan") will expire, by its terms, in January 2003. Moreover, the Compensation Committee of the Fred's Board of Directors (the "Committee") expects that by January 2003 the Company will have exhausted all shares available for grant under the Prior Plan. On March 11, 2002, the Fred's Board of Directors approved the proposed 2002 Plan and recommended that it be submitted to Fred's stockholders for approval. No grants have been made under the 2002 Plan. Upon adoption of the 2002 Plan by the shareholders, no further grants will be made under the Prior Plan.

The 2002 Plan is substantially identical to the Prior Plan, except that (i) the 2002 Plan would increase the number of shares of the Company's Common Stock authorized for issuance by 2,067,496 shares, from the 332,504 now available under the Prior Plan (but which would no longer be available for grant if the 2002 Plan is adopted by the shareholders), to 2,400,000 shares, (ii) the 2002 Plan expiration date would be March 11, 2012, and (iii) the 2002 Plan contains explicit language precluding the "repricing" of prior grants (i.e., adjusting or amending the exercise price of prior grants by whatever means).

Fred's long-term success depends upon its ability to attract, retain and encourage dedicated, competent and resourceful key employees. To further these goals, the Fred's Board of Directors adopted and stockholders approved the Prior Plan in 1993, and in 1996 amended the Prior Plan to increase the number of shares authorized for use under the Prior Plan.

The purpose of the Company having a long term incentive plan is to direct the attention and efforts of participating employees to the long-term performance of Fred's and its subsidiaries, by relating incentive compensation to the achievement of long-term corporate economic objectives. The 2002 Plan is also designed to retain, reward and motivate participating employees by providing an opportunity for investment in Fred's and the advantages inherent in stock ownership in Fred's. The Fred's Board of Directors believes that the adoption of the 2002 Plan is necessary in order to recruit and retain a pool of skilled and experienced employees.

#### Summary of the 2002 Plan

The following summary is qualified in its entirety by the full text of the 2002 Plan, a copy of which may be obtained, without charge, by first class mail within one business day of receipt of a written request to Secretary, Fred's, Inc., 4300 New Getwell Road, Memphis, Tennessee 38118, or calling (901) 365-8880.

The 2002 Plan is administered by the Compensation Committee (the "Committee"). Executive officers (8 persons), other key employees (approximately 350 persons) and non-employee directors (3 persons) of the Company and its subsidiaries who can make substantial contributions to the Company's long-term profitability and value are eligible to participate ("Participants") in the 2002 Plan.

The Plan provides for the grant of the following types of incentive awards: stock options, stock appreciation rights, restricted stock, and performance units. (As of May 3, 2002, Fred's has outstanding options and restricted stock granted under the Prior Plan to approximately 360 employees and directors.)

The Committee has the exclusive discretion to select the Participants and to determine the type, size, and terms of each award, to modify the terms of

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awards, to determine when awards will be granted and paid, and to make all other determinations which it deems necessary or desirable in the interpretation and administration of the Plan. The Plan remains in effect until all awards under the Plan either have been satisfied by the issuance of shares of Fred's Common Stock or the payment of cash or have expired or otherwise terminated; provided, however, that no awards may be granted more than ten years after the date of the Plan's approval. Generally, a Participant's rights and interest under the Plan will not be transferable except by will or by the laws of descent and distribution.

Options, which include non-qualified stock options and incentive stock options, are rights to purchase a specified number of shares of Fred's Common Stock at a price fixed by the Committee. The exercise price for stock options issued under the Plan that qualify as incentive stock options within the meaning of Section 422(b) of the Code shall not be less than 100% of the fair market value as of the date of grant. The option exercise price may be satisfied in cash or by exchanging shares of Fred's Common Stock owned by the optionee, or a combination of cash and shares. If the exercise price is paid by tendering shares of Fred's Common Stock, the Committee, in its discretion, may grant the optionee a new stock option for the number of shares used to pay the exercise price. The Committee has broad discretion as to the terms and conditions upon which options granted shall be exercised. Options have a maximum term of ten years from the date of grant. Options granted under the Prior Plan generally have had a five-year term and become exercisable one-third on the first anniversary, one-third on the second anniversary, and one-third on the third anniversary.

Stock Appreciation Rights ("SAR") are rights to receive cash or shares, or a combination thereof, as the Committee may determine, in an amount equal to the excess of (i) the fair market value of the shares with respect to which the SAR is exercised over (ii) a specified price which must not be less than 100% of the fair market value of the shares at the time the SAR is granted, or, if the SAR is granted in connection with a previously issued stock option, not less than 100% of the fair market value of shares at the time such option is granted.

