

Citi Trends Inc
Form DEF 14A
April 15, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

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 §240.14a-12

Citi Trends, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
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**104 Coleman Boulevard
Savannah, Georgia 31408
(912) 236-1561**

April 15, 2010

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc. to be held at 9:00 a.m., EDT, on Wednesday, May 26, 2010, at the Hilton Garden Inn-Airport, 80 Clyde E. Martin Drive, Savannah, Georgia 31408. The formal notice of annual meeting appears on the next page.

In addition to the formal items of business to be brought before the meeting, we will be pleased to report on the affairs of the Company.

We look forward to greeting personally those stockholders who are able to be present at the meeting. However, whether or not you plan to be with us at the meeting, it is important that your shares be represented. Accordingly, you are requested to complete, sign, date and return the enclosed proxy card promptly in the envelope provided.

Very truly yours,

R. Edward Anderson
Chairman of the Board of Directors

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Citi Trends, Inc.

104 Coleman Boulevard
Savannah, Georgia 31408

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held on May 26, 2010**

TO THE STOCKHOLDERS:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc., a Delaware corporation, which will be held at the Hilton Garden Inn-Airport, 80 Clyde E. Martin Drive, Savannah, Georgia 31408, on Wednesday, May 26, 2010, at 9:00 a.m., EDT, for the following purposes:

1. To elect two directors to the board of directors to serve as Class II directors whose terms will expire in 2013;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011; and
3. To transact any other business properly brought before the meeting or any adjournment or postponement of the meeting.

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 29, 2010, the record date for the annual meeting.

For directions to the annual meeting, please call the Hilton Garden Inn-Airport at (912) 964-5550.

Whether or not you plan to attend the meeting in person, please complete, sign, date and return the accompanying proxy card promptly, so that your shares may be represented and voted at the annual meeting. A return envelope is enclosed for your convenience. No postage need be affixed to the enclosed envelope if mailed in the United States.

By Order of the Board of Directors,

Bruce D. Smith
*Executive Vice President, Chief Financial Officer and
Secretary*

April 15, 2010

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be
Held on May 26, 2010: The Proxy Statement and our 2009 Annual Report are available at**

<http://ir.cititrends.com/annual-proxy.cfm>

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CITI TRENDS, INC.

**104 Coleman Boulevard
Savannah, Georgia 31408**

PROXY STATEMENT

**Annual Meeting of Stockholders
to be held on May 26, 2010**

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement is furnished in connection with the solicitation by the board of directors of Citi Trends, Inc. of proxies to be voted at the annual meeting of stockholders on May 26, 2010. This proxy statement, the accompanying proxy card and the annual report to stockholders are being mailed to stockholders on or about April 23, 2010.

The principal executive offices of Citi Trends, Inc., a Delaware corporation, are located at 104 Coleman Boulevard, Savannah, Georgia 31408, and our telephone number is (912) 236-1561.

The terms "Citi Trends" or the "Company" (as well as the words "we," "us" and "our") refer to Citi Trends, Inc. References to "you" or "your" refer to our stockholders.

In this section of the proxy statement, we answer some common questions regarding the annual meeting of stockholders and the voting of shares of common stock at the meeting.

Where and when will the annual meeting be held?

The date, time and place of the meeting are: May 26, 2010, at 9:00 a.m., EDT, at Hilton Garden Inn-Airport, 80 Clyde E. Martin Drive, Savannah, Georgia 31408. For directions to the meeting, please call the Hilton Garden Inn-Airport at (912) 964-5550.

Why did you send me this proxy statement?

This proxy statement was prepared under the direction of our board of directors to solicit your proxy for voting at our annual meeting. We sent you this proxy statement and the enclosed proxy card because our board of directors is asking for your proxy to vote your shares at the annual meeting. We have summarized information in this proxy statement that you should consider in deciding how to vote at the meeting. But you do not have to attend in order to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

What can I vote on at the meeting?

The matters scheduled to be voted on at the meeting are:

- (1) The election of two directors to our board of directors to hold office until the annual meeting of stockholders in 2013 and until their successors are elected and qualified; and
- (2) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011.

