Citi Trends Inc
Form PREC14A
March 23, 2017
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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:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	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):

x	No fee required.		
o	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)		

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY SUBJECT TO COMPLETION

104 Coleman Boulevard

Savannah, Georgia 31408

(912) 236-1561

[•], 2017

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc. to be held at[•], EDT, on [•], [•], at [•]. The formal notice of annual meeting appears on the next page.

Your vote will be especially important at the annual meeting. As you may have heard, Macellum Advisors GP, LLC, and certain affiliated entities (collectively, Macellum), have stated their intention to propose an alternative slate of director nominees for election at the annual meeting.

We strongly urge you (1) to read the accompanying proxy statement carefully and vote FOR the nominees proposed by the board of directors, and in accordance with the board s recommendations on all other proposals, in each case by using the enclosed BLUE proxy card and (2) not to return any proxy card sent to you by Macellum. If you vote using a WHITE proxy card sent to you by Macellum, you can subsequently revoke it by using the **BLUE** proxy card to vote by telephone, by Internet or by signing, dating and returning the **BLUE** proxy card in the postage-paid envelope provided. Only your latest-dated proxy will count any proxy may be revoked at any time prior to its exercise at the annual meeting as described in the accompanying proxy statement.

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 **BLUE** proxy card in the envelope provided.

If you have any questions or require any assistance with voting your **BLUE** proxy card, please contact our proxy solicitation firm.

1212 Avenue of the Americas, 24th Floor

New York, New York 10036

(212) 297-0720 (Main)

Stockholders Call Toll-Free: (877) 566-1922

Email: info@okapipartners.com

Very truly yours,

R. Edward Anderson
Executive Chairman of the Board of Directors

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YOUR VOTE IS IMPORTANT

Your vote is extremely important, no matter how many or how few shares you own. The board of directors urges you to vote your shares to elect the board of directors nominees. Please mark, sign and date your BLUE proxy card and return it promptly in the enclosed envelope, whether or not you plan to attend the meeting. If Macellum provides proxy materials in opposition to our board of directors, then your broker cannot vote any of your shares held in a brokerage account on any of the proposals unless you provide voting instructions to your broker.

This year s annual meeting is a particularly important one, and YOUR vote is extremely important.

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Citi Trends, Inc.

104 Coleman Boulevard
Savannah, Georgia 31408

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on [•]

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 [•], on [•], [•], at [•], EDT, for the following purposes:

1. To elect the three nominees named in the attached proxy statement to the board of directors, one director to serve as a Class II director until the 2019 annual meeting of stockholders and two directors to serve as Class III directors until the 2020 annual meeting of stockholders and, in each case, until their respective successors are duly elected and qualified;

2. To vote on a resolution to re-approve the material terms of the performance goals under the Citi Trends, Inc. 2012 Incentive Plan in order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards thereunder;

3. To vote on a proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections;

4. To vote on a non-binding, advisory resolution to approve the compensation of our named executive officers for 2016;

5. To vote on a non-binding, advisory basis, on the frequency of future advisory votes on executive compensation;

6. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018; and

7. 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 [•], the record date for the annual meeting.

For directions to the meeting, please call [•] at [•].

YOUR VOTE IS IMPORTANT. Regardless of whether you plan to attend the meeting in person, please take a few minutes now to vote by telephone or by Internet by following the instructions on the **BLUE** proxy card, or to complete, sign, date and return the enclosed **BLUE** 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. If you are a beneficial owner or you hold your shares in street name, please follow the voting instructions provided by your bank, broker or other nominee. Regardless of the number of shares you own, your presence by proxy is helpful to establish a quorum and your vote is important.

Please note that Macellum Advisors GP, LLC, and certain affiliated entities (collectively, Macellum), have provided notice to the Company that Macellum intends to nominate an alternative slate of director nominees at the annual meeting. Our Board of Directors does not endorse the election of Macellum s nominees. You may receive proxy solicitation materials from Macellum, including its proxy statement(s) and proxy card(s). We are not responsible for the accuracy of any information provided by or relating to Macellum or its director nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Macellum or any other statements that Macellum may otherwise make.

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OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE BOARD NOMINEES NAMED IN THE ATTACHED PROXY STATEMENT USING THE ENCLOSED **BLUE** PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY MACELLUM.

Even if you have previously signed a proxy card sent by Macellum, you have the right to change your vote by telephone or by Internet by following the instructions on the **BLUE** proxy card, or by signing, dating and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided. Only the latest-dated proxy card you vote will be counted. If you are a beneficial owner or you hold your shares in street name, please follow the voting instructions provided by your bank, broker or other nominee to change your vote. We urge you to disregard any proxy card sent to you by Macellum.

If you have any questions or require any assistance with voting your **BLUE** proxy card, please contact our proxy solicitation firm.

1212 Avenue of the Americas, 24th Floor

New York, New York 10036

(212) 297-0720 (Main)

Stockholders Call Toll-Free: (877) 566-1922

Email: info@okapipartners.com

By Order of the Board of Directors,

Bruce D. Smith
Acting Chief Executive Officer, Chief Operating Officer,
Chief Financial Officer and Secretary

[•], 2017

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on [•]: The Proxy Statement and our 2016 Annual Report are available at *http://ir.cititrends.com/annual-proxy.cfm*

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INCENTIVE PLAN

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CITI TRENDS, INC.
104 Coleman Boulevard
Savannah, Georgia 31408

PROXY STATEMENT

Annual Meeting of Stockholders

to be held on [•]

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 [•]. This proxy statement, the accompanying **BLUE** proxy card and the annual report to stockholders are being mailed to stockholders on or about [April 7], 2017.

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 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: [•], at [•], EDT, at [•]. For directions to the meeting, please call [•] at [•].

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 the annual meeting. We sent you this proxy statement and the enclosed **BLUE** 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 the meeting in order to vote your shares. Instead, you may simply complete, sign, date and return the enclosed **BLUE** proxy card (or submit your proxy by telephone or the Internet).

What can I vote on at the meeting?

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

(1) The election of the three nominees named in this proxy statement to our board of directors, one director to serve as a Class II director and hold office until the annual meeting of stockholders in 2019, and two directors to serve as Class III directors and hold office until the annual meeting of stockholders in 2020, and, in each case, until their successors are duly elected and qualified (Proposal 1);

(2) A resolution to re-approve the material terms of the performance goals under the Citi Trends, Inc. 2012 Incentive Plan (the 2012 Incentive Plan) in order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards thereunder (Proposal 2);

(3) A proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections (Proposal 3);

(4) A non-binding, advisory resolution to approve the compensation of our named executive officers for 2016 (Proposal 4);

(5) A non-binding, advisory vote on the frequency of future advisory votes on executive compensation (Proposal 5); and

(6) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018 (Proposal 6).

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How does the board of directors recommend that I vote?

The board of directors unanimously recommends that you vote your shares (i) FOR ALL of the board of directors nominees named in this proxy statement to be elected to the board of directors; one director to serve as a Class II director and hold office until the annual meeting of stockholders in 2019, and two directors to serve as Class III directors and hold office until the annual meeting of stockholders in 2020, and, in each case, until their successors are duly elected and qualified, (ii) FOR the approval of the resolution to re-approve the material terms of the performance goals under the 2012 Incentive Plan in order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards thereunder, (iii) FOR the approval of a proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections, (iv) FOR the approval of the non-binding, advisory resolution to approve the compensation paid to our named executive officers for 2016, (v) for holding an advisory vote on the compensation of our executive officers Every Year, and (vi) FOR the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018.

Has the Company been notified that a stockholder intends to propose an alternative slate of director nominees at the annual meeting?

Yes. Macellum Advisors GP, LLC (Macellum) has notified the Company of its intention to propose an alternative slate of director nominees for election at the annual meeting. Our board of directors unanimously recommends a vote FOR ALL of our board s nominees for director on the enclosed **BLUE** proxy card. The Macellum nominees have NOT been endorsed or approved by our board of directors. We are not responsible for the accuracy of any information provided by or relating to Macellum or its nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Macellum or any other statements that Macellum may otherwise make.

What should I do if I receive a WHITE proxy card from Macellum?

Our board of directors unanimously recommends that you disregard it. Macellum has stated its intention to propose an alternative slate of director nominees for election at the annual meeting. If Macellum proceeds with its alternative nominations, you may receive proxy solicitation materials from Macellum, including an opposition proxy statement(s) and **WHITE** proxy card(s). We are not responsible for the accuracy of any information provided by or relating to Macellum or its nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Macellum or any other statements that Macellum may otherwise make.

If you have already voted using the **WHITE** proxy card, you have every right to change your vote by executing and returning the enclosed **BLUE** proxy card or by voting by telephone or by Internet by following the instructions provided on the enclosed **BLUE** proxy card. Only the latest-dated proxy you submit will be counted. If you vote against the Macellum nominees by marking WITHHOLD or ABSTAIN on the **WHITE** proxy card, your vote will not be counted as a vote for the board of directors nominees and will result in the revocation of any previous vote you may have cast on the Company s **BLUE** proxy card. If you wish to vote pursuant to the recommendation of our board of directors, you should disregard any proxy card that you receive other than the **BLUE** proxy card. **If you have any questions or need assistance voting, please call Okapi Partners, LLC, our proxy solicitor, at (212) 297-0720 or toll-free at (877) 566-1922.**

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 [•], the record date for determining the stockholders who are entitled to vote at the annual meeting. As of the close of business on [•], there were a total of [•] 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.