SARs may be granted in connection with a previously or contemporaneously granted stock option or independently. If a SAR is granted in relation to a stock option, (i) the SAR will be exercisable only at such times and by such persons as the related option is exercisable, and (ii) the grantee's right to exercise either the related option or the SAR will be canceled to the extent that the other is exercised. No SAR may be exercised earlier than six months or later than ten years after the date of grant. The Committee may provide in the SAR agreement circumstances under which SARs will become immediately exercisable and may, notwithstanding the foregoing restriction on time of exercise, accelerate the exercisability of any SAR at any time.

Awards of restricted shares under the 2002 Plan may be made at the discretion of the Committee and consist of shares of stock granted to a participant and subject to a stock restriction agreement. At the time of an award, a Participant may have the benefits of ownership in respect of such shares, including the right to vote such shares and receive dividends thereon and other distributions subject to the restrictions set forth in the 2002 Plan and in the stock restriction agreement. Any shares of Fred's Common Stock issued as restricted shares are legended and may not be sold, transferred, or disposed of until such restrictions have elapsed. Upon the expiration, lapse, or removal of restrictions, shares free of restrictive legend will be granted to the grantee. The Committee has broad discretion as to the specific terms and conditions of each award, including applicable rights upon certain terminations of employment.

Performance unit awards entitle grantees to future payments based upon



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the achievement of pre-established long-term performance objectives. A performance unit agreement will establish with respect to each unit award (i) a performance period of not fewer than two years, (ii) a value for each unit which will not thereafter change, or which may vary thereafter pursuant to criteria specified by the Committee, and (iii) maximum and minimum performance targets to be achieved during the applicable performance period. Under each agreement, the grantee will be entitled to full value of a unit award for achievement of maximum targets and a portion of a unit award for performance exceeding minimum targets but less than maximum targets. The Committee has discretion to determine the Participants to whom performance unit awards are to be made, the times in which such awards are to be made, the size of such awards, and all other conditions of such awards, including any restriction, deferral periods, or performance requirements.

The Committee has the discretion to provide financing to a Participant in a principal amount sufficient for the purchase of shares pursuant to an option and/or to pay the amount of taxes required to be withheld in connection with option exercises, awards of shares and performance unit awards. The Committee also has the discretion to permit a Participant to satisfy such tax withholding obligations, in whole or in part, by having the Company withhold shares for the value equal to the amount of taxes required by law to be withheld.

If there occurs a "Change in Control" of the Company, as defined in the 2002 Plan, then any SAR outstanding for at least six months and any stock options awarded and not previously exercisable and vested will become fully exercisable and vested and all restrictions applicable to any restricted stock, performance units or other stock-based awards will lapse.

In the event of any change in the outstanding Common Stock of the Company by reason of a stock dividend or distribution, recapitalization, merger, consolidation, reorganization, split-up, combination, exchange of shares or the like, the Board of Directors, in its discretion, may adjust proportionately the number of shares which may be issued under the 2002 Plan, the number of shares subject to outstanding awards, and the option exercise price of each outstanding option. The Board of Directors may also make such other changes in outstanding options, SARs, performance units and restricted stock awards as it deems equitable in its absolute discretion to prevent dilution or enlargement of the rights of grantees, provided that any fractional shares resulting from such adjustments will be eliminated.

The Board of Directors may terminate, amend, modify or suspend the 2002 Plan at any time, except that the Board of Directors may not, without the authorization of the holders of a majority of the Company's outstanding shares, increase the maximum number of shares which may be issued under the 2002 Plan (other than adjustments pursuant to the 2002 Plan), extend the last date on which awards may be granted under the 2002 Plan, extend the date on which the 2002 Plan expires, change the class of persons eligible to receive awards, or change the minimum option price.

The 2002 Plan is not qualified under Section 401(a) of the Internal Revenue Code.

### Certain Plan Information

The following table reflects certain information about the Prior Plan (the only equity compensation plan currently approved by the Company's shareholders) as of February 2, 2002, the end of the Company's last fiscal year, and the proposed 2002 Plan.

### EQUITY COMPENSATION PLAN INFORMATION

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Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of remaining future is equity co (excludin reflected
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	(a)	(b)	
Equity compensation plans approved by security holders . . . . .	957,116	\$9.31	
Equity compensation plans not approved by security holders (5) . . . . .	-0-	-0-	
Total . . . . .	957,116	\$9.31	

- (1) Reflects Prior Plan stock options only. The Company has not issued any SARs or performance units under the Prior Plan.
- (2) The closing price of the Company's Common Stock on May 3, 2002 was \$40.10.
- (3) Upon adoption of the 2002 Plan by the shareholders, no further grants will be made under the Prior Plan.
- (4) Does not include 15,339 shares of restricted stock issued and outstanding which were granted under the Prior Plan. If the restrictive terms are not met by any Participant, the Participant's restricted shares would revert to the status of unissued shares, but would be available for future grant under the Prior Plan (if the 2002 Plan is not approved by the shareholders) or under the 2002 Plan (if the 2002 Plan is approved by the Shareholders).
- (5) No such plan at February 2, 2002. The 2002 Plan, if adopted by the shareholders, would cause there to be a total of 2,400,000 shares available for future issuance, plus any shares reverting from restricted issuance. See footnotes (3) and (4) above.