How does the board of directors recommend that I vote?

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The board of directors recommends that you vote your shares "FOR" each of the nominees to the board of directors and "FOR" the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011.

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Who can vote?

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 29, 2010, the record date for determining the stockholders who are entitled to vote at the annual meeting. As of the close of business on March 29, 2010, there were a total of 14,853,609 shares of our common stock outstanding and entitled to vote at the annual meeting. You get one vote for each share of common stock that you own. Holders of shares of common stock do not have cumulative voting rights. The enclosed proxy card shows the number of shares you can vote.

What is the required vote for approval?

The election of our nominees for director requires a plurality of the votes cast at the annual meeting. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires a majority of the votes cast at the annual meeting on such matter.

How are votes counted?

We will hold the annual meeting if stockholders representing the required quorum of shares of common stock entitled to vote either sign and return their proxy cards or attend the meeting in person. One third of the shares of common stock outstanding and entitled to vote at the meeting present in person or by proxy will constitute a quorum. If you sign and return your proxy card, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated on the proxy card.

Votes withheld from a director nominee, abstentions and broker non-votes will be counted as shares present for the purpose of determining a quorum but will not be counted in determining the number of shares voted "for" a director nominee or votes cast "for" or "against" the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

How do I vote?

Stockholders of record may vote in person by attending the annual meeting or by completing and returning the proxy by mail. Your vote is very important, so whether you plan to attend the annual meeting or not, we encourage you to vote by proxy as soon as possible.

How do I vote by proxy?

Follow the instructions on the enclosed proxy card to vote on the matters to be considered at the annual meeting. The individuals named and designated as proxies in the proxy card will vote your shares as you instruct. If you do not mark a selection, your proxy will be voted as recommended by the board of directors.

You have the following choices in completing your proxy:

You may vote on each proposal, in which case your shares will be voted in accordance with your choices.

In voting on the nominees for director, you can either vote "FOR ALL" the nominees or withhold your vote on the nominees as a group or for any particular nominee.

You may abstain on the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm, in which case no vote will be recorded on that matter.

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You may return a signed proxy card without indicating your vote on any matter, in which case the designated proxies will vote to elect all of the nominees as directors and ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011.

How do I vote if my shares are held in "street name"?

If your shares are held in the name of your broker, a bank or other nominee, that party will give you instructions for voting your shares. Under the rules of the New York Stock Exchange, if you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain "discretionary" items, but will not be allowed to vote your shares with respect to certain "non-discretionary" items. In the case of non-discretionary items, the shares will be treated as "broker non-votes." If you do not provide voting instructions to your bank or broker, under a recent rule change the organization that holds your shares will not be authorized to vote on the election of directors. Accordingly, we encourage you to vote promptly, even if you plan to attend the annual meeting.

What if other matters come up at the annual meeting?

The only matters we now know of that will be voted on at the annual meeting are the proposals we have described in this proxy statement: the election of the directors and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 29, 2011. If other matters are properly presented at the meeting, the designated proxies will vote your shares in their discretion.

Can I change my vote after I return my proxy card?

Yes, so long as you are the record holder and not a nominee holder of the shares. At any time before the vote on a proposal, you can change your vote either by giving us a written notice revoking your proxy card or by signing, dating and returning to us a new proxy card or by attending the annual meeting and voting your shares in person. We will honor the proxy card with the latest date.

Proxy revocation notices or new proxy cards should be sent to Citi Trends, Inc. c/o American Stock Transfer and Trust Company, 6201 15th Avenue, Brooklyn, New York 11219.

Can I vote in person at the annual meeting rather than by completing the proxy card?

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person even if you have submitted a proxy card if you are a stockholder of record on the record date. If your shares are held in street name, then you may vote your shares in person only if you have a legal proxy from the entity that holds your shares giving you the right to vote the shares. A legal proxy is a written document from your brokerage firm or bank authorizing you to vote the shares it holds in its name. If you attend the meeting and vote your shares by ballot, your vote at the meeting will revoke any vote you submitted by mail.