What is the required vote for approval of each proposal?

Directors are elected by a plurality of votes cast. This means that the Class II nominee receiving the highest number of affirmative votes will be elected as the Class II director and the two Class III nominees receiving the highest number of affirmative votes will be elected as the Class III directors. Therefore, at the annual meeting, the one Class II nominee and the two Class III nominees receiving the highest number of FOR votes will be elected. A properly executed proxy card marked WITHHOLD with respect to the election of a director nominee will be counted for purposes of determining if there is a quorum at the annual meeting, but will not be considered to have been voted for the director nominee. Broker non-votes, if any, will also not be considered to have been voted for any director nominee.

THE ONLY WAY TO SUPPORT ALL THREE OF OUR BOARD OF DIRECTORS NOMINEES IS TO VOTE FOR THE BOARD S NOMINEES ON THE BLUE PROXY CARD. PLEASE DO NOT SIGN OR RETURN MACELLUM S WHITE

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PROXY CARD, EVEN IF YOU VOTE AGAINST OR WITHHOLD ON ANY OF THEIR DIRECTOR NOMINEES. DOING SO MAY CANCEL ANY PREVIOUS VOTE YOU CAST ON THE COMPANY S BLUE PROXY CARD.

Approval of the proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections requires the affirmative vote of the holders of two-thirds (2/3) or more of the combined voting power of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors.

Approval of the resolution to re-approve the material terms of the performance goals under the 2012 Incentive Plan, approval of the non-binding, advisory resolution to approve the compensation of our named executive officers for 2016, 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.

The option on the advisory vote to recommend the frequency of holding future advisory votes on executive compensation (every year, every two years or every three years), that receives the highest number of votes cast will be the frequency recommendation that has been selected by the stockholders.

How are votes counted?

We will hold the annual meeting if stockholders representing the required quorum of shares of common stock entitled to vote sign and return their proxy cards, use the information on their proxy cards to vote by telephone or by Internet, 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 properly return a proxy by one of the methods described below under the question How do I vote, your shares will be counted to determine whether we have a quorum.

Votes withheld from the director nominees, abstentions and broker non-votes, if any, 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. Abstentions and broker non-votes, if any, will not affect the outcome of the election of our director nominees, approval of the resolution to re-approve the material terms of the performance goals under the 2012 Incentive Plan, approval of the non-binding, advisory resolution to approve the compensation of our named executive officers for 2016, the non-binding recommendation of the frequency of holding advisory votes on executive compensation, or the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018. Abstentions and broker non-votes, if any, will have the same effect as a vote against the approval of the proposal to amend the Company s bylaws to adopt a majority voting requirement for uncontested director elections. If Macellum initiates a proxy contest and you do not provide voting instructions to your bank or broker, the organization that holds your shares will not be authorized to vote on any of the proposals presented at the annual meeting, and we would expect that there would be no broker non-votes, so uninstructed shares would not be counted toward determining the existence of a quorum.

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 because that item is not a routine matter under applicable rules and the nominee has not received instructions from the owner of the shares. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year ending February 3, 2018 (Proposal 6) is normally considered routine under Nasdaq rules. **However, if Macellum initiates a proxy contest, Proposal 6 will become a non-routine matter, and therefore your broker will not be able to vote your shares without your instruction and we would expect that there would be no broker non-votes.**

How do I vote?

Before the annual meeting, stockholders of record may vote their shares in one of the following three ways:

- by completing, signing and returning the enclosed **BLUE** proxy card in the enclosed postage-paid envelope;
- by telephone (within the United States and Canada) by calling the number provided on the enclosed **BLUE** proxy card; or
- by using the Internet to visit the website indicated on the enclosed **BLUE** proxy card.

Please use only one of the three ways to vote. Please follow the directions on your **BLUE** proxy card carefully. If you hold shares in the name of a broker, your ability to vote those shares by Internet or telephone depends on the voting procedures used by your broker, as explained below under the question How do I vote if my shares are held in street name ? The Delaware General Corporation Law provides that a shareholder may appoint a proxy by electronic transmission, so we believe that the Internet or telephone voting procedures available to stockholders are valid and consistent with the requirements of applicable law.

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How do I vote by proxy?

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

You have the following choices in completing the **BLUE** proxy card:

- 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 on the **BLUE** proxy card or withhold your vote on the nominees as a group or with respect to any particular nominee on the **BLUE** proxy card.

- You may vote for, against or abstain on one or more of the Company s proposals: to approve a resolution to re-approve the material terms of the performance goals under the 2012 Incentive Plan in order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards thereunder; to approve a proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections; to approve on a non-binding, advisory basis, the compensation of our named executive officers for 2016; and to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018.

- You may vote, on a non-binding, advisory basis, to have a stockholder vote to approve the Company s executive compensation Every Year, Every 2 Years, or Every 3 Years, or you may abstain from voting on such proposal.

- You may return a signed **BLUE** proxy card or complete the Internet or telephone voting procedures without indicating your vote on any matter, in which case the designated proxies will vote (i) FOR ALL of the nominees named in this proxy statement to serve as directors; one director to serve as a Class II director until the 2019 annual meeting of stockholders and two directors to serve as Class III directors until the 2020 annual meeting of stockholders and, in each case, until their respective successors are duly elected and qualified, (ii) FOR the approval of the resolution to re-approve the material terms of the performance goals under the 2012 Incentive Plan in order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards thereunder, (iii) FOR the approval of the proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections, (iv) FOR the approval of the compensation of our named executive officers for 2016, (v) FOR the approval of holding an advisory vote on the compensation of our executive officers Every Year, and (vi) FOR ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018.

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

If your shares are held in a brokerage account in the name of your broker, a bank or other nominee, that party will give you instructions for voting your shares. Unless Macellum initiates a proxy contest, 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 6 (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 Proposal 1 (election of directors), Proposal 2 (re-approval of the material terms of the performance goals under the 2012 Incentive Plan), Proposal 3 (approval of the majority voting requirement), Proposal 4 (say on pay), and Proposal 5 (say-on-pay frequency). In the case of non-discretionary items, in the absence of voting instructions, shares subject to such so-called broker non-votes, if any, 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 Macellum initiates a proxy contest and you do not provide voting instructions to your bank or broker, the organization that holds your shares will not be authorized to vote on any of the proposals presented at the annual meeting, and we would expect that there would be no broker non-votes, so uninstructed shares would not be counted toward determining the existence of a quorum. 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 one Class II director and two Class III directors, the vote on the resolution to re-approve the material terms of the performance goals under the 2012 Incentive Plan in order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards thereunder, the proposal to amend the Company s amended and restated bylaws to adopt a majority voting requirement for uncontested director elections, the non-binding, advisory vote to approve the compensation of our named executive officers for 2016, the advisory vote on the frequency of votes on executive compensation, and the proposal to ratify the appointment of

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KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018. If other matters are properly presented at the meeting, the designated proxies will vote your shares in their discretion.

Can I change my mind and revoke my proxy?

Yes, so long as you are the record holder. To revoke a proxy given pursuant to this solicitation, you must:

- sign another proxy with a later date and return it to us at Citi Trends, Inc. c/o Okapi Partners, 1212 Avenue of the Americas, 24th Floor, New York, New York 10036, at or before the annual meeting;
- provide us with a written notice of revocation dated later than the date of the proxy, which should be delivered to Citi Trends, Inc. c/o Okapi Partners, 1212 Avenue of the Americas, 24th Floor, New York, New York 10036, at or before the annual meeting;
- re-vote by using the telephone and calling the telephone number provided on the enclosed **BLUE** proxy card;
- re-vote by using the Internet and visiting the website indicated on the enclosed **BLUE** proxy card; or
- attend the annual meeting and vote in person note that attendance at the annual meeting will not revoke a proxy if you do not actually vote at the annual meeting.

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

If you have previously signed a WHITE proxy card sent to you by Macellum, you may change your vote by marking, signing, dating and returning the enclosed **BLUE** proxy card in the accompanying postage-paid envelope or by voting by telephone or by Internet by following the instructions on your **BLUE** proxy card. Submitting Macellum s WHITE proxy card will revoke votes you have previously made via the Company s **BLUE** proxy card, so we recommend discarding any WHITE proxy card that you may receive.

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

Although we encourage you to vote by completing and returning the **BLUE** proxy card (or by telephone or by Internet by following the instructions provided on the **BLUE** proxy card) to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person if you are a stockholder of record on the record date even if you have previously submitted a proxy card or voted by telephone or by Internet. 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 previously submitted by mail, telephone or Internet.

What do I do if I receive more than one proxy statement and BLUE proxy card?

If you receive multiple copies of the same proxy statement or multiple **BLUE** proxy cards, that may mean that you have shares registered in different names or your shares are held in more than one type of account maintained by brokers or by American Stock Transfer and Trust Company (AST), our transfer agent. To have all your shares voted, please sign, date and return all **BLUE** proxy cards. We also recommend that you contact your broker and AST to consolidate as many accounts as possible under the same name and address. AST may be contacted at (800) 485-1883.

If Macellum proceeds with its previously announced alternative slate of director nominees, we will likely conduct multiple mailings prior to the annual meeting date to ensure stockholders have our latest proxy information and materials to consider in casting their vote. We will send you a new **BLUE** proxy card with each mailing, regardless of whether you have previously voted. The latest-dated proxy card you submit will be counted, and, if you wish to vote as recommended by the board of directors then you should only submit **BLUE** proxy cards.

