FREDS INC
Form 10-Q/A
September 18, 2001

FORM 10-Q/A

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended August 4, 2001.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ________________ to ________________.

Commission file number 000-19288

FRED'S, INC.
(Exact name of registrant as specified in its charter)

Tennessee (State or other jurisdiction of incorporation or organization)	62-0634010 (I.R.S. Employer Identification No.)
4300 New Getwell Rd., Memphis, Tennessee (Address of principal executive offices)	38118 (zip code)

(901) 365-8880
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ____X____. No ___________.

The registrant had 15,265,419 shares of Class A voting, no par value common stock outstanding as of September 17, 2001.

FRED'S, INC.

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Item 1 - Financial Statements (unaudited)

FRED'S, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except for number of shares)

	August 4, 2001
ASSETS	
Current assets:	
Cash and cash equivalents	$1,928
Receivables, less allowance for doubtful accounts of $375 ($516 at February 3, 2001)	11,903
Inventories	160,357
Deferred income taxes	982
Other current assets	2,053
Total current assets	177,223
Property and equipment, at depreciated cost	78,222
Equipment under capital leases, less accumulated amortization of $1,567 ($1,305 at February 3,2001)	1,815
Deferred income taxes	655
Other noncurrent assets	4,960
Total assets	$262,875
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$41,497
Current portion of indebtedness	2,228
Current portion of capital lease obligations	627
Accrued liabilities	12,197
Income taxes payable	1,118
Total current liabilities	57,667
Long term portion of indebtedness	34,627
Capital lease obligations	1,531
Other noncurrent liabilities	2,031
Total liabilities	95,856
Shareholders' equity:	
Common stock, Class A voting, no par value, 15,229,044 shares issued and outstanding (15,085,648 shares at February 3, 2001)	70,767
Retained earnings	96,395
Deferred compensation on restricted stock incentive plan	(143)
Total shareholders' equity	167,019
Total liabilities and shareholders' equity	$262,875

See accompanying notes to consolidated financial statements

FRED'S, INC.
CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share amounts)

	Thirteen Weeks Ended		Twenty-Six Weeks	
	August 4, 2001	July 29, 2000	August 4, 2001	Jul 2
Net sales	$210,278	$180,353	$417,637	$356
Cost of goods sold	153,497	131,293	303,098	258
Gross profit	56,781	49,060	114,539	98
Selling, general and administrative expenses	52,817	46,036	103,538	89
Operating income	3,964	3,024	11,001	8
Interest expense, net	706	763	1,336	1
Income before income taxes	3,258	2,261	9,665	7
Provision for income taxes	1,144	607	3,392	2
Net income	$ 2,114	$ 1,654	$ 6,273	$ 4
Net income per share				
Basic	.14	$ .11	$ .42	$
Diluted	.14	$ .11	$ .41	$
Weighted average shares outstanding				
Basic	15,106	14,910	15,056	14
Diluted	15,268	15,218	15,485	15

See accompanying notes to consolidated financial statements

FRED'S, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)
Twenty-six Weeks Ended

	August 4, 2001	Ju
Cash flows from operating activities:		
Net income	$6,273	$4

Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	8,518	6
Lifo reserve	400	
Deferred income taxes	483	
Tax benefit on exercise of stock options	397	
Amortization of deferred compensation on restricted stock incentive plan	69	
Cancellation of restricted stock	(21)	
(Increase)decrease in assets:		
Receivables	3,527	
Inventories	(10,559)	(12
Other assets	253	
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(758)	4
Income taxes payable	(3,160)	2
Other noncurrent liabilities	28	
Net cash provided by operating activities	5,450	5
Cash flows from investing activities:		
Capital expenditures	(9,673)	(6
Intangible assets, net of cash acquired	(383)	(1
Net cash used in investing activities	(10,056)	(8
Cash flows from financing activities:		
Reduction of indebtedness and capital lease obligations	(1,343)	
Proceeds from revolving line of credit, net of payments	5,281	2
Proceeds from exercise of options	1,238	
Cash dividends paid	(1,211)	(1
Net cash provided by financing activities	3,965	
Decrease in cash and cash equivalents	(641)	(1
Cash and cash equivalents:		
Beginning of period	2,569	3
End of period	$1,928	$1
Supplemental disclosures of cash flow information:		
Interest paid	$1,223	$1
Income taxes paid	$5,700	
Non cash investing and financing activities:		
Assets acquired through capital lease obligations	$691	
Common stock issued for acquisition	$596	

See accompanying notes to consolidated financial statements

FRED'S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

Fred's, Inc. ("Fred's" or the "Company") operates 373 discount general merchandise stores, including 27 franchised Fred's stores, in eleven states primarily in the southeastern United States. Two hundred and two of the stores have full service pharmacies.