What do I do if I receive duplicate proxy statements and cards?

You may receive more than one proxy statement, proxy card or annual report. This duplication will occur if you have shares registered in different names or your shares are in more than one type of account maintained by American Stock Transfer and Trust Company, our transfer agent. To have all your shares voted, please sign, date and return all proxy cards.

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Who will count the votes?

American Stock Transfer and Trust Company will tabulate the votes. Corporate Communications, Inc. will serve as the inspector of election.

Who will conduct this proxy solicitation and who pays for this proxy solicitation?

We regularly retain the services of Corporate Communications, Inc. to assist with our investor relations and other stockholder communications issues. Corporate Communications, Inc. will assist in the solicitation of proxies and will not receive any additional compensation for these services. Corporate Communications, Inc. may solicit proxies by telephone, facsimile, other forms of electronic transmission and by mail. We will reimburse the firm's expenses in connection with the solicitation. In addition, proxies may be solicited on our behalf by our directors, officers or employees in person or by telephone, facsimile, electronic transmission and by mail. None of these persons will receive any extra compensation for doing this.

In addition, we will request that brokerage houses, banks and other custodians or nominees holding shares in their names for others forward proxy materials to their customers or principals who are the beneficial owners of shares and we will reimburse them for their expenses in doing so.

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**PROPOSAL 1:
ELECTION OF DIRECTORS**

Our board of directors currently consists of six directors, R. David Alexander, Jr., R. Edward Anderson, Brian P. Carney, Lawrence E. Hyatt, John S. Lupo, and Patricia M. Luzier. Our directors are divided into three classes having staggered three-year terms, so that the term of one class expires at each annual meeting of stockholders. Two nominees will be proposed for election as Class II directors at the annual meeting.

It is intended that the persons named in the accompanying proxy will vote to elect the nominees listed below unless authority to vote is withheld. The elected directors will serve until the annual meeting of stockholders in 2013 or until an earlier resignation or retirement or until their successors are elected and qualify to serve.

The nominees have agreed to stand for election and are available for election. However, if a vacancy in the slate of nominees is caused by death or other unexpected occurrence, it is intended that shares represented by the accompanying proxy will be voted for the election of a substitute nominee selected by the persons named in the proxy.

Nominees for Election as Class II Directors

Brian P. Carney currently serves as a Class II director whose term expires at the annual meeting. Mr. Carney has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring in 2013.

Mr. Carney currently is a member of the Audit Committee of our board of directors, a member of the Compensation Committee of our board of directors, and a member of the Nominating and Corporate Governance Committee of our board of directors. Mr. Carney's biographical information is set forth on the following page.

John S. Lupo currently serves as a Class II director whose term expires at the annual meeting. Mr. Lupo has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring in 2013.

Mr. Lupo is currently Chair of the Compensation Committee of our board of directors, a member of the Audit Committee of our board of directors and a member of the Nominating and Corporate Governance Committee of our board of directors. Mr. Lupo's biographical information is set forth on the following page.

Vote Required; Recommendation

The directors will be elected by a plurality of the votes cast so long as a quorum is present at the annual meeting. Unless otherwise indicated on the proxy, properly executed proxies will be voted to elect each of the nominees for director.

The board of directors recommends that stockholders vote "FOR" each of the nominees for election as Class II directors.

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BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

Board Leadership Structure

The board of directors does not have a set policy with respect to the separation of the offices of the chairman and chief executive officer as the board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the board. Mr. Anderson held both offices from May 2006 through his retirement as CEO in April 2009, at which time he became Executive Chairman of the board in order to provide for an orderly transition of the CEO role to Mr. Alexander. In April 2010, Mr. Anderson transitioned from Executive Chairman to non-executive Chairman. As a result, the two offices have been separated since April 2009; and the board believes the current structure will enhance the effectiveness of the board as a whole and permits the CEO to focus on the management of the Company's day-to-day operations. However, the board believes it is important to retain the option of combining the offices, depending on the circumstances that exist at any point in time, including in the event of a change in the occupants of one or both of the offices.