Who will count the votes?

An independent inspector of election will receive and tabulate the proxies and certify the results.

Who pays for the Company s solicitation of proxies?

We will pay for the entire cost of soliciting proxies on behalf of the Company. We will also reimburse brokerage houses, banks and other custodians or nominees holding shares in their names for others for the cost of forwarding the Company s proxy materials to beneficial owners. In addition, our directors and employees may solicit proxies in person, by telephone, by Internet or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies, but Okapi Partners LLC (Okapi), our proxy solicitor, will be paid a fee, estimated to be about $[•], for rendering solicitation services.

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Okapi expects that approximately 25 of its employees will assist in the solicitation. Okapi will ask brokerage houses and other custodians and nominees whether other persons are beneficial owners of our common stock. Our aggregate expenses, including those of Okapi, related to our solicitation of proxies in excess of those normally spent for an annual meeting as a result of the potential proxy contest and excluding salaries and wages of our regular employees, are expected to be approximately $[•], of which approximately $[•] has been spent to date. Annex A sets forth information relating to our director nominees as well as certain of our directors, officers and employees who are considered participants in our solicitation under the rules of the Securities and Exchange Commission (the SEC) by reason of their position as directors or director nominees of the Company or because they may be soliciting proxies on our behalf.

Who should I contact if I have any questions?

If you have any questions or require any assistance with voting your **BLUE** proxy card, please contact our proxy solicitation firm.

1212 Avenue of the Americas, 24th Floor

New York, New York 10036

(212) 297-0720 (Main)

Stockholders Call Toll-Free: (877) 566-1922

Email: info@okapipartners.com

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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, Barbara Levy and John S. Lupo. In accordance with the Company s amended and restated bylaws and Second Amended and Restated Certificate of Incorporation, our board determines the number of directors on our board, but such number cannot be less than five or more than nine. 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. This year, two nominees whose current terms expire at the annual meeting on [•], 2017 will be proposed for election as Class III directors. Additionally, in accordance with our corporate governance guidelines, one nominee who was appointed as a new member of our board of directors in August 2016 will be proposed for election as a Class II director.

It is intended that the persons named as proxies in the enclosed **BLUE** proxy card will vote to elect the nominees listed below unless otherwise directed or authority to vote is withheld. The elected directors will serve until the annual meeting of stockholders at which their terms expire or until an earlier resignation or retirement or until their successors are elected and qualify to serve.

Each nominee currently serves as a director. The nominees have consented to be named in this proxy statement, stand for election and serve as directors if elected. However, if any nominee named herein is unable to serve or for good cause will not serve as a director at the annual meeting, it is intended that shares represented by the enclosed **BLUE** proxy card will be voted for the election of the other nominees named below and may be voted for any substitute nominee designated by our board of directors or, in lieu thereof, our board of directors may reduce the number of directors in accordance with the Company s amended and restated bylaws.

Background to Potential Contested Solicitation

On March 9, 2017, we issued a press release acknowledging the receipt of a letter from Macellum Advisors GP, LLC (Macellum) stating Macellum s intent to nominate a slate of director candidates to stand for election to our board of directors at the 2017 annual meeting.

Our board of directors and management team are committed to acting in the best interests of all Company stockholders and welcome their views in order to pursue our common goal of maximizing long-term stockholder value. To that end, members of senior management met with Jonathan Duskin, CEO and Portfolio Manager of Macellum Capital Management, LLC, and certain of his colleagues, multiple times over the last few years at several industry conferences to hear their input and suggestions with an open mind.

In late January 2017, Jason Mazzola, the former President and Chief Executive Officer of the Company, spent the better part of a day taking Duskin on a tour of one of our stores in Philadelphia as well as one of our competitor s stores where he gave Duskin some insight into the business, answered his questions openly and listened to his views on various matters.

On February 6, 2017, R. Edward Anderson, the Executive Chairman of our board of directors, received a letter from Duskin requesting a meeting to discuss the business.

On February 13, 2017, in response to the letter, Messrs. Mazzola and Anderson met with Duskin and one of his colleagues at Macellum s offices in New York to listen to their views regarding the Company. At the meeting, Duskin demanded that the Company immediately add two independent directors to our board of directors and stated a strong preference for him to be one of those directors. He did not identify any other director candidates but indicated he had a list of 10-12 potential candidates to recommend to the Board.

On February 13, 2017, despite the fact that Macellum had not provided names or biographical information for any director candidates aside from Duskin at that time, our board of directors convened a meeting to discuss Messrs. Mazzola and Anderson s meeting with Duskin, and Duskin s demands to add immediately two independent directors to our board of directors with a strong preference that one of those directors be him.

On February 16, 2017, our board of directors convened a meeting to further discuss the demands made by Duskin to immediately add two independent directors to our board of directors. After discussion and consultation with the Company s advisors, the Board determined that changing our board of directors as Duskin had proposed was not in the best interest of the Company and its stockholders. However, in an effort to be constructive, our board of directors agreed that it would be willing to consider adding one new, qualified independent director not affiliated with Macellum who would be mutually agreed upon by Duskin and the Company.

On February 20, 2017, our board of directors sent a letter to Macellum setting forth the Company s offer that it would consider adding one new, qualified independent director to our board of directors that was not affiliated with Macellum, who satisfied the criteria for board membership set forth in the Company s corporate governance guidelines and who would be mutually agreed upon by Macellum and the Company. The letter also provided that if our board of directors decided to nominate one of Macellum s nominees for election at the 2017 annual meeting of stockholders, Macellum would agree not to nominate any director candidates or submit any stockholder proposals at

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the 2017 and 2018 annual meetings of stockholders and not to seek to call or support the calling of any special meeting of the Company s stockholders prior to the 2019 annual meeting of stockholders.

On February 21, 2017, and in response to the Company s letter, Messrs. Mazzola, Anderson and Duskin participated in a telephonic meeting pursuant to which Duskin rejected the Company s offer and stated that he now wanted our board of directors to appoint three of his nominees to our board of directors (and his very strong preference that one of them be him). He also would not agree to the proposed standstill term on director nominations, and he wanted the Company to either extend the deadline for director nominations set forth in the Company s amended and restated bylaws or execute a written settlement agreement prior to such deadline, which was February 24, 2017. Duskin still did not provide the Company with the names of his nominees (other than himself).

Later on February 21, 2017, our board of directors convened a meeting to discuss Messrs. Mazzola and Anderson s conversation with Duskin that took place earlier that day, and Duskin s new demand to appoint three of his nominees to our board of directors and his very strong preference that he will fill one of those seats. Our board of directors considered such request and after discussion and consultation with the Company s advisors determined that such actions were not in the best interest of the Company.

On February 24, 2017, Macellum formally submitted a notice to the Secretary of the Company of its intent to nominate Duskin, Dyan Jozwick, Lana Cain Krauter and Paul Metcalf to stand for election at the 2017 annual meeting of stockholders.

On February 28, 2017, Macellum sent our board of directors a draft of a letter that Macellum intended to distribute to the Company s stockholders.

On March 1, 2017, our board of directors convened a meeting to discuss the potential contested election. Again, in an effort to constructively resolve this matter, our board of directors agreed that it was prepared to interview and evaluate Macellum s three nominees, other than Duskin. Additionally, if our board of directors determined one or more of these three candidates to be both unaffiliated with Macellum and qualified to serve as directors, it would consider adding up to two of them to our board of directors. Our board of directors also agreed that it was willing to consider modifications to the two-year standstill agreement.

On March 2, 2017, our board of directors sent a letter to Macellum setting forth the Company s offer to interview and evaluate Macellum s three nominees, other than Duskin, and if our board of directors determined one or more of the candidates to be both unaffiliated with Macellum and qualified to serve as directors, it would consider adding up to two of them to our board of directors. The letter also stated that the Company was open to discussing with Macellum modifications to the terms of the standstill that was proposed in the Company s February 20 letter.

On March 3, 2017, and in response to the Company s letter, Messrs. Mazzola, Anderson and Duskin participated in a telephonic meeting where they discussed the offer terms set forth in the Company s March 2, 2017 letter. Duskin explained during that call that he still had a very strong preference for being one of the nominees and stated that he would be willing to agree to a standstill that was longer than one-year if it was tied to the Company achieving a financial metric that was based on share price. After such discussion, Duskin stated that he would follow-up later that day regarding his response to the Company s letter. Later that day, Messrs. Anderson, Mazzola and Duskin had a second telephonic meeting in which Duskin asked that the Company begin to prepare a settlement agreement that reflected the Company s offer.

On March 8, 2017, our board of directors sent a draft of the settlement agreement to Duskin. The settlement agreement provided that the Company would offer to interview and evaluate Macellum s nominees, other than Duskin, and if our board of directors determined one or more of the candidates to be both unaffiliated with Macellum and qualified to serve as directors, it would add up to two of them to our board of directors. It also provided that if such individual(s) were mutually agreed upon prior to the Company mailing its definitive proxy statement for the 2017 annual meeting of stockholders, such individuals would be nominated for election at the 2017 annual meeting of stockholders. If such individual(s) were mutually agreed upon after such time, then our board of directors would appoint them to our board of directors and such individual(s) would be nominated for election at the 2018 annual meeting of stockholders. In exchange for the settlement, Macellum would agree to withdraw its notice to nominate individuals at the 2017 annual meeting of stockholders and agree not to nominate any director candidates or submit any stockholder proposals at the 2017 and 2018 annual meetings of stockholders and not to seek to call or support the calling of any special meeting of the Company s stockholders prior to the 2018 annual meeting of stockholders; provided, however, if the Company did not achieve a certain financial target that was based on Adjusted EBITDA, such standstill would expire in advance of the 2018 annual meeting of stockholders.

