



Corporate Governance Guidelines

The Board of Directors (the "Board") of Citi Trends, Inc. (the "Company") has adopted the following Corporate Governance Guidelines (the "Guidelines") to advance the functioning of the Board and its committees and set forth the Board's expectations as to how it should perform its functions. These Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company or as required by applicable laws. The Guidelines should be interpreted in the context of all applicable laws and the Company's charter, By-Laws and other corporate governance documents.

Board Responsibility

1. Role of the Board

The Company's business shall be conducted by its officers, district managers, managers and employees, under the direction of the Chief Executive Officer and the oversight of the Board. The directors are elected by the shareholders to oversee management and to exercise their business judgment in the best interests of the Company.

All directors are expected to attend Board meetings and meetings of committees on which they serve, prepare for meetings, review relevant materials, ask questions and engage in discussion, and spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Participation by telephone is appropriate.

Directors should be familiar with the Company's business, its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the Board and committee meetings he or she attends. Directors are expected to maintain an attitude of constructive involvement and oversight; they are expected to ask incisive, probing questions and require accurate, honest answers; they are expected to act with integrity; and they are expected to demonstrate a commitment to the Company, its values, its business plan and long-term shareholder value.

Directors' responsibility is one of oversight; and in performing their oversight role, directors rely on the competence and integrity of management in carrying out their responsibilities. It is the responsibility of management to operate the Company in an effective and ethical manner in order to produce value for shareholders.

All directors owe a duty of loyalty to the Company and its shareholders which mandates that the best interests of the Company prevail over any individual interests of a director.

Board Composition

2. Board Size

The Board periodically reviews the appropriate size of the Board, which may vary to accommodate the availability of suitable candidates and the needs of the Company, subject to the requirements of the Company's By-Laws and the General Corporation Law of the State of Delaware.

3. Selection of Chairman of the Board and Chief Executive Officer

The Board may select the Chairman of the Board and the Chief Executive Officer as it may determine from time to time in the best interests of the Company. These offices may be filled by one individual or two different individuals.

4. Selection of Board Members

In accordance with the Company's classified board structure, a class of directors is elected each year by the Company's shareholders at the annual meeting of shareholders for a staggered three-year term in accordance with the Company's charter and By-Laws. The Board recommends to the shareholders a slate of nominees for election at the annual meeting. Between annual meetings of shareholders, the Board may appoint directors to fill vacancies to serve until the next annual meeting. The Nominating and Corporate Governance Committee selects and recommends to the Board the slate of director nominees for election at the annual meeting and the individual nominees to otherwise be appointed to fill vacancies between annual meetings, in accordance with the policies and principles contained in these Guidelines and the requirements of the Company's charter and By-Laws. Shareholders may propose nominees for consideration by the Nominating and Corporate Governance Committee by submitting the names and supporting information to the Company's Secretary in accordance with the Company's Shareholder Nominations and Communications Policy.

5. Board Membership Criteria; Other Directorships or Commitments

The Nominating and Corporate Governance Committee is responsible for reviewing, on an annual basis, the requisite skills and characteristics of individual Board members, as well as the composition of the Board as a whole, in the context of the needs of the Company. The Nominating and Corporate Governance Committee will review all nominees for director in accordance with the requirements and qualifications contained in these Guidelines and will recommend that the Board select those nominees whose attributes it believes would be most beneficial to the Company. This review will involve an assessment of the proposed nominees' personal qualities and characteristics, accomplishments and business reputation. The Nominating and Corporate Governance Committee will assess candidates' qualifications based on the following minimum criteria which may be modified from time to time by the Nominating and Corporate Governance Committee:

- demonstrated personal integrity and moral character;
- willingness to apply sound and independent business judgment for the long-term interests of shareholders;
- relevant business or professional experience, technical expertise or specialized skills;
- personality traits and background that appear to fit with those of the other directors to produce a collegial and cooperative Board responsive to the Company's needs; and
- ability to commit sufficient time to effectively carry out the substantial duties of a director.

Due to competitive, confidentiality and legal considerations, the Nominating and Corporate Governance Committee and the Board will not consider as a director candidate anyone who is an officer, director or principal of an enterprise which is in substantial competition with the Company.

The Company values the experience directors bring from other boards on which they serve and other activities in which they participate, but recognizes that those boards and activities may also present demands on a director's time and availability and may present conflicts or legal issues, including independence issues. Directors should advise the Chairman of the Nominating and Corporate Governance Committee and the Chief Executive Officer before accepting a nomination or appointment to membership on other boards of directors or any audit committee or other significant committee assignment on any other board of directors, or establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the director's relationship to the Company. A director should not serve on more than three other boards of public companies in addition to the Board, unless the Board, by majority of its other directors, determines that service on additional boards is otherwise permissible under all applicable rules and regulations and will not impair the director's effective service on the Company's Board.

6. Change in Job Responsibility

The Board believes that directors who retire from their present employment, or materially change their position, should notify the Nominating and Corporate Governance Committee so it can assess whether the director continues to meet the Board's qualifications criteria under the circumstances and the Nominating and Corporate Governance Committee should