Information regarding grants made under the Prior Plan during the fiscal year ended February 2, 2002 is presented above on page 7 in the table "Options/SAR Grants in the Last Fiscal Year." It is not possible to determine the amounts or benefits that might be allocated or received in the future by any person covered by the 2002 Plan, nor is it possible to determine the amounts or benefits that would have been allocated or received during the last completed fiscal year if the 2002 Plan had been in effect

Federal Income Tax Consequences

(1) Options: No income will be realized by an optionee upon the optionee's purchase of shares pursuant to the exercise of an Incentive Stock Option. In order to avail himself of this tax benefit, the optionee must not dispose of the shares before he has held such shares for at least one year after the date of exercise and at least two years after the date of grant. Assuming compliance with this and other applicable tax provisions, an optionee will

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recognize long-term capital gain or loss when the optionee disposes of the shares, measured by the difference between the option price and the amount realized for the shares at the time of disposition. If the optionee disposes of shares purchased upon the exercise of the option before the expiration of the above-noted periods, any amount realized from such disqualifying disposition will be taxable as ordinary income in the year of disposition to the extent of the lesser of the spread between the option price and the fair market value of the shares at the time the option is exercised, or to the extent the optionee would recognize a loss on the disposition, the excess of the amount realized over the option price. Any amount realized in excess of the fair market value of the shares on the date of exercise will be treated as long- or short-term capital gain, depending upon the holding period of the shares. No deduction will be allowed to the Company for federal income tax purposes at the time of the grant or exercise of an Incentive Stock Option. At the time of a disqualifying disposition by an optionee, the Company will be entitled to a deduction for the amount taxable to the optionee as ordinary income. Although the exercise of an Incentive Stock Option does not result in current taxable income, the difference between the fair market value of the shares at the time the option is exercised and the option price will be considered as Alternative Minimum Tax income.

The exercise of a Nonqualified Stock Option will result in the recognition of ordinary income by the optionee for federal income tax purposes in an amount equal to the difference between the option price and the fair market value of the shares acquired upon the exercise of the option. The Company will be entitled to a deduction equal to the amount of income recognized by the optionee. Upon the later sale of any shares acquired upon the exercise of a Nonqualified Stock Option, any amount realized by the optionee in excess of (a) the amount recognized by the optionee as ordinary income plus (b) the option price, will be treated as long- or short-term capital gain to the optionee, depending upon the holding period of the shares.

(2) SARs: A grantee of a SAR will realize ordinary income upon the exercise of a SAR equaling the amount of cash received or the current fair market value of stock acquired less any exercise price paid, and the Company will receive a corresponding deduction. Upon subsequent disposition of any shares received, any gain or loss will be a long- or short-term capital gain or loss depending upon the applicable holding period.

(3) Restricted Stock: The federal income tax consequences of restricted stock awards will depend on the facts and circumstances of each restricted stock award, and in particular, the nature of the restrictions imposed with respect to the stock which is the subject of the award. In general, if the stock is non-transferable and subject to a "substantial risk of forfeiture", i.e., if rights to full enjoyment of the benefit of ownership of the stock are conditioned upon the future performance of substantial services by the grantee, a taxable event occurs only when the risk of forfeiture ceases or the stock becomes transferable. At such time, the grantee will realize ordinary income to the extent of the excess of the fair market value of the stock on that date over the grantee's cost for such stock, and the Company will be entitled to a deduction in the same amount. Under certain circumstances, the grantee can accelerate the taxable event with respect to the stock, in which event the ordinary income amount and the Company's deduction will be measured as of the date stock is deemed to have been transferred to the grantee. If the restrictions with respect to stock which is the subject of a restricted stock award do not subject the grantee both to a "substantial risk of forfeiture" of the stock and restrictions on transferability, then the grantee will realize ordinary income with respect to the stock to the extent of the difference at the time of the transfer of the stock to the grantee between the fair market value of the stock and the grantee's cost therefor, and the Company will be entitled to a deduction in the same amount. Subsequent to the determination and satisfaction of the ordinary income tax consequences, any further gain or loss realized on the subsequent disposition of such stock will be a long- or

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short-term capital gain or loss depending upon the applicable holding period.