On March 8, 2017 and in response to the Company s draft of the settlement agreement, Duskin and Messrs. Mazzola and Anderson participated in a telephonic meeting where they discussed the terms of the settlement agreement. During the call, Duskin rejected the settlement agreement and demanded, among other things, that he and one other individual be added to our board of directors immediately. He also noted, among other things, his disagreement with the terms of the standstill.

Also on March 8, 2017, our board of directors convened a meeting to discuss Macellum s rejection of the Company s settlement offer. In a further attempt to resolve this matter, our board of directors agreed that it would add to our board of directors two qualified independent and mutually agreed upon individuals provided that Macellum would provide the names of three additional individuals for

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our board of directors to consider. Our board of directors also agreed that it would consider modifications to the standstill agreement and was open to negotiating with Macellum on the other terms of the settlement agreement.

Later on March 8, 2017, the Company s outside legal counsel communicated the Company s offer to outside counsel for Macellum. Counsel communicated that our board of directors would add to our board of directors two qualified independent and mutually agreed upon individuals (other than Duskin) provided that Macellum would provide the names of three additional individuals for our board of directors to consider. Later that night, Macellum s counsel informed the Company s counsel that Macellum rejected the Company s offer ultimately because Duskin insisted that one of the directors must be him.

On March 9, 2017, Macellum issued a press release announcing its intention to nominate four individuals for election at the 2017 annual meeting of stockholders and released a letter to the Company s stockholders.

On March 9, 2017, the Company issued a press release acknowledging receipt of and providing important context regarding a letter authored by Macellum stating its intent to nominate a slate of director candidates to stand for election to the 2017 annual meeting of stockholders.

On March 15, 2017, Macellum issued a press release commenting on the settlement discussions with the Company and the Company s fourth quarter 2016 earnings results.

On March 17, 2017, Macellum filed with the SEC a preliminary proxy statement pertaining to its four nominees for our board of directors.

On March 21, 2017, Macellum filed with the SEC an amendment to its preliminary proxy statement.

We believe our current board of directors is comprised of highly qualified individuals with compelling backgrounds in retail merchandising, operations and finance, and we recommend that you vote **FOR** each of the board of directors nominees on the **BLUE** proxy card included herewith. More information about the qualifications of each of our nominees is provided below.

Nominee for Election as a Class II Director

Barbara Levy was appointed by our board of directors to serve as a director on August 16, 2016. Our board of directors has nominated Ms. Levy for election by the stockholders at this annual meeting to serve as a Class II director until the 2019 annual meeting. Ms. Levy currently is a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee of our board of directors. Ms. Levy s biographical information is set forth on the following page.

Nominees for Election as Class III Directors

R. Edward Anderson currently serves as a Class III director whose term expires at the annual meeting. Mr. Anderson has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring at the 2020 annual meeting. Mr. Anderson currently is Executive Chairman of our board of directors. Mr. Anderson s biographical information is set forth on the following page.

Lawrence E. Hyatt currently serves as a Class III director whose term expires at the annual meeting. Mr. Hyatt has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring at the 2020 annual meeting. Mr. Hyatt currently is Chair of the Audit Committee of our board of directors and a member of the Compensation Committee and the Nominating and Corporate Governance Committee of our board of directors. Mr. Hyatt s biographical information is set forth on the following page.

Our board of directors unanimously recommends that stockholders vote FOR ALL of the nominees listed above on the enclosed BLUE proxy card.

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BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

Board Leadership Structure

Separate Chairman and CEO

The board has separated the role of Chairman of the Board of Directors and Chief Executive Officer (CEO) since March 2015. Our board of directors does not have a set policy with respect to the separation of the offices of the Chairman and CEO, 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 is currently the Executive Chairman and served as the non-executive Chairman from April 2016 through March 2017. Prior to that, Mr. Anderson was the Chairman and CEO from January 2012 through his retirement as CEO in March 2015, at which time he became Executive Chairman of our board of directors in order to provide for an orderly transition of the CEO role to his successor, Jason Mazzola. In April 2016, Mr. Anderson transitioned from Executive Chairman to non-executive Chairman of our board of directors. Upon Mr. Mazzola s resignation in March 2017, Mr. Anderson resumed his role as Executive Chairman in order to assist Mr. Smith in his role as Acting CEO and provide for the orderly succession of management responsibilities while our board of directors conducts a search for a permanent CEO.

Lead Independent Director

The Company s Corporate Governance Guidelines provide for the appointment of a lead independent director at any time when the Chairman is not independent. Our 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. Our board recognizes that depending on the circumstances, other leadership models might be appropriate. Accordingly, our board regularly reviews and reassesses its leadership structure.

The Company s independent directors have appointed Mr. Lupo as the board s lead independent director, and he presides at all meetings of our board at which the Chairman of the board of directors is not present, including executive sessions of the independent directors. Our 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 of the board of directors;
- 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 of directors 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 of directors, such other officer. For the officer serving as Chairman of the board of directors, such evaluation shall include an evaluation of such officer s effectiveness as Chairman of the board of directors 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 of directors.

Directors

Our board of directors consists of six directors (Messrs. Anderson, Carney, Goff, Hyatt and Lupo and Ms. Levy), all of whom, except Mr. Anderson, have been determined by our 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 director, Mr. Goff, has a term expiring in 2018, our Class II directors, Messrs. Carney and Lupo and Ms. Levy, have terms expiring in 2019 (although Ms. Levy is standing for election at the 2017 annual meeting), and our Class III directors, Messrs. Anderson and Hyatt, have terms expiring at the 2017 annual meeting.

The following sets forth selected biographical information for our directors.

Nominee for Class II Director.

Barbara Levy. Ms. Levy, age 62, has served as a director since August 2016, and is a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Ms. Levy has extensive retail experience in

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traditional, off price, and e commerce businesses. She served as a Senior Strategy Advisor for ideeli Inc., an online apparel retailer, from July 2010 through October 2012. Ms. Levy focused specifically on building ideeli, Inc. s merchandising team, devising new strategies for its vendors and brands, and ensuring that the overall merchandising function aligns with the strategic direction of ideeli, Inc. From 1993 through 2007, Ms. Levy served in various merchandising positions, including Executive Vice President, with Ross Stores, Inc., an off-price retailer, overseeing 700 stores and $1.5 billion in sales volume. Ms. Levy was responsible for significantly growing the missy and junior apparel, plus sizes, outerwear, active and accessories businesses at Ross Stores, Inc., while also working extensively with the marketing group, planning and allocation teams, and distribution centers to develop long-term strategies. From 1977 through 1993, she served in various merchandising positions, including Senior Vice President and General Merchandise Manager, with Macy s, Inc., where she oversaw a buying team with responsibility for nearly 70 stores including the Herald Square flagship location. Ms. Levy has been a member of the Board of Trustees of Lafayette College since 1998. She is presently a member of the Executive Committee, the Committee on Compensation, and the combined Committees on Development & Alumni Relations and External Affairs, and she serves as Co-Chairman of the Lafayette College $400 Million Capital Campaign.

In determining that Ms. Levy should serve as one of our directors, our board considered in particular her retail merchandising experience described above, her extensive knowledge of and experience in the off-price retail industry and her strong product development knowledge. Through her senior executive role with Ross Stores, Inc., Ms. Levy brings the relevant expertise of devising strategies with vendors and brands, and ensuring alignment between overall merchandising function and the strategic direction of a company. Ms. Levy s fourteen year tenure at Ross Stores, Inc. provides her with a unique understanding of how to enhance the Company s competiveness in the off-price retail industry.

Nominees for Class III Directors.

R. Edward Anderson. Mr. Anderson, age 67, 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, from March 2015 to April 2016 and from March 2017 to present. 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, our board of directors considered in particular his in-depth knowledge of Citi Trends and its target customers attained from his tenure of more than eleven years as CEO and fifteen years as a director. Such familiarity with the Company makes Mr. Anderson a valuable institutional resource. In addition, our board of directors considered Mr. Anderson s distinguished career leading other companies in our industry; including his roles in executive management as CFO, CEO and chairman of other discount retailers prior to joining Citi Trends. Our board of directors has determined that having more than three decades of relevant executive management experience enables Mr. Anderson to provide critical insights on strategic issues facing the Company.

Lawrence E. Hyatt. Mr. Hyatt, age 62, 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 served as the Senior Vice President and Chief Financial Officer of Cracker Barrel Old Country Store, Inc., a restaurant and retail company, from January 2011 until his retirement in June 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 Sodexho Marriott Services, Inc. and its predecessor company from 1989 to 1999. Mr. Hyatt received his bachelor s degree from Williams College, *magna cum laude* and *Phi Beta Kappa*, and his Master of Business Administration, with distinction, from Harvard University Graduate School of Business.

In determining that Mr. Hyatt should continue serving as one of our directors, our board of directors considered in particular his experience as a public company CFO which affords him with a superior understanding of the complex financial issues and compliance requirements facing public companies. Mr. Hyatt has advised companies in a range of sectors and has particular knowledge of the retail industry from his senior executive roles at Cracker Barrel and Cole National Corporation. Mr. Hyatt s proven business acumen allows him to bring an important perspective to the board. Our board of directors considered these attributes as well as his past performance during the time he has served as a director 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 SEC and, as a result, our board of directors named him Chairman of the Audit Committee.