The accompanying unaudited consolidated financial statements of Fred's have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and notes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. The statements do reflect all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of financial position in conformity with accounting principles generally accepted in the United States of America. The statements should be read in conjunction with the Notes to the Consolidated Financial Statements for the fiscal year ended February 3, 2001 incorporated into the Company's Annual Report on Form 10-K.

The results of operations for the twenty-six week period ended August 4, 2001 are not necessarily indicative of the results to be expected for the full fiscal year.

Certain prior quarter amounts have been reclassified to conform to the 2001 presentation.

NOTE 2: INVENTORIES

Wholesale inventories are stated at the lower of cost or market using the FIFO (first-in, first-out) method. Retail inventories are stated at the lower of cost or market as determined by the retail inventory method. For pharmacy inventories, which comprise approximately 19% of the retail inventories at August 4, 2001, cost was determined using the LIFO (last-in, first-out) method. The current cost of inventories exceeded the LIFO cost by approximately $4,361,000 and $3,608,000 at August 4, 2001 and July 29, 2000, respectively.

LIFO inventory costs can only be determined annually when inflation rates and inventory levels are finalized; therefore, LIFO inventory costs for interim financial statements are estimated.

NOTE 3: NET INCOME PER SHARE

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Restricted stock is considered contingently issuable and is excluded from the computation of basic earnings per share.

COMPUTATION OF NET INCOME PER SHARE

(unaudited)

(in thousands, except per share amounts)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 4, 2001	July 29, 2000	August 4, 2001	July 29 2000
Basic net income per share				
Net income	$ 2,114	$ 1,654	$ 6,273	$4,999
Weighted average number of common shares outstanding during the period	15,106	14,910	15,056	14,860
Net income per share	$ .14	$ .11	$ .42	$ .34
Diluted net income per share				
Net income	$ 2,114	$ 1,654	$ 6,273	$4,999
Weighted average number of common shares outstanding during the period	15,106	14,910	15,056	14,860
Additional shares attributable to common stock equivalents	162	308	429	334
	15,268	15,218	15,485	15,194
Net income per share	$ .14	$ .11	$ .41	$ .33

NOTE 4: LAYAWAY SALES

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial

Statements" (SAB 101). SAB 101 identifies various revenue recognition issues, several of which are common within the retail industry including treatment of revenue recognition on layaway sales. In the fourth quarter of 2000, the Company revised its revenue recognition for layaway sales to defer revenue recognition until all terms of the sale have been satisfied and the customer takes delivery of the merchandise. Under the prior method of accounting, net sales were recognized at the time the customer put the merchandise into layaway. The effects of this restated change on the previously reported second quarter ended July 29, 2000 are as follows:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	(as reported) July 29, 2000	(as adjusted) July29, 2000	(as reported) July 29, 2000	(as adjusted) July 29, 2000
Net Sales	$180,806	$180,353	$357,466	$356,485
Gross profit	49,171	49,060	98,293	98,050
Net income	1,727	1,654	5,159	4,999
Net income per share				
Basic *	0.12	0.11	0.35	0.34
Diluted *	0.11	0.11	0.34	0.33

*All per share amounts have been adjusted to reflect the five-for-four stock split effective on June 18, 2001.

NOTE 5: STOCK SPLIT

On May 24, 2001, the Company announced a five-for-four stock split of its common stock, Class A voting, no par value. The new shares, one additional share for each four shares held by stockholders, were distributed on June 18, 2001 to stockholders of record on June 4, 2001. All share and per share amounts included in the accompanying financial statements have been adjusted to reflect this stock split.