Our board of directors consists of six directors (Messrs. Alexander, Anderson, Carney, Hyatt and Lupo and Ms. Luzier), all of whom, except Mr. Alexander and Mr. Anderson, have been determined by the board to be independent under NASDAQ listing standards. Our Second Amended and Restated Certificate of Incorporation divides our board into three classes having staggered terms, with one of such classes being elected each year for a new three-year term. Our Class II directors, Messrs. Carney and Lupo, have terms expiring in 2010, our Class III directors, Messrs. Anderson and Hyatt, have terms expiring in 2011, and our Class I directors, Mr. Alexander and Ms. Luzier, have terms expiring in 2012.

Directors

The following sets forth selected biographical information for our directors.

Nominees for Class II Directors.

Brian P. Carney. Mr. Carney, age 49, has served as a director since November 2007, and is a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Mr. Carney currently serves as Executive Vice President and Chief Financial Officer of BI-LO, LLC, a grocery retailer, a position he has held since 2005. Prior to that time, Mr. Carney had served as Executive Vice-President and Chief Financial Officer of Jo-Ann Stores, Inc., a specialty retailer, from 1997 to 2005, as Senior Vice President of Finance of Revco, D.S., Inc., a drug store retailer, from 1989 to 1997, and as an Audit Manager with Arthur Andersen & Co., a public accounting firm, from 1982 to 1989.

On March 23, 2009, BI-LO, LLC filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

In determining that Mr. Carney should continue serving as one of our directors, the board considered in particular his financial, accounting and audit experience with publicly reporting retail companies and a public accounting firm, as well as his performance as a member of the board of directors of Citi Trends.

John S. Lupo. Mr. Lupo, age 63, has served as a director since May 2003, and is Chairman of the Compensation Committee, as well as a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Lupo was a principal in the consulting firm, Renaissance Partners, LLC, from February 2000 through December 2008. From November 1998 until December 1999, Mr. Lupo served as Executive Vice President of Basset Furniture. From October 1996 until October 1998, Mr. Lupo served as the Chief Operating Officer of the International Division of Wal-Mart Stores Inc., and from September 1990 until September 1996, Mr. Lupo served as Senior Vice

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President and General Merchandise Manager of Wal-Mart Stores, Inc. Mr. Lupo has also served as a director for AB Electrolux since 2007 and Cobra Electronics Corp since 2007. Mr. Lupo served as a director of Spectrum Brands Inc. (formerly Rayovac Corporation) from 1998 to 2009.

In determining that Mr. Lupo should continue serving as one of our directors, the board considered in particular his retail merchandising and operational experience with Wal-Mart Stores, Inc. and as a consultant with Renaissance Partners, LLC, as well as his performance as a member of the board of directors of Citi Trends.

Continuing Class III Directors with Terms Expiring in 2011.

R. Edward Anderson. Mr. Anderson, age 60, has served as Chairman of the board of directors since May 2006, including as Executive Chairman from April 5, 2009 through April 3, 2010, and as a director since December 2001. He served as Chief Executive Officer of the Company from December 2001 through April 4, 2009. From December 1997 to December 2001, Mr. Anderson was Chief Financial Officer of Variety Wholesalers, Inc., an operator of discount stores. Prior to December 1997, Mr. Anderson served as Chairman, President and Chief Executive Officer of Rose's Stores, Inc., a discount retailer.

In determining that Mr. Anderson should continue serving as one of our directors, the board considered in particular his in-depth knowledge of Citi Trends attained from his tenure of more than seven years as Chief Executive Officer. In addition, the board considered his experience as CFO, CEO and Chairman of discount retailers prior to joining Citi Trends.

Lawrence E. Hyatt. Mr. Hyatt, age 55, has served as a director since November 2006, and is Chairman of the Audit Committee, and a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Hyatt has served as the Chief Financial Officer, Secretary and Treasurer of O'Charley's Inc., a multi-concept restaurant company, since November 2004. He also served as Interim Chief Executive Officer of O'Charley's Inc. from February 2009 through June 2009. Mr. Hyatt served as the Executive Vice President and Chief Financial Officer of Cole National Corporation, a specialty retailer, from 2002 to 2004, as Chief Financial and Restructuring Officer of PSINet Inc., an internet service provider, from 2000 to 2002, as Chief Financial Officer of HMS Host Corporation, a subsidiary of Autogrill S.p.A., from 1999 to 2000, and as Chief Financial Officer of Sodexo Marriott Services, Inc. and its predecessor company from 1989 to 1999.