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Continuing Class II Directors with terms expiring in 2019.

Brian P. Carney. Mr. Carney, age 56, 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.

In determining that Mr. Carney should serve as one of our directors, our 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 SEC.

John S. Lupo. Mr. Lupo, age 70, 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 serve as one of our directors, our board considered in particular his extensive 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 I Directors with terms expiring in 2018.

Laurens M. Goff. Mr. Goff, age 44, has served as a director since November 2013, and is Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee and the Compensation Committee. Mr. Goff is a co-founder and Managing Partner of Stone-Goff Partners, a private equity firm founded in 2010 that is focused on investing in private companies in the lower middle market. Prior to that, he was Managing Partner of Goff Management, a predecessor firm, which he founded in 2007. Mr. Goff began his career in the investment banking division of Furman Selz LLC. He subsequently joined Hampshire Equity Partners, a middle market buyout firm, where he spent over eight years sourcing, executing and managing private equity investments, including Citi Trends prior to its initial public offering in 2005.

In determining that Mr. Goff should serve as one of our directors, our board considered in particular his business and financial experience described above, as well as his knowledge of Citi Trends attained from serving as a director over the past three years and through his role at Hampshire where Citi Trends was a portfolio holding prior to the Company s initial public offering.

Board Risk Oversight

Our management team is responsible for identifying, assessing and managing our exposure to risk, while our board of directors is responsible for providing oversight of risk management. The oversight role performed by our 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 respective areas, including, among others, merchandising, real estate, finance, human resources and information services;
- Private meetings with our independent registered public accounting firm, our Chief Financial Officer, and our Director of Internal Audit and Loss Prevention;
- Performance of a comprehensive risk assessment, including those significant risk factors discussed in Item 1A of our Annual Report on Form 10-K;
- Review and approval of our Investment Policy; and
- Review of legal matters.

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 and Corporate Governance 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 believe that Citi Trends compensation policies do not 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 of directors to determine that the compensation policies do not create unnecessary risk includes detailed reviews of the assumptions used in the budget on which annual cash incentives are based. In addition, the board of directors 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 cause employees in other industries 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 for our named executive officers 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, Goff, Hyatt and Lupo and Ms. Levy.

Audit Committee

The Audit Committee, currently consisting of all five of the Company s independent directors, reviews our internal accounting procedures and consults with and reviews the services provided by our independent registered public accounting firm. 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 and Mr. Carney are audit committee financial experts as defined by the rules of the SEC. During fiscal 2016, the Audit Committee met 9 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 the 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;

- 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, if any, 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

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- 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, as amended, or the Exchange Act, except to the extent that the Company specifically so provides.

Compensation Committee

The Compensation Committee, currently consisting of all five of the Company s independent directors, reviews and determines the compensation and benefits of the Company s executive officers and administers our incentive and equity-based compensation plans. The current members of the Compensation Committee satisfy NASDAQ s compensation committee member independence requirements. Mr. Carney is the Chairman of the Compensation Committee. The Compensation Committee has adopted a written charter, a copy of which is available on the Investor Relations section of the Company s website at *http://www.cititrends.com*. During fiscal 2016, the Compensation Committee met 6 times. The principal duties and responsibilities of the Compensation Committee, among other things, are to:

- review and approve corporate goals and objectives relevant to our CEO s compensation, evaluate the CEO s performance in light of these goals and objectives, and determine and approve the CEO s compensation based on such evaluation;

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

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

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

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

- review the Company s overall compensation systems and determine whether any incentive compensation arrangements encourage excessive risk-taking;

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

- 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 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 CEO to grant awards under the 2012 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. The Compensation Committee has engaged Korn Ferry Hay Group (Hay Group or 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 five of the Company s independent directors. Mr. Goff is the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee has adopted a written charter, a copy of which is available on the Investor Relations section of the Company s website at

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http://www.cititrends.com. During fiscal 2016, the Nominating and Corporate Governance Committee met 6 times. The principal duties and responsibilities of the 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 the board, its directors and its committees;
- identify individuals qualified to become board members, consistent with criteria approved by our board of directors;
- select and recommend individuals as nominees to serve as directors at annual meetings of our stockholders and nominate individuals to fill any vacancies;
- develop and recommend to our board of directors a set of corporate governance principles applicable to us and periodically review and assess such corporate governance principles; and
- 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.

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 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. Our directors, executive officers and employees are required to affirm annually their compliance with the Code of Business Conduct and Ethics.

Governance Highlights

- Majority Independent Directors

- Independent Lead Director of the Board

- Separate Chairman of the Board of Directors and Chief Executive Officer since March 2015

- Each director serving in 2016 attended at least 75% of the aggregate number of Board and applicable Committee meetings held in 2016 when he or she was a director

- Diverse Board in terms of background, professional experience and skills

- Independent directors of the Board meet in executive session without management present

- Audit, Compensation and Nominating and Corporate Governance Committees are composed entirely of independent directors

- Stock Ownership Guidelines for Directors and Executive Officers

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- Risk Oversight by full Board and Committees

- Company Policy against hedging, short-selling and pledging by Directors, Officers and Employees

- Directors, Executive Officers and Employees are required to affirm their compliance with the Code of Business Conduct and Ethics annually

- Annual Board and Committee self-evaluations

Stock Ownership Guidelines for Directors and Executives

In order to align the financial interests of our directors and certain executive officers with the long-term interests of our stockholders, we have Stock Ownership Guidelines (the Guidelines). Under the current Guidelines, as amended in March 2017, each of our non-employee directors is expected to retain all of his or her shares of common stock (except for shares withheld to pay withholding taxes) until they attain stock ownership with a fair market value equal to at least three times the annual base cash retainer paid to directors (excluding committee and attendance fees).

Bruce D. Smith, our Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, is similarly expected to retain shares of common stock equal to three times his annual base salary. Shares of common stock owned directly or indirectly count toward meeting the Guidelines; however, shares of unvested time-based restricted stock and unearned performance-based restricted shares do not count.

As of January 28, 2017, each of our non-employee directors, with the exception of Mr. Goff, who joined the board of directors in November 2013, and Ms. Levy, who joined the board of directors in August 2016, owned shares with a fair market value in excess of the Guidelines requirements and are, therefore, in compliance with the Guidelines. Neither Mr. Goff nor Ms. Levy has disposed of any shares of common stock since joining the board of directors, therefore, they are also in compliance with the Guidelines. Mr. Smith has not yet accumulated enough shares of common stock under the requirements; however, he has not disposed of any shares of common stock (other than shares withheld to pay withholding taxes) since becoming Chief Financial Officer, therefore, he is also in compliance with the Guidelines.

Compensation Committee Interlocks and Insider Participation

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 2016, the board of directors held 12 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

The 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 it would recommend a candidate as a nominee to our board of directors, and the nominee must meet the following minimum qualifications:

- demonstrates personal integrity and moral character;

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

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

- exhibits 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

- maintains the 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 and distribution.

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 supporting information to the Secretary of the Company at: Stockholder Nominations, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. Such submissions must be delivered or mailed to 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, a statement describing the candidate s qualifications and contact information for personal and professional references. The submission must 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 must also comply with the requirements of the Company s 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 the individuals who were directors at the time of the 2016 annual meeting of stockholders attended such meeting.

Stockholder Engagement

The Company recognizes the value of the views and input of its stockholders. The Company reaches out to and engages with its stockholders on various topics, including corporate governance, compensation, performance, strategy and other matters. We believe that having regular engagement with our stockholders strengthens our relationships with stockholders and helps us to better understand stockholders views on our policies and practices and other matters of importance to our business.

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AUDIT COMMITTEE REPORT

The Audit Committee reviews the Company s financial reporting process on behalf of the board of directors. Management has primary responsibility for the financial statements, the reporting process, and maintaining an effective system of internal controls over financial reporting. The Audit Committee has adopted a written charter, a copy of which is available on the Investor Relations section of the Company s website at *http://www.cititrends.com*.

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 2016 fiscal year. The Audit Committee has also discussed with KPMG LLP, the Company s independent registered public accounting firm during the 2016 fiscal year, the matters required to be discussed by PCAOB Auditing Standard No. 1301, *Communications with Audit Committees*.

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 28, 2017 for filing with the SEC.

Submitted by the Audit Committee of the board of directors:

Lawrence E. Hyatt, Chairman

Brian P. Carney

Laurens M. Goff

Barbara Levy

John S. Lupo

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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 2017 annual meeting of stockholders and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

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:

Brian P. Carney, Chairman

Laurens M. Goff

Lawrence E. Hyatt

Barbara Levy

John S. Lupo

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EXECUTIVE OFFICERS

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

Name	Age	Position(s)
Bruce D. Smith	58	Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer
R. Edward Anderson	67	Executive Chairman of the Board of Directors
Ivy D. Council	60	Executive Vice President of Human Resources and Chief Compliance Officer
James A. Dunn	60	Senior Vice President of Store Operations
Charles D. Crowell	64	Senior Vice President of Supply Chain

The following sets forth selected biographical information for our executive officers who are not directors.

