

Citi Trends Inc
Form DEF 14A
April 19, 2016
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

(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 ☐ O

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 under §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)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3)

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(4) Proposed maximum aggregate value of transaction:

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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 19, 2016

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 25, 2016, at the Embassy Suites-Airport, 145 West Mulberry Boulevard, Savannah, Georgia 31322. 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, regardless of whether you plan to be with us at the meeting, it is important that your shares be represented. Accordingly, we request that you promptly complete, sign, date and return the enclosed proxy card 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 25, 2016

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 Embassy Suites-Airport, 145 West Mulberry Boulevard, Savannah, Georgia 31322, on Wednesday, May 25, 2016, at 9:00 a.m., EDT, for the following purposes:

1. To elect the two nominees named in the attached proxy statement to the board of directors to serve as Class II directors whose terms will expire at the 2019 annual meeting of stockholders;
2. To vote on a non-binding, advisory resolution to approve the compensation of our named executive officers for 2015;
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017; and
4. 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 28, 2016, the record date for the annual meeting.

For directions to the annual meeting, please call the Embassy Suites-Airport at (912) 330-8222.

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Regardless of whether you plan to attend the meeting in person, please promptly complete, sign, date and return the accompanying proxy card, 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
Chief Operating Officer, Chief Financial Officer and Secretary

April 19, 2016

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 25, 2016: The Proxy Statement and our 2015 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 25, 2016

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 25, 2016. This proxy statement, the accompanying proxy card and the annual report to stockholders are being mailed to stockholders on or about April 20, 2016.

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 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 25, 2016, at 9:00 a.m., EDT, at Embassy Suites-Airport, 145 West Mulberry Boulevard, Savannah, Georgia 31322. For directions to the meeting, please call the Embassy Suites at (912) 330-8222.

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, date 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 the two nominees named in the proxy statement to our board of directors to hold office until the annual meeting of stockholders in 2019 and until their successors are elected and qualified (Proposal 1);
- (2) A non-binding, advisory resolution to approve the compensation of our named executive officers for 2015 (Proposal 2); and
- (3) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017 (Proposal 3).

How does the board of directors recommend that I vote?

The board of directors recommends that you vote your shares (i) FOR each of the nominees to be elected to the board of directors, (ii) FOR the approval of the non-binding, advisory resolution to approve the compensation paid to our named executive officers for 2015, and (iii) FOR the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017.

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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 28, 2016, the record date for determining the stockholders who are entitled to vote at the annual meeting. As of the close of business on March 28, 2016, there were a total of 14,907,355 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 of each proposal?

The election of our nominees for director requires a plurality of the votes cast at the annual meeting. That means the nominees will be elected if more votes are cast for such nominees than for any other person.

Approval of the non-binding, advisory resolution to approve the compensation of our named executive officers and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm each require the affirmative vote of a majority of the votes cast at the annual meeting.

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 the director nominees, 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 the director nominees or treated as votes cast on any other proposal and, therefore, will not affect the outcome of the election of our director nominees or these other proposals.

A broker non-vote occurs when a bank, broker or other nominee who holds shares for another person returns a proxy but does not vote on a particular item, usually because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

How do I vote?

Stockholders of record may vote in person by attending the annual meeting or by completing and returning the proxy card by mail. Your vote is very important, so regardless of whether you plan to attend the annual meeting, we encourage you to vote by proxy as soon as possible.

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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 on 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** of the nominees or withhold your vote on the nominees as a group or with respect to any particular nominee.
- You may abstain on one or more of the Company's proposals: to approve, on a non-binding, advisory basis, the compensation of our named executive officers and to ratify the appointment of KPMG LLP as our independent registered public accounting firm.
- You may return a signed proxy card without indicating your vote on any matter, in which case the designated proxies will vote (i) to elect all of the nominees as directors, (ii) to approve the compensation of our named executive officers, and (iii) to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017.

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 such as Proposal 3 (ratification of the appointment of KPMG LLP), but will not be allowed to vote your shares with respect to certain non-discretionary items such as Proposals 1 (election of directors) and 2 (say-on-pay). In the case of non-discretionary items, in the absence of voting instructions, shares subject to such so-called broker non-votes will not be counted as voted on those proposals and so will have no effect on the vote, but will be counted as present for the purpose of determining the existence of a quorum. If you do not provide voting instructions to your bank or broker, the organization that holds your shares will not be authorized to vote on Proposals 1 and 2. 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 Class II directors, the advisory vote to approve the compensation of our named executive officers and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2017. 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. 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.

If you hold shares in street name, you should contact your broker, bank or other nominee regarding any change in voting instructions.

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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.

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. Edward Anderson, Brian P. Carney, Laurens M. Goff, Lawrence E. Hyatt, John S. Lupo and Jason T. Mazzola. Our directors are divided into three classes with 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 on May 25, 2016.

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 2019 or until an earlier resignation or retirement or until their successors are elected and qualify to serve.

The nominees have agreed to be named in this proxy statement, stand for election and serve as directors if elected. However, if for any reason any nominee shall not be a candidate for election as a director at the annual meeting, it is intended that shares represented by the accompanying proxy will be voted for the election of a substitute nominee designated by our board of directors, or the board may determine to leave the vacancy temporarily unfilled.