(4) Performance Unit Awards: A grantee of a performance unit award will realize ordinary income upon receipt equaling the amount of cash or the current market value of the stock received, and the Company will receive a corresponding deduction. Upon subsequent disposition of any shares received, any gain or loss will be a long- or short-term gain or loss depending upon the applicable holding period.

The foregoing description of tax consequences is based upon present federal income tax laws and is subject to change as the laws change. The summary does not cover any foreign, state or local tax consequences of participation in the 2002 Plan.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE 2002 LONG TERM INCENTIVE PLAN.

### OTHER BUSINESS

The Board of Directors knows of no other business which will be presented at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is intended that the persons named in the proxy will act in respect thereof in accordance with their best judgment.

### SHAREHOLDER PROPOSALS

Shareholder proposals intended to be included in the proxy statement and presented at the 2003 Annual Meeting must be received by the Company no later than January 14, 2003, and the proposals must meet certain eligibility requirements of the Securities and Exchange Commission. Proposals may be mailed to Fred's, Inc., to the attention of the Secretary, 4300 New Getwell Road, Memphis, Tennessee 38118. With regard to shareholder proposals not included in the Company's proxy statement which a shareholder wishes to be brought before the annual meeting of shareholders, notice of such a proposal must be received by the Secretary of the Company by March 30, 2003.

### SOLICITATION OF PROXIES AND COST THEREOF

The cost of solicitation of the proxies will be borne by the Company. In addition to solicitation of the proxies by use of the mails, employees of the Company, without extra remuneration, may solicit proxies personally or by telecommunications. The Company will reimburse brokerage firms, nominees, custodians and fiduciaries for their out-of-pocket expenses for forwarding proxy materials to beneficial owners and seeking instruction with respect thereto.

SHAREHOLDERS MAY OBTAIN A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WITHOUT CHARGE (EXCEPT FOR EXHIBITS), BY WRITING TO: FRED'S INC., ATTN: SECRETARY, 4300 NEW GETWELL ROAD, MEMPHIS, TENNESSEE 38118.

By order of the Board of Directors,

Charles S. Vail

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Secretary

May 24, 2002

FRED'S, INC.  
Memphis Marriott Hotel  
2625 Thousand Oaks Boulevard  
Memphis, Tennessee

PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS - JUNE 26, 2002  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

Charles S. Vail and Jerry A. Shore, or either of them with full power of substitution, are hereby authorized to represent and vote all the shares of common stock of the undersigned at the Annual Meeting of the Shareholders of Fred's, Inc., to be held June 26, 2002, at 10:00 a.m., local time, or any adjournment thereof, with all powers which the undersigned would possess if personally present, in the following manner:

1. Election of Directors for the term of one year.

FOR all nominees listed below                       WITHHOLD ALL AUTHORITY \*  
(except as marked to the contrary below) to vote for all nominees listed below

\*INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE THROUGH THE NOMINEE'S NAME BELOW.

Michael J. Hayes	John R. Eisenman	Roger T. Knox
John D. Reier	Thomas H. Tashjian	

2. Ratification of Ernst and Young, LLP as independent auditors of the Company.

FOR                       AGAINST                       ABSTAIN

3. Approve the amendment of the Company's Charter to increase authorized shares.

FOR                       AGAINST                       ABSTAIN

4. Adoption of the 2002 Long Term Incentive Plan.

FOR                       AGAINST                       ABSTAIN

5. In their discretion, the Proxies are authorized to vote upon such other business (none at the time of the solicitation of this Proxy) as may properly come before the meeting or any adjournment thereof.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE LISTED PROPOSITIONS.

WHEN PROPERLY EXECUTED, THIS PROXY SHALL BE VOTED AS DIRECTED. IN THE ABSENCE OF A CONTRARY DIRECTION, IT SHALL BE VOTED FOR THE PROPOSALS AND THE PROXIES MAY VOTE IN THEIR DISCRETION UPON SUCH OTHER MATTERS AS PROPERLY MAY COME BEFORE THE MEETING OR ADJOURNMENT THEREOF.

The undersigned acknowledges receipt of Notice of said Annual Meeting and the accompanying Proxy Statement, and hereby revokes all proxies heretofore given by the undersigned for said Annual Meeting. THIS PROXY MAY BE REVOKED AT ANY TIME PRIOR TO VOTING THEREOF.

Dated: \_\_\_\_\_, 2002

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Signature of Shareholder

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Signature of Shareholder  
(if held jointly)

Please Date this Proxy and Sign Your Name or Names Exactly as Shown Hereon. When signing as an Attorney, Executor, Administrator, Trustee or Guardian, Please Sign Your Full Title as Such. If There Are More than One Trustee, or Joint Owners, All must Sign. Please Return the Proxy Card Promptly Using the Enclosed Envelope.