Bruce D. Smith. Mr. Smith has served as our Acting Chief Executive Officer since March 2017, and as our Chief Operating Officer and Chief Financial Officer since March 2015. Mr. Smith served as our Executive Vice President and Chief Financial Officer from March 2010 to March 2015 and as our Senior Vice President and Chief Financial Officer from April 2007 to March 2010. From 2005 to March 2007, Mr. Smith served as Executive Vice President, Chief Financial Officer and Treasurer of Hancock Fabrics, Inc. (Hancock), a specialty retailer of fabrics and related accessories, and served as the Senior Vice President, Chief Financial Officer and Treasurer of Hancock from 1996 until 2005. From 1991 to 1996, Mr. Smith served as Executive Vice President and Chief Financial Officer of Fred s, Inc. From 1980 to 1991, Mr. Smith was a Senior Manager with Price Waterhouse (now PricewaterhouseCoopers LLP). Mr. Smith is a certified public accountant.

Ivy D. Council. Ms. Council has served as our Executive Vice President of Human Resources and Chief Compliance Officer since March 2012 and as our Senior Vice President of Human Resources since January 2007. In 2006, Ms. Council served as Vice President of Human Resources for Baja Fresh Restaurants, a division of Wendy s, Inc. From 2003 to 2006, Ms. Council served as Executive Vice President of Human Resources for Pasta Pomodoro Restaurants and as a director of such entity from 2001 through 2002. Prior to that, Ms. Council served as Senior Vice President of Human Resources for Ross Stores, Inc.

James A. Dunn. Mr. Dunn has served as our Senior Vice President of Store Operations since 2006 and as our Vice President of Store Operations since 2001. From January to April 2001, Mr. Dunn was our Director of Training and Development and from 2000 to 2001, was one of our Regional Managers. Prior to joining the Company, Mr. Dunn was a Store Manager at Staples from 1999 to 2000. Prior to that, Mr. Dunn was a Regional Manager at Dress Barn, where he supervised 77 stores and 10 district managers.

Charles D. Crowell. Mr. Crowell has served as our Senior Vice President of Supply Chain since April 2011. From 2004 to March 2011, Mr. Crowell served as Vice President, Distribution for Hecht s, a division of May Department Stores Company, and Macy s, Inc. upon the merger of the two companies. Mr. Crowell served as Vice President, Distribution Services for The Home Depot from 1997 to 2002 where he was responsible for the operations of a worldwide network of 62 distribution facilities. Prior to that, Mr. Crowell served as Vice President of Transportation and Distribution for Best Products.

Each of the executive officers serves at the discretion of the board of directors and holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of the directors or executive officers.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In the paragraphs that follow, we will give an overview and analysis of the material elements of our compensation program and policies, the material compensation decisions we have made under those programs and policies with respect to our named executive officers, and the material factors that we considered in making those decisions. This information should be read in conjunction with the compensation tables, related narratives and notes contained later in this proxy statement, containing specific information about the compensation earned or paid in fiscal 2016 to the following individuals, whom we refer to as our named executive officers (positions shown are those held by the respective officers during fiscal 2016):

- Jason T. Mazzola, our former President and Chief Executive Officer,
- Bruce D. Smith, our Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer,
- Ivy D. Council, our Executive Vice President of Human Resources and Chief Compliance Officer,
- James A. Dunn, our Senior Vice President of Store Operations, and
- Charles D. Crowell, our Senior Vice President of Supply Chain.

The discussion below is intended to help you understand the detailed information provided in the compensation tables and put that information into context within our overall compensation program.

Summary of Fiscal 2016

Following a slow start to 2016, the Company was able to build positive momentum as the year progressed, culminating in a strong fourth quarter. After the first quarter, negative comparable store sales progressively narrowed throughout fiscal 2016 and turned solidly positive in the final three months, increasing 3.4% for the quarter and resulting in an overall decline of just 0.4% for the year. Total sales increased 1.7% to $695.2 million on the strength of new store openings. Nevertheless, net income for the year declined 14% to $13.3 million, or $0.91 per diluted share, due to a 60 basis points increase in cost of sales as a percentage of sales and 40 basis points of expense deleverage resulting from the decrease in comparable store sales. Our compensation program is designed to align the interests of management and stockholders and to link Company performance with executive pay, such that the Company s achievement of challenging financial goals results in payment of annual incentives to our executive officers. Conversely, when the Company does not achieve its financial goals, our executives do not get rewarded. Specifically, as discussed in the Annual Cash Incentives section below, we attained 77.2% of our Adjusted EBITDA target, resulting in zero cash incentives being paid to our named executive officers.

Our Pay Governance Reflects Best Practices

We believe the following compensation and pay governance practices reflect a best practices approach to pay governance and are integral parts of the Company s compensation philosophy:

Our Executive Compensation Practices (What We Do):

- Stock ownership guidelines have been adopted for the Company s Chief Executive Officer, Chief Financial Officer and directors.

- A compensation clawback policy is applicable to the Company s executive officers.

- A significant portion of named executive officer compensation is performance-based.

- The Compensation Committee reviews tally sheets to understand total compensation calculations in connection with making compensation decisions.

- Change in control benefits, including the acceleration of equity awards, are double-trigger benefits, which require both a change in control and a qualifying termination within a specified period following the change in control.

Executive Compensation Practices Not Implemented (What We Don t Do):

- No excise tax gross-ups are provided.

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- Executive officers and directors, through the Company s anti-hedging policy, are not permitted to engage in certain transactions such as puts, calls or other derivatives relating to the Company s securities.

- We have never repriced underwater stock options.

- We do not pay dividends on unvested stock awards.

Consideration of Last Year s Advisory Stockholder Vote on Executive Compensation

At the annual meeting of stockholders held on May 25, 2016, over 99% of the shares cast were voted to approve the compensation of the Company s named executive officers for 2015, as discussed and disclosed in the 2016 proxy statement. This is consistent with a pattern of high stockholder approval of our executive compensation program, as over 98% of the shares cast at each of our three most recent annual meetings were voted to approve the compensation of our named executive officers.

Our board of directors and the Compensation Committee appreciate and value the views of our stockholders, and regularly solicit their input on matters such as compensation, board composition, and other more general governance topics. In considering the results of the consistently high advisory votes on executive compensation, the Compensation Committee concluded that the compensation paid to our named executive officers and the Company s overall pay practices enjoy strong stockholder support.

In light of the very strong stockholder support of the compensation paid to our named executive officers evidenced by the results of this advisory vote, the Compensation Committee decided to retain our general approach to executive compensation and did not make significant changes to our executive compensation programs for 2017. Going forward, future advisory votes on executive compensation, and direct communication with our shareholders on the subject, will serve as an additional tool to guide the Committee in evaluating the alignment of the Company s executive compensation programs with the interests of the Company and its stockholders.

Objective of Our Compensation Program

In order to maintain a critical advantage in our competitive marketplace, we believe our compensation program should be designed to provide market-competitive compensation and benefits that will enable us to attract and retain a talented, diverse workforce dedicated to the long-term success of the Company. In furtherance of those goals, our compensation program is designed to:

- enable the Company to attract, retain and motivate a team of high quality executives who will create long-term stockholder value;

- create opportunities to participate in the ownership of the Company and to share in the value the executives help create, both directly and through managing those that report to them; and

- provide rewards that are proportional to each executive s contribution to our success by including an individual component as well as an overall corporate performance component.

Our compensation philosophy emphasizes each individual s responsibility for high achievement and provides a strong link between pay and performance on both an individual and Company level. Our management team and the Compensation Committee will continue to develop and refine our compensation philosophy, program and practices over time, with the goal of maximizing stockholder value.

How We Determine and Assess Executive Compensation

Role of the Compensation Committee and Executive Officers

The Compensation Committee plays an integral role in the strategic direction and administration of the compensation structure of the Company. The Compensation Committee and our CEO work together to ensure that the compensation paid to our named executive officers is in line with our compensation philosophy and furthers our long-term goals.

Our CEO recommends to the Compensation Committee base salary, target annual cash incentive amounts and formulas, and long-term equity incentive grants for our executive officers (other than himself), after forming qualitative judgments regarding individual performance within each executive s areas of direct responsibility, as well as how such performance serves the entire Company, and after having discussions with the Compensation Committee and other members of management regarding appropriate levels of compensation. The Compensation Committee reviews such recommendations and determines whether, in light of our compensation philosophy, the recommended compensation levels are appropriate. This determination includes consideration of recommendations by the Compensation Consultant as described below. Upon such determination, the Compensation Committee formally approves the compensation levels for recommendation to the board of directors. Our CEO is not involved with any aspect of determining his own compensation. The

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Compensation Committee independently sets the CEO s total compensation package, taking into account the same factors as for the other executive officers.

Compensation Consultant

The Compensation Committee has the authority to directly engage outside compensation consultants and other experts to assist in fulfilling its duties. As discussed in further detail in the following section, the Compensation Committee engaged Hay Group (the Compensation Consultant) in 2016 to provide an analysis of the Company s compensation practices and to provide the Compensation Committee with survey data and an update on current compensation trends. The Compensation Committee has assessed the independence of the Compensation Consultant against specific criteria under applicable SEC and NASDAQ rules and concluded that no conflict of interest exists that would prevent Hay Group from independently representing the Compensation Committee. The Compensation Consultant does not have any relationship or arrangement with the Company other than their engagement as a consultant to the Compensation Committee.