On May 31, 2001 and September 10, 2001, respectively, PSINet Inc. and PSINet Consulting Solutions Inc., for which Mr. Hyatt served as Chief Financial Officer and Treasurer, respectively, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

In determining that Mr. Hyatt should continue serving as one of our directors, the board considered in particular his experience as a public company CFO and his retail background. His financial background is such that he is considered to be an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission (the "SEC") and, as a result, the board named him Chairman of the Audit Committee. In addition, the board considered his performance as a director of Citi Trends.

Continuing Class I Directors with Terms Expiring in 2012.

R. David Alexander, Jr. Mr. Alexander, age 53, has served as the President and Chief Executive Officer and as a director since April 5, 2009. Mr. Alexander served as President and Chief Operating Officer of the Company from December 8, 2008 through April 4, 2009. In 2008, Mr. Alexander was a consultant with APAX Partners, a private equity firm. Previously, Mr. Alexander was Chief Executive Officer of Portrait Corporation of America, Inc. ("PCA"), which operates photography studios in

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Wal-Mart stores, from 2005 to 2007. Prior to that, Mr. Alexander had spent ten years with Family Dollar Stores, Inc., which operates discount retail stores, including the period from 2003 to 2005 when he was President and Chief Operating Officer and the period from 2000 to 2003 when he was Executive Vice President and Chief Operating Officer.

On August 31, 2006, PCA, for which Mr. Alexander served as Chief Executive Officer as described above, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Mr. Alexander continued to serve as Chief Executive Officer of PCA until its sale to CPI Corp. in 2007.

In determining that Mr. Alexander should continue serving as one of our directors, the Board considered in particular his performance as the Chief Executive Officer and a director of Citi Trends and his experience with a fast growing publicly held discount retailer, Family Dollar Stores, Inc., where he served as President and Chief Operating Officer.

Patricia M. Luzier. Ms. Luzier, age 60, has served as a director since November 2005 and is the Chair of the Nominating and Corporate Governance Committee, as well as a member of the Audit Committee and the Compensation Committee. Ms. Luzier currently has her own private consulting business focused on human resource management, organizational development and executive coaching. Ms. Luzier was previously the Senior Vice President and Chief Administrative Officer of Cole National Corporation, a specialty retailer, from 1999 until October 2004. She served as Senior Vice President, Human Resources and Administration, for HomePlace Group, Inc. from 1998 until 1999. She also served as Senior Vice President of Human Resources with Vicorp Restaurants, Inc. from 1994 until 1998. Ms. Luzier currently serves as a director for Dale Carnegie and Associates, a private performance-based training company.

In determining that Ms. Luzier should continue serving as one of our directors, the Board considered in particular her experience in the area of human resources with retail companies and her performance as a member of the board of directors of Citi Trends.

Board Risk Oversight

Our management team is responsible for identifying, assessing and managing our exposure to risk, while the Board of Directors is responsible for providing oversight of risk management. The oversight role performed by the Board and its committees includes, among other things, the following:

Review of risks associated with our long-term strategic plan and annual budgets;

Meetings with various members of management regarding initiatives being undertaken in their areas, including, among others, merchandising, real estate, finance, human resources and information systems;

Private meetings with our independent registered public accounting firm, our Chief Financial Officer, and our Director of Internal Audit;

Performance of a comprehensive risk assessment, including those significant risk factors discussed in Item 1A of our Annual Report on Form 10K;

Review and approval of our Investment Policy; and

Review of legal matters

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Our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee each have responsibility for addressing risks inherent within their areas of oversight. In accordance with its charter, the Audit Committee is responsible for assisting the Board with its oversight of our overall risk management profile and our financial reporting risks. The Compensation Committee's responsibilities related to risk include ensuring that compensation policies have a fair balance of risk and reward. The Nominating Committee's primary risk-related responsibilities deal with the development and recommendation of appropriate corporate governance guidelines and oversight to ensure compliance with such guidelines. Each of the committee chairs regularly reports to the Board regarding significant issues addressed.