NOTE 6: RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133, SFAS No. 133, as amended by SFAS No. 138, requires all derivatives to be measured at fair value and recognized as either assets or liabilities on the balance sheet. Changes in such fair value are required to be recognized immediately in net income to the extent the derivatives are not effective as hedges. In September 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the effective Date of FASB Statement No. 133, an amendment to delay the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company does not hold derivative instruments or engage in hedging activities.

In June 2001, the FASB issued SFAS No. 141, Business Combinations.

SFAS No. 141 supercedes Accounting Principles Board Opinion ("APB") No. 16, Business Combinations, and SFAS No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. The Company does not expect the adoption of SFAS No. 141 to have a material impact on its financial statements.

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 supercedes APB No. 17, Intangible Assets, and its provisions are effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires that: 1) goodwill and indefinite lived intangible assets will no longer be amortized; 2) goodwill will be tested for impairment at least annually at the reporting unit level (reporting unit levels to be determined upon adoption); 3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually; and 4) the amortization period of intangible assets with finite lives will no longer be limited to forty years. As of August 4, 2001, the Company has intangible assets, net of accumulated amortization, of $4.9 million and has recognized amortization expense of approximately $.8 million during the six months ended August 4, 2001. The Company has not completed the process of evaluating the impact that will result from adopting SFAS No. 142.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

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GENERAL

Fred's business is subject to seasonal influences, but the Company has tended to experience less seasonal fluctuation than many other retailers due to the Company's mix of everyday basic merchandise and pharmacy business. The fourth quarter is typically the most profitable quarter because it includes the Christmas selling season. The overall strength of the fourth quarter is partially mitigated, however, by the inclusion of the month of January, which is generally the least profitable month of the year.

The impact of inflation on labor and occupancy costs can significantly affect Fred's operations. Many of Fred's employees are paid hourly rates related to the federal minimum wage and, accordingly, any increase affects Fred's. In addition, payroll taxes, employee benefits and other employee-related costs continue to increase. Occupancy costs, including rent, maintenance, taxes and insurance, also continue to rise. Fred's believes that maintaining adequate operating margins through a combination of price adjustments and cost controls, careful evaluation of occupancy needs, and efficient purchasing practices is the most effective tool for coping with increasing costs and expenses.

RESULTS OF OPERATIONS

Thirteen Weeks Ended August 4, 2001 and July 29, 2000

Net sales increased to $210.3 in 2001 from $180.4 million in 2000, an increase of $29.9 million or 16.6%. The increase was attributable to comparable store sales increases of 8.0% ($13.7 million) and sales by stores not yet included as comparable stores ($16.3 million). Sales to franchisees decreased $.1 million in 2001. The sales mix for the period was 50.1% Hardlines, 34.7% Pharmacy, 11.6% Softlines, and 3.6% Franchise. This compares with 50.9% Hardlines, 32.8% Pharmacy, 12.0% Softlines, and 4.3% Franchise for the same period last year.

Gross profit decreased to 27.0% of sales in 2001 compared with 27.2% of sales in the prior-year period. Gross profit margins decreased as a result of greater pricing pressure on the pharmacy department sales.

Selling, general and administrative expenses increased to $52.8 million in 2001 from $46.0 million in 2000. As a percentage of sales, expenses decreased to 25.1% of sales compared to 25.5% of sales last year. Selling, general and administrative expenses were improved primarily by leveraging the higher sales to improved productivity and control of labor costs throughout the Company. In the second quarter, labor as a percent of sales was 1.0% better than last year. Additionally, pharmacy and corporate expenses have been controlled to leverage the higher sales.

Interest expense decreased to $.7 million in 2001 from $.8 million in 2000, reflecting lower average revolver borrowings than last year as well as lower interest rates.

Twenty-six Weeks Ended August 4, 2001 and July 29, 2000

Net sales increased to $417.6 million in 2001 from $356.5 million in 2000, an increase of $61.1 million or 17.2%. The increase was attributable to comparable store sales increases of 8.6% ($29.2 million) and sales by stores not yet included as comparable stores ($32.3 million). Sales to franchisees decreased $.4 million in 2001. The sales mix for the period was 49.2% Hardlines, 35.5% Pharmacy, 11.7% Softlines, and 3.6% Franchise. This compares with 50.0% Hardlines, 33.0% Pharmacy, 12.4% Softlines, and 4.6% Franchise for the same period last year.