Market Data

Periodically, the Compensation Committee reviews the compensation practices of a group of public companies selected from an industry peer group comprised primarily of specialty apparel retailers that are similar in size to the Company. The peer group used by the Compensation Consultant in the 2016 peer group analysis consisted of the apparel retailers indicated below. The Compensation Committee believes that the companies comprising this peer group represent appropriate comparisons due to the similarity in business and financial characteristics. They are all either direct or tangential business competitors or geographically situated and similarly sized such that we consider them to be competitors for recruitment and retention purposes.

Boot Barn Holdings, Inc.	Gordmans Stores, Inc.
The Buckle Inc.	Hibbett Sports, Inc.
The Cato Corporation	New York & Company, Inc.
Christopher & Banks Corporation	Shoe Carnival, Inc.
Destination Maternity Corporation	Stage Stores, Inc.
Destination XL Group, Inc.	Stein Mart, Inc.
Five Below, Inc.	Tilly s, Inc.
Francesca s Holdings Corporation	Zumiez Inc.

The Compensation Committee also reviewed compensation information provided by the Compensation Consultant in 2016 from a survey of more than 125 retail companies, including five of the companies in our peer group. The Compensation Committee found in 2016 that for executive officers other than our Chief Executive Officer and Chief Financial Officer, the retail companies survey provided better, more comparable, data than the more limited peer group analysis. The Compensation Consultant s analysis focused on the following areas of compensation:

- base salary,

- annual cash incentives,
- total cash compensation (the sum of base salary and annual cash incentives),
- long-term equity incentives (a variable incentive vesting over a multi-year period), and
- total direct compensation (the sum of total cash compensation and long-term equity incentives).

We do not strive to set our executive officers targeted total direct compensation at a specific level relative to the median reflected in the Compensation Consultant s peer group study or retail company survey. Instead, the data is used as a guide and is combined with the experience and judgment of the Compensation Committee s members to determine the reasonableness of total direct compensation appropriate for each individual within the context of the Company s performance. The 2016 analysis by the Compensation Consultant indicated that total direct compensation at target levels for the majority of our executive officers was at or below median in relation to the peer group or retail survey, as applicable.

The allocation of our executive officers total direct compensation among base salary, annual cash incentives and long-term equity incentives is based on the Compensation Committee s judgment, taking into consideration market practices reflected in previous and current peer group and retail surveys, together with a goal of providing a fair balance of risk and reward through an allocation that includes a reasonable mix of both fixed and variable components.

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Elements of our Compensation Program

Our executive officer compensation program consists of the following elements: base salary, annual cash incentives, long-term equity incentives, and certain other benefits.

Base Salary

Base salaries fulfill the fixed portion of our compensation program. Base salaries are set annually by the Compensation Committee based on a variety of factors, including peer group information, a qualitative review of the executive s performance and contributions to the Company during the year and over a number of years, the oversight and direct managerial skills of our executives, and changes in responsibilities, if any. After considering these factors, the Compensation Committee approved adjustments to certain of our named executive officers base salaries in March 2016 as shown below:

Name and Principal Position during fiscal 2016	Fiscal 2015 Base Salary Rate	Fiscal 2016 Base Salary Rate	% Change
Jason T. Mazzola President and Chief Executive Officer	$ 500,000	$ 510,000	2.0%
Bruce D. Smith Chief Operating Officer and Chief Financial Officer	$ 450,000	$ 460,000	2.2%
Ivy D. Council Executive Vice President of Human Resources and Chief Compliance Officer	$ 306,000	$ 311,000	1.6%
James A. Dunn Senior Vice President of Store Operations	$ 284,000	$ 289,000	1.8%
Charles D. Crowell Senior Vice President of Supply Chain	$ 266,000	$ 271,000	1.9%

Annual Cash Incentives

We measure our overall financial performance based on a number of financial metrics, of which the most important are (1) earnings before interest, taxes, depreciation and amortization (EBITDA) and (2) Adjusted EBITDA, which is comprised of EBITDA, as adjusted for asset impairment expense, a non-cash charge similar in certain respects to depreciation, and certain other unusual or one-time items. The Company s performance in these areas allows us to evaluate the Company s success and operational performance in any given year. The Company s success and performance impacts our compensation decisions with respect to our executive officers. We believe that linking our annual cash incentives to these financial metrics, while providing long-term equity incentives that are earned based on stock price appreciation (as described below), provide an effective and balanced approach to executive compensation that is aligned with the interests of our stockholders.

Our annual cash incentive program provides our executive officers with an opportunity to earn cash awards based on the achievement of our budgeted goal for Adjusted EBITDA. Due to the importance of this financial metric to the annual and long-term success of the Company, we strive to make the achievement of this goal each year to be a meaningful challenge to our executive officers. The budgeted Adjusted EBITDA that represents our goal considers many key operating and financial factors, including the following:

- Store selling square footage;
- Comparable store sales;
- Average sales per store;
- Gross margin;
- Store and distribution operating expenses as a percentage of sales; and
- Corporate expenses.

Our CEO recommends a target award (as a percentage of base salary) for each executive officer (other than himself) based on the executive s position within the Company and consideration of data provided by the Compensation Consultant and, together with the

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Compensation Committee, determines the appropriate target award for each executive. For fiscal 2016, each executive officer s target award (as a percentage of base salary) was as follows:

Name	Target Award
Mr. Mazzola	100%
Mr. Smith	80%
Ms. Council	65%
Mr. Dunn	50%
Mr. Crowell	50%

The annual cash incentive program is directly linked to our budgeted goals, such that if the Company achieves 100% of its budgeted Adjusted EBITDA, it is expected that the executive officers would receive 100% of their target award. Items such as unplanned and significant costs related to litigation, claim judgments or settlements are excluded from both the budgeted and actual amounts used in the calculation of the Adjusted EBITDA. Since the calculation of cash incentives is based on performance versus budget, the exclusion of items such as these ensures that the inability to accurately budget such items does not positively or negatively influence cash incentives. In addition, these unplanned items are typically outside of the control of the Company and we don t believe that our executives should be impacted by their occurrence.

There is a scale in place that dictates payment of annual cash incentives in the event that actual Adjusted EBITDA as a percentage of budgeted Adjusted EBITDA is between the threshold and maximum levels of the scale. For 2016, if actual EBITDA was equal to 90% of budget (threshold), then 50% of the target award was to be paid, while if it was equal to or greater than 140% of budget (maximum), then 200% of the target award was to be paid.

The graph below reflects the various potential payout levels at different levels of performance:

In 2016, the budgeted Adjusted EBITDA was $47,076,000, representing a 10.0% increase over 2015 s actual Adjusted EBITDA. There were no adjustments to budgeted EBITDA in 2016, resulting in a performance target for incentive purposes of $47,076,000. Actual

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Adjusted EBITDA for fiscal 2016 was $36,342,000. There were no adjustments to actual EBITDA in 2016 resulting in actual performance for incentive purposes of $36,342,000, or 77.2% of the performance target.

As prescribed by the scale, achieving 77.2% of the performance target resulted in cash incentives equal to 0% of the target award being payable to the executive officers. The Compensation Committee believes it is imperative to structure our compensation program such that our executives are held accountable (or, as it may be, rewarded) for annual performance relative to the Company s goals, and they believe that paying zero cash bonuses in years when the Company does not meet certain minimum thresholds accomplishes this. Thus, if the Company has a good year, so do the executives, and if performance is below the Company s target, then the executives are not rewarded, as was the case in 2016. This is the epitome of a pay-for-performance linkage.

Actual awards earned in each of the past three years by our named executive officers are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table elsewhere in this proxy statement.

Long-Term Equity Incentives

Long-term equity incentive compensation awards are designed to encourage the creation of long-term value for our stockholders by increasing the retention of qualified key employees and aligning the interests of executive officers with our stockholders through the officers ownership of equity in the Company.

The dollar value of each equity grant is within the discretion of the Compensation Committee and is based on recommendations made by our CEO (with respect to executives other than himself), which take into account the executive s past performance, the executive s position within the Company, and an evaluation of other elements of compensation provided to the executive officer. The Compensation Committee also considers studies performed by the Compensation Consultant to determine the appropriate size of the equity-based awards.

We believe that grants of restricted stock and restricted stock units provide strong incentives for the creation of long-term stockholder value and provide significant retention value for the executives. In 2016, Mr. Mazzola and Mr. Smith received long-term equity incentives with a total grant date value equal to 100% and 80% of base pay, respectively, split equally between restricted shares that vest over three years based on continued future employment with the Company and restricted stock units that vest in increments of 25% each if the Company s stock price reaches $20.75; $23.50; $26.25; and $29.00 for twenty consecutive trading days at any time during the three years after the grant date. Mr. Mazzola forfeited these awards prior to vesting when he resigned on March 20, 2017. The Compensation Committee felt it important to focus these two corporate leaders on driving market performance of the Company as they oversee all areas of the Company and thus are held accountable for the overall performance of the Company, and they communicate directly with market participants and therefore are held accountable for how well the success of the Company translates into market value.

The long-term incentive grants to Ms. Council and Messrs. Dunn and Crowell consisted of time-based restricted shares that vest over three years based on continued future employment with the Company with grant date values determined as a percentage of base pay, equal to 65% for Ms. Council (executive vice president) and 50% for Messrs. Dunn and Crowell (senior vice presidents). As previously discussed, the grant levels were determined as one of several components designed to achieve the desired total direct compensation; however, they were not set to be at any specific level within our peer group. The vesting period for the 2016 time-based grants was set as three equal installments on the first three anniversaries of the grant date. The vesting periods were determined based on consideration of peer group practices and discussions with the Compensation Consultant.