Risk and Employee Compensation

We do not believe that Citi Trends' compensation policies create risks that are reasonably likely to have a material adverse effect on the Company. Instead, we believe that our compensation structure encourages a fair balance of risk and reward. The process undertaken by the board to determine that the compensation policies do not create unnecessary risk included detailed reviews of the assumptions used in the budget on which annual cash incentives are based. In addition, the board participates in the strategic planning process to ensure that the goals and planned strategies to achieve such goals are aligned between management and the board. As a retail company operating only one store concept, we are not subject to many of the issues that caused employees in the financial services sector to take excessive and unnecessary risks in order to maximize their compensation. We believe that the components of our employee-wide compensation program are consistent in form with similar companies. Also, the performance targets are at the consolidated company level, not at individual division or subsidiary levels, and there is a balance between annual cash incentive compensation and long-term equity incentives to enhance the likelihood that management will not make decisions in the short-term to earn cash incentives at the risk of achieving long-term success.

Board of Directors Committees

The board of directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each comprised solely of the independent members of our board of directors, Messrs. Carney, Hyatt and Lupo and Ms. Luzier.

Audit Committee

The Audit Committee, currently consisting of all four of the Company's independent directors: Messrs. Carney, Hyatt and Lupo and Ms. Luzier, reviews our internal accounting procedures and consults with and reviews the services provided by our independent registered public accountants. The current members of the Audit Committee satisfy NASDAQ's audit committee member independence requirements. Mr. Hyatt is the Chairman of the Audit Committee. The board of directors has determined that Mr. Hyatt is an "audit committee financial expert" as defined by the rules of the SEC. During fiscal 2009, the Audit Committee met 8 times.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee oversees the Company's accounting and financial reporting processes, both internal and external, and audits of the Company's financial statements, on behalf of the board of directors. The principal duties and responsibilities of our Audit Committee, among other things, are to:

have direct responsibility for the appointment, selection, compensation, retention, replacement and oversight of the work of our independent registered public accounting firm, including prescribing what services are allowable and approving in advance all services provided by them;

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discuss with the internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits and the results of their respective audits;

review our annual audited financial statements and quarterly unaudited financial statements, and discuss the statements with management and the independent registered public accounting firm and review our earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

review and discuss with management, the internal auditors and the independent registered public accounting firm the adequacy and effectiveness of our internal controls, including our ability to monitor and manage business risk, legal and ethical compliance programs and financial reporting;

review and approve all related party transactions consistent with the rules applied to companies listed on The NASDAQ Stock Market; and

establish procedures regarding complaints received by us or our employees regarding accounting, accounting controls or auditing matters.

The Audit Committee is required to report regularly to our board of directors to discuss any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, the performance and independence of our independent registered public accounting firm, or the performance of the internal audit function. The Audit Committee's work is guided by a written charter which has been approved and adopted by the board of directors. A copy of the current Audit Committee charter is available on the Company's website located at <http://www.cititrends.com>. The information set forth on this website should not be deemed filed with, and is not incorporated by reference into, this proxy statement or any of the Company's other filings under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically so provides.

Compensation Committee

The Compensation Committee, currently consisting of all four of the Company's independent directors: Messrs. Carney, Hyatt, and Lupo and Ms. Luzier, reviews and determines the compensation and benefits of the Company's executive officers and administers our incentive and equity-based compensation plans. Mr. Lupo is the Chairman of the Compensation Committee. The Compensation Committee has adopted a formal charter which is available on our corporate website at <http://www.cititrends.com>. During fiscal 2009, the Compensation Committee met 6 times. The principal duties and responsibilities of our Compensation Committee, among other things, are to:

review and approve corporate goals and objectives relevant to our Chief Executive Officer's and other named executive officers' compensation and evaluate the Chief Executive Officer's performance in light of these goals and objectives;

review and administer the Company's incentive and equity-based compensation plans;

determine and approve the Chief Executive Officer's compensation;

make recommendations to our board of directors regarding the salaries, incentive compensation plans and equity-based plans for our executive officers;

oversee, in consultation with management, regulatory compliance with respect to compensation matters;

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review and approve any severance or similar termination payments proposed or made to any of our current or former executive officers; and

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review and approve any employment contracts or other contractual arrangements resulting in any payment to any employee of the Company proposed to be made as a result of a change in control of the Company.

The form and amount of director compensation is annually determined by our board of directors after a recommendation from the Nominating and Corporate Governance Committee.

The Compensation Committee has the discretion to delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. In addition, the Compensation Committee has delegated limited authority to a committee consisting of our Chief Executive Officer to grant awards under the 2005 Long-Term Incentive Plan to non-executive employees of the Company. The Compensation Committee has the authority and resources to engage compensation consultants and legal, accounting or other advisors to provide the Committee with advice and information in connection with carrying out its responsibilities. In 2009, the Compensation Committee used Towers Watson (the "Compensation Consultant") to provide advice on the Company's executive and director compensation practices.

See "Compensation Discussion and Analysis" elsewhere in this proxy statement for a discussion of the role of the Compensation Consultant and executive officers in the compensation process and further discussion of the processes and procedures of the Compensation Committee. See also "Compensation Committee Report" elsewhere in this proxy statement.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently consists of all four of the Company's independent directors: Messrs. Carney, Hyatt, and Lupo and Ms. Luzier. Ms. Luzier is the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee has adopted a formal charter which is available on our corporate website at <http://www.cititrends.com>. During fiscal 2009, the Nominating and Corporate Governance Committee met 4 times. The principal duties and responsibilities of our Nominating and Corporate Governance Committee, among other things, are to:

review the composition of our board of directors and committee structure and evaluate the performance of directors and committees;

identify individuals qualified to become board members, consistent with criteria approved by our board of directors;

select and recommend individuals as nominees for directors at annual meetings of our stockholders;

develop and recommend to the board of directors a set of corporate governance principles applicable to us and periodically review and assess such corporate governance principles;

review the institutional and other affiliations of our board members and nominees for directors for any potential conflicts of interest and make recommendations to our board of directors with respect to the determination of director independence; and

review and make recommendations to our board of directors concerning compensation arrangements for non-employee members of our board of directors.

Code of Business Conduct and Ethics

We have adopted a written Code of Business Conduct and Ethics applicable to our directors, executive officers (including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions) and employees in accordance

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with the rules of The NASDAQ Stock Market and the SEC. Our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;

full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and in all other public communications;

compliance with applicable laws, rules and regulations, including insider trading compliance; and

accountability for adherence to the code and prompt internal reporting of violations of the code, including illegal or unethical behavior regarding accounting or auditing practices.

The Code of Business Conduct and Ethics is available on our corporate website at <http://www.cititrends.com>. In the event of any amendment or waiver of our Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, such amendment or waiver will be posted on our website.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Messrs. Carney, Hyatt and Lupo and Ms. Luzier. No current member of the Compensation Committee serves or has ever served as one of our executive officers or employees. None of our executive officers serves or has ever served as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our board of directors or our Compensation Committee.

Attendance of Directors

During fiscal 2009, the board of directors held 10 meetings. Each director attended at least 75% of the aggregate of the total number of meetings held by the board of directors and the total number of meetings held by all committees of the board of directors on which he or she served, which meetings were held when he or she was a director.