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 this annual meeting for a three-year term expiring in 2019. Mr. Carney currently is Chairman of the Compensation Committee of our board of directors and a member of the Audit Committee and the Nominating and Corporate Governance Committee of our board of directors. Mr. Carney's biographical information is set forth in the Board of Directors and Committees of the Board of Directors section that follows.

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 this annual meeting for a three-year term expiring in 2019. Mr. Lupo currently is the lead independent director and is a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee of our board of directors. Mr. Lupo's biographical information is set forth in the Board of Directors and Committees of the Board of Directors section that follows.

The board of directors recommends that stockholders vote FOR each of the nominees listed above for election.

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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 January 2012 through his retirement as Chief Executive Officer (CEO) in March 2015, at which time he became Executive Chairman of the board in order to provide for an orderly transition of the CEO role to his successor, Jason Mazzola. As a result, the two offices have been separated since March 2015. In April 2016, Mr. Anderson transitioned from Executive Chairman to non-executive Chairman.

The Company's Corporate Governance Guidelines provide for the appointment of a lead independent director at any time when the Chairman is not independent. The board believes that the appointment of a lead independent director and the use of regular executive sessions of the independent directors, along with the board's independent committee system and majority of independent directors, allow it to maintain effective oversight of management. The board recognizes that depending on the circumstances, other leadership models might be appropriate. Accordingly, the board regularly reviews and reassesses its leadership structure.

Our board of directors consists of six directors (Messrs. Anderson, Carney, Goff, Hyatt, Lupo and Mazzola), all of whom, except Messrs. Anderson and Mazzola, 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 I directors, Messrs. Goff and Mazzola, have terms expiring in 2018, our Class II directors, Messrs. Carney and Lupo, have terms expiring in 2016, and our Class III directors, Messrs. Anderson and Hyatt, have terms expiring in 2017.

Lead Independent Director

The Company's independent directors have appointed Mr. Lupo as the board's lead independent director, and he presides at all meetings of the board at which the Chairman is not present, including executive sessions of the independent directors. The board has adopted guidelines that provide for the lead independent director to fulfill the following functions:

- Serve as a liaison, as needed, between the directors and the Chairman;
- Call meetings of the independent directors, when appropriate;

- If requested by Company management or stockholders, ensure that he or she is available, as appropriate, for consultation with management and/or direct communication with stockholders;
- Be the focal point for stockholder communications addressed to independent directors;
- Recommend the retention of outside advisors who report directly to the Board as he or she may determine is necessary or appropriate; and
- Assist in the annual evaluation of the Chief Executive Officer, and, if an officer other than the Chief Executive Officer is serving as Chairman of the Board, such other officer. For the officer serving as Chairman of the Board, such evaluation shall include an evaluation of such officer's effectiveness as Chairman of the Board and as an officer of the Company and an annual evaluation of his or her interactions with directors and ability to provide leadership and direction to the full Board.

Directors

The following sets forth selected biographical information for our directors.

Nominees for Class II Directors.

Brian P. Carney. Mr. Carney, age 55, has served as a director since 2007, and is Chairman of the Compensation Committee and a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Carney currently serves as Executive Vice President and Chief Financial Officer of BI-LO Holding, LLC, a grocery retailer, a position he has held since 2005. Prior to that time, Mr. Carney 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 Holding, LLC filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. BI-LO Holding, LLC emerged from Chapter 11 through a plan of reorganization on May 12, 2010.

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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. 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).

John S. Lupo. Mr. Lupo, age 69, has served as a director since 2003, and is the lead independent director, as well as a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Lupo was a principal in the consulting firm, Renaissance Partners, LLC, from 2000 through 2008. From 1998 through 1999, Mr. Lupo served as Executive Vice President of Basset Furniture. From 1996 until 1998, Mr. Lupo served as the Chief Operating Officer of the International Division of Wal-Mart Stores Inc., and from 1990 until 1996, Mr. Lupo served as Senior Vice President and General Merchandise Manager of Wal-Mart Stores, Inc. Mr. Lupo also served as a director of Cobra Electronics Corporation from 2007 to 2014, as a director of AB Electrolux from 2007 to 2012 and 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 2017.

R. Edward Anderson. Mr. Anderson, age 66, has served as a director since 2001 and as Chairman of the board of directors since May 2006, including service as Executive Chairman from April 2009 to April 2010, from October 2011 to January 2012 and from March 2015 through April 2, 2016. He served as CEO of the Company from 2001 to April 2009 and returned to that position from January 2012 to March 2015. From 1997 to 2001, Mr. Anderson was Chief Financial Officer of Variety Wholesalers, Inc., an operator of discount stores. Prior to 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 ten years as CEO and fourteen years as a director. In addition, the board considered his experience as CFO, CEO and chairman of other discount retailers prior to joining Citi Trends.

Lawrence E. Hyatt. Mr. Hyatt, age 61, has served as a director since 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 Senior Vice President and Chief Financial Officer of Cracker Barrel Old Country Store, Inc., a restaurant and retail company, since January 2011. Cracker Barrel Old Country Store, Inc. has announced that Mr. Hyatt will retire on or before August 5, 2016. From 2004 through 2010, Mr. Hyatt served as the Chief Financial Officer,

Secretary and Treasurer of O Charley's Inc., a multi-concept restaurant company. 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.

In determining that Mr. Hyatt should continue ser