For more information regarding these long-term incentives granted to our named executive officers in fiscal 2016, please see Grants of Plan-Based Awards Table for Fiscal Year 2016 and Outstanding Equity Awards at 2016 Fiscal Year-End Table and the related footnotes elsewhere in this proxy statement.

Other Benefits

Retirement. We maintain the Citi Trends, Inc. 401(k) Profit Sharing Plan, a tax-qualified, defined contribution employee benefit plan in which a substantial majority of our employees, including the named executive officers, are eligible to participate. We match 50% of employee contributions to the plan, up to a maximum of 4% of an employee s total calendar year compensation (subject to IRS limits).

Perquisites. During fiscal 2016, the Company provided Mr. Mazzola with reimbursements of commuting expenses to the Company s buying offices in New York, New York from his home near Boston, Massachusetts and the cost of his apartment rental in New York. The Company also provided Mr. Dunn with the use of a Company car. Each executive officer also received life/long-term disability insurance coverage. We did not provide any other special benefits or perquisites to our executive officers. We believe these perquisites are reasonable in light of peer group practices. We provide health and welfare benefits to our executive officers on the same basis as we provide to all of our salaried employees.

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Employment Agreements and Severance Agreements. We have entered into severance agreements with all of our named executive officers, which provide severance benefits in the event their employment is terminated by the Company without Cause (as defined in the severance agreement) or in connection with a Change in Control (as defined in the severance agreement) of the Company. Each severance agreement provides that if the Company terminates an executive s employment without Cause or if the executive terminates his or her employment within twelve months of a Change in Control, provided that within such period the executive s job duties have been materially diminished or compensation has been materially decreased, the Company will provide the executive with separation payments of twelve months base salary. The Company provides these involuntary termination severance benefits to protect individuals from events outside their control and to offer compensation packages similar to those commonly found in our market for competing executive talent. Furthermore, the Company provides these benefits to protect the Company against disruption in the event of a change in control. We believe that these severance agreements serve as an important retention element of the compensation package provided to these officers and acts to mitigate self-serving behavior during a potential Change in Control by providing a safety net to our executives in the event the employment relationship is severed. The potential severance benefits payable to our named executive officers are described in Potential Payments upon Termination or Change in Control elsewhere in this proxy statement.

Equity Grant Practices

The Company has a practice of generally making equity awards on pre-established dates. Annual equity awards are presented to the Compensation Committee for approval at a regularly scheduled Compensation Committee meeting, usually held in March of each year. Equity awards are also given to employees throughout the year as they are hired or promoted into positions eligible for those awards. We make decisions on equity grants based solely on our compensation and retention objectives and our established measurements of the value of these awards. The Company makes an effort to issue the annual grants each March after the Company s fourth quarter earnings release, in order to allow time for the release to be disseminated to the investment community.

Stock Ownership Guidelines

As described above under Stock Ownership Guidelines for Directors and Executives in Board of Directors and Committees of the Board of Directors, certain of our executives are expected to retain all shares of common stock (except for shares withheld to pay withholding taxes) until such point that the owned stock has a fair market value equal to at least three times annual base salary.

Compensation Recoupment (Clawback) Policy

In November 2014, our board of directors adopted the Citi Trends, Inc. Compensation Recoupment Policy (the Clawback Policy). Pursuant to the Clawback Policy, in the event of a restatement of the Company s financial results as a result of material non-compliance with financial reporting requirements, the Compensation Committee will review the incentive compensation, including equity awards and non-equity incentive compensation, that the Company s executive officers received or realized based on the erroneous financial results reported by the Company (covered compensation). If any covered compensation would have been lower had the covered compensation been calculated based on the Company s restated financial results, the Compensation Committee will, as and to the extent it deems appropriate and as permitted by applicable law, recoup any portion of covered compensation paid to certain executives in excess of what would have been paid based on the restated financial results. The Compensation Committee shall seek recovery from any executive officer whose misconduct is determined by the Compensation Committee to have caused or contributed to the requirement for the restatement, unless the Compensation Committee determines that the cost of recovery would exceed the amount sought to be recovered. The Clawback Policy applies to all current and former executive officers of the Company.

The Clawback Policy applies in addition to any right of recoupment against the Company s Chief Executive Officer and Chief Financial Officer pursuant to the Sarbanes-Oxley Act of 2002. The policy does not apply in any situation where a restatement is not the result of material non-compliance with financial reporting requirements, such as any restatement due to a change in applicable accounting rules, standards or interpretations, a change in segment designations or the discontinuance of an operation.

Anti-Hedging Policy; Policy on Pledging

We have an insider trading policy that sets forth guidelines and restrictions applicable to transactions involving our stock by our directors, officers and employees. Among other things, this policy prohibits our directors, officers and employees from engaging in purchases or sales of puts, calls, options or other derivative securities based on the Company s securities. These hedging transactions are prohibited because they would allow directors, officers and employees to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, their interests and the interests of the Company and its stockholders may be misaligned and may signal a message to the trading market that may not be in the best interests of the Company and its stockholders at the time it is conveyed. The insider trading policy also prohibits directors and officers from engaging in short sales of the Company s securities.

Our insider trading policy, which is available on our corporate website at *http://www.cititrends.com*, prohibits any pledging of the Company s securities as collateral for a loan by a director or executive officer.

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Tax and Accounting Considerations

The accounting treatment of compensation has been a factor in determining the type of equity awards to grant to our executive officers. Prior to fiscal 2007, the favorable accounting treatment of stock options played an important role in the Company s decision to use this form of equity award. However, following the adoption of new accounting regulations requiring the recording of stock-based compensation expense, the Company reevaluated its equity grant practices, and in fiscal 2007 shifted to restricted stock as its primary form of equity award, as discussed above.

It is the Compensation Committee s intent to maximize tax deductibility of executive compensation while retaining some discretion needed to compensate executives in a manner commensurate with performance and the competitive landscape for executive talent. Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), places a limit of $1 million on the amount of compensation that we may deduct in any year with respect to any one of our named executive officers. This limitation does not apply to compensation that meets the requirements under Code Section 162(m) for qualifying performance-based compensation. No deductions for compensation paid during 2016 were limited under Code Section 162(m).

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2016 Fiscal Year Compensation Tables

Summary Compensation Table

The following table sets forth the cash and other compensation that we paid to our named executive officers, or that was otherwise earned by our named executive officers, for their services in all capacities during fiscal years 2014, 2015 and 2016.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Jason T. Mazzola (4)	2016	509,038		393,248	0	47,401	949,687
Former President and Chief Executive Officer	2015	486,538		442,189	575,000	50,548	1,554,275
	2014	399,423		260,000	520,000	56,156	1,235,579
Bruce D. Smith (5)	2016	459,039		283,752	0	4,612	747,403
Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer	2015	437,750		318,375	414,000	4,197	1,174,322
	2014	358,481		233,350	466,700	4,108	1,062,639
Ivy D. Council	2016	310,519		202,150	0	8,619	521,288
Executive Vice President of Human Resources and Chief Compliance Officer	2015	305,539		198,900	228,735	5,376	738,550
	2014	297,539		193,700	387,400	5,287	883,926
James A. Dunn	2016	288,519		144,500	0	13,408	446,427
Senior Vice President of Store Operations	2015	283,596		142,000	163,300	12,411	601,307
	2014	276,596		138,500	277,000	10,923	703,019
Charles D. Crowell	2016	270,519		135,500	0	9,217	415,236
Senior Vice President of Supply Chain	2015	265,769		133,000	152,950	8,914	560,633

(1) Reflects the grant-date fair value of restricted stock awards and restricted stock units computed in accordance with FASB ASC Topic 718. The fair value of time-based grants of restricted stock is based on the closing price of the Company s common stock on the date of grant, and the fair value of performance-based grants of restricted stock units is estimated using a lattice model with the following assumptions for 2016: (1) risk-free rate of return: 1.2%; (2) volatility: 37%; and (3) term: three years. The aggregate grant date fair value of the awards to Mr. Mazzola, assuming the highest level of performance conditions will be achieved under their performance-based restricted stock

units, was $510,000. Mr. Mazzola forfeited these awards prior to vesting when he resigned on March 20, 2017. The aggregate grant date fair value of the award to Mr. Smith, assuming the highest level of performance conditions will be achieved under his performance-based restricted stock units, is $368,000.

(2) Reflects the value of cash incentive compensation earned under our annual cash incentive program.

(3) All Other Compensation in 2016 for Mr. Mazzola includes reimbursements for commuting expenses and rental expenses totaling $42,697. Mr. Dunn s All Other Compensation in 2016 includes $8,403 related to the use of a Company car. Additionally, 2016 All Other Compensation includes amounts for each officer related to life and long-term disability insurance coverage and amounts representing the Company s 401(k) matching contributions.

(4) Mr. Mazzola resigned on March 20, 2017.

(5) Mr. Smith was promoted to Chief Operating Officer and Chief Financial Officer on March 22, 2015. Mr. Smith has also been serving as Acting Chief Executive Officer since March 23, 2017.

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Grants of Plan-Based Awards Table for Fiscal Year 2016

The following table sets forth the individual grants of awards made to each of our named executive officers during fiscal year 2016.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	Grant Date Fair Value of Stock and Option Awards ($) (4)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#) (2)	Maximum (#)		
Mr. Mazzola		255,000	510,000	1,020,000					
	03/15/16							14,415	255,000
	03/15/16								