Policies Relating to our Board of Directors

Nomination and Selection of Directors

Our Nominating and Corporate Governance Committee identifies and evaluates potential director candidates in a variety of ways. Recommendations may come from current members of our board of directors, professional search firms, members of management, stockholders or other persons. In assessing the qualifications of potential nominees, the Nominating and Corporate Governance Committee may rely on personal interviews or discussions with the candidate and others familiar with the candidate's professional background, on third-party background and reference checks and on such other due diligence information as reasonably available. The Nominating and Corporate Governance Committee must be satisfied that the candidate possesses the highest professional and personal ethics and values and has broad experience at the policy-making level in business before the Nominating and Corporate Governance Committee would recommend a candidate as a nominee to our board of directors and the nominee must meet the following minimum qualifications:

demonstrated personal integrity and moral character;

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willingness to apply sound and independent business judgment for the long-term interests of stockholders of the Company;

relevant business or professional experience, technical expertise or specialized skills;

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personality traits and background that appear to fit with those of the other directors to produce a collegial and cooperative board responsive to the Company's needs; and

ability to commit sufficient time to effectively carry out the substantial duties of a director.

Neither the board nor the Nominating and Corporate Governance Committee has a formal diversity policy with regard to the consideration of diversity in identifying director candidates; however, our Corporate Governance Guidelines state that the committee will review candidates' experience, integrity, competence, diversity, skills, and dedication in the context of the needs of the Board. Accordingly, in connection with its evaluation of each candidate, the committee takes into account how all of these factors pertaining to a candidate may complement or supplement those skills of other Board members. This helps to explain how our board, consisting of six members, represents such a wide range of experiences, including executive, financial, merchandising, retail operations, distribution, logistics and human resources.

The Nominating and Corporate Governance Committee evaluates nominees submitted by stockholders in the same manner as nominees from other sources. Stockholders may recommend nominees for consideration at the annual meeting by submitting the names and the following supporting information to the Secretary of the Company at: Secretary, Stockholder Nominations, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. Such submissions must be received by the Secretary not less than ninety (90) calendar days and not more than one hundred twenty (120) calendar days prior to the first anniversary of the previous year's annual meeting. The submission should include a current resume and curriculum vitae of the candidate and a statement describing the candidate's qualifications and contact information for personal and professional references. The submission should also include the name and address of the stockholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting stockholder and a description of all arrangements or understandings between the submitting stockholder and the candidate and should otherwise comply with the requirements of our bylaws.

Communications with our Board of Directors

Stockholders and other interested parties may communicate directly with our board of directors, the non-management directors as a group or individual directors. All communications should be in writing and should be directed to the Secretary of the Company at: Stockholder Communications, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. The sender should indicate in the address whether it is intended for the entire board of directors, the non-management directors as a group or an individual director. Each communication received by the Secretary will be forwarded to the intended recipients.

Director Attendance at Annual Meeting of Stockholders

We do not have a formal policy regarding attendance by directors at our annual meeting of stockholders but invite, expect and encourage all directors to attend. All of our directors who were serving as directors at the time, attended the 2009 annual meeting of stockholders.

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AUDIT COMMITTEE REPORT

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements in the Annual Report on Form 10-K for the 2009 fiscal year. The Audit Committee has also discussed with KPMG LLP, the Company's independent registered public accounting firm during the 2009 fiscal year, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from KPMG LLP required by applicable requirements of the PCAOB regarding KPMG LLP's communications with the Audit Committee concerning independence and has discussed with KPMG LLP its independence from the Company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements of the Company be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2010 for filing with the SEC.

Submitted by the Audit Committee of the Board of Directors:

Lawrence E. Hyatt, Chairman

Brian P. Carney

John S. Lupo

Patricia M. Luzier

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the Compensation Discussion and Analysis section of this proxy statement and discussed that disclosure with management. Based on its review and discussions with management, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement for the 2010 annual meeting of stockholders and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2010.

The undersigned members of the Compensation Committee have submitted this Report to the Board of Directors.

Submitted by the Compensation Committee of the Board of Directors:

John S. Lupo, Chairman

Brian P. Carney

Lawrence E. Hyatt

Patricia M. Luzier

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EXECUTIVE OFFICERS

The following table sets forth the names, ages and current positions of our current executive officers.

Name	Age	Position
R. David Alexander, Jr.	53	President, Chief Executive Officer and Director Executive Vice President and Chief Merchandising
Elizabeth R. Feher	49	Officer
Bruce D. Smith		