Gross profit decreased to 27.4% of sales in 2001 compared with 27.5% of sales in the prior-year period. Gross profit margins decreased as a result of greater pricing pressure on pharmacy department sales. Front-end store store gross margins have improved by approximately 1.0% over last year-to-date.

Selling, general and administrative expenses increased to $103.5 million in 2001 from $89.2 million in 2000. As a percentage of sales, expenses decreased to 24.8% of sales compared to 25.0% of sales last year. Selling, general and administrative expenses were improved primarily due to improved productivity and controlled labor cost throughout the Company.

Interest expense decreased to $1.3 million in 2001 from $1.4 million in 2000, reflecting lower average revolver borrowings than last year as well as lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Due to the seasonality of Fred's business and the continued increase in the number of stores and pharmacies, inventories are generally lower at year end than at each quarter end of the following year.

Net cash flow provided by operating activities totaled $5.5 million during the twenty-six week period ended August 4, 2001. Cash was primarily used to increase inventories by approximately $10.6 million in the first half of 2001. This increase was primarily attributable to 25 new stores and 6 new pharmacies in the first half of 2001. Accounts receivable decreased approximately $3.5 million do to improved collections. Income taxes payable decreased by approximately $3.2 million as a result of estimated tax payments.

Net cash flows used by investing activities totaled $10.1 million, and was used primarily for capital expenditures associated with the Company's store and pharmacy expansion program. During the first half of 2001, the Company opened 25 stores and upgraded 5 stores. The Company expects to open approximately 35 to 40 stores for the year. The Company's capital expenditure plan for the year 2001 is approximately $14 million dollars.

Net cash flows provided by financing activities totaled $4.0 million and included $5.3 million of borrowings under the Company's revolver for inventory needs.

On April 3, 2000, the Company and a bank entered into a new Revolving Loan and Credit Agreement (the "Agreement") to replace the May 15, 1992 Revolving Loan and Credit Agreement, as amended. The Agreement provides the Company with an unsecured revolving line of credit commitment of up to $40 million and bears interest at the lesser of 1.5% below prime rate or a LIBOR-based rate. Under the most restrictive covenants of the Agreement, the Company is required to maintain specified shareholder's equity and net income levels. The Company is required to pay a commitment fee to the bank at a rate per annum equal to .18% on the unutilized portion of the revolving line commitment over the term of the agreement. The term of the Agreement extends to April 3, 2003. The borrowings outstanding under this agreement totaled $27.9 million at August 4, 2001 and $30.4 million at July 29, 2000.

On April 23, 1999, the Company and a bank entered into a Loan Agreement (the "1999 Loan Agreement"). The 1999 Loan Agreement provided the Company with a four-year unsecured term loan of $2,250,000 to finance the replacement of the Company's mainframe computer system. The 1999 Loan Agreement bears interest of 6.15% per annum and matures on April 15, 2003. Borrowings outstanding under this 1999 Loan Agreement totaled $1.0 million at August 4, 2001 and $1.6 million at July 29, 2000.

On May 5, 1998, the Company and a bank entered into a Loan Agreement (the "1998 Loan Agreement"). The 1998 Loan Agreement provided the Company with an unsecured term loan of $12 million to finance the modernization and automation of the Company's distribution center and corporate facilities. The 1998 Loan Agreement bears interest of 6.82% per annum and matures on November 1, 2005. Borrowings outstanding under this 1998 Loan Agreement totaled $8.0 million at August 4, 2001 and $9.7 million at July 29, 2000.

The Company believes that sufficient capital resources are available in both the short term and long term through currently available cash and cash generated from future operations and, if necessary, the ability to obtain additional financing.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 identifies various revenue recognition issues, several of which are common within the retail industry including treatment of revenue recognition on layaway sales. In the fourth quarter of 2000, the Company revised its revenue recognition for layaway sales to defer revenue recognition until all terms of the sale have been satisfied and the customer takes delivery of the merchandise. Under the prior method of accounting, net sales were recognized at the time the customer put the merchandise into layaway. The effects of this restated change on previously reported net sales, gross profit, net income and net income per share (basic & diluted) was a decrease of $528,000, $132,000, $87,000 and $.01, respectively, for the first quarter ended April 29, 2000; a decrease of $453,000, $111,000, $73,000 and $.00, respectively, for the second quarter ended July 29, 2000. Annual financial results were not affected.

In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the effective date of FASB Statement No. 133, which deferred the effective date provisions of SFAS No. 133 for the company to the first quarter of 2001. The Company does not believe this new standard will have an impact on its financial statements since it currently has no derivative instruments.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133, SFAS No. 133, as amended by SFAS No. 138, requires all derivatives to be measured at fair value and recognized as either assets or liabilities on the balance sheet. Changes in such fair value are required to be recognized immediately in net income to the extent the derivatives are not effective as hedges. In September 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the effective Date of FASB Statement No. 133, an amendment to delay the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company does not hold derivative instruments or engage in hedging activities.

In June 2001, the FASB issued SFAS No. 141, Business Combinations. SFAS No. 141 supercedes Accounting Principles Board Opinion ("APB") No. 16, Business Combinations, and SFAS No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. The Company does not expect the adoption of SFAS No. 141 to have a material impact on its financial statements.

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 supercedes APB No. 17, Intangible Assets, and its provisions are effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires that: 1) goodwill and indefinite lived intangible assets will no longer be amortized; 2) goodwill will be tested for impairment at least annually at the reporting unit level (reporting unit levels to be determined upon adoption); 3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually; and 4) the amortization period of intangible assets with finite lives will no longer be limited to forty years. As of August 4, 2001, the Company has intangible assets, net of accumulated amortization, of $4.9 million and has recognized amortization expense of approximately $.8 million during the six months ended August 4, 2001. The Company has not completed the process of evaluating the impact that will result from adopting SFAS No. 142.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Statements, other than those based on historical facts, are forward-looking statements, which are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Actual events and results may materially differ from anticipated results described in such statements. The Company's ability to achieve such results is subject to certain risks and uncertainties, including, but not limited to, economic and weather conditions which affect buying patterns of the Company's customers, changes in consumer spending and the Company's ability to anticipate buying patterns and implement appropriate inventory strategies, continued availability of capital and financing, competitive factors, changes in reimbursement practices for pharmaceuticals, government regulations, increases in fuel and utility rates and other factors affecting business beyond the Company's control. Consequently, all of the forward-looking statements are qualified by these cautionary statements and there can be no assurance that the results or developments anticipated by the Company will be realized or that they will have the expected effects on the Company or its business or operations.

Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company has no holdings of derivative financial or commodity instruments as of August 4, 2001. The Company is exposed to financial market risks, including changes in interest rates. All borrowings under the Company's Revolving Credit Agreement bear interest at 1.5% below prime rate or a LIBOR based rate. An increase in interest rates of 100 basis points would not significantly affect the Company's income. All of the Company's business is transacted in U.S. dollars and, accordingly, foreign exchange rate fluctuations have not had a significant impact on the Company, and they are not expected to in the foreseeable future

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Securities Holders

The Annual Meeting of the Shareholders of Fred's, Inc. was held on June 6, 2001. Michael J. Hayes, David A. Gardner, John R. Eisenman, and Roger T. Knox were elected to continue as directors of the Company. John D. Reier and Thomas H. Tashjian were also elected as directors of the Company. The shareholders also ratified the appointment of PricewaterhouseCoopers LLP as independent public accountants for the fiscal year ending February 2, 2002.

The results of the voting were as follows:

	For	Against	Withheld	Abstain/ Broker Non-Vote
Election of Directors:				
Michael J. Hayes	10,191,948		956,635	938,746
David A. Gardner	9,827,704		1,320,879	938,746
John R. Eisenman	11,139,577		9,006	938,746
Roger T. Knox	11,139,707		8,876	938,746
John D. Reier	10,190,948		957,635	938,746
Thomas H. Tashjian	11,139,797		8,786	938,746
Appointment of PricewaterhouseCoopers LLP:	10,949,762	197,144	1,677	938,746

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

Exhibits:

Reports on Form 8-K:

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FRED'S, INC.

/s/Michael J. Hayes

Michael J. Hayes
Chief Executive Officer

Date: September 18, 2001

/s/Jerry A. Shore

Jerry A. Shore
Chief Financial Officer

Date: September 18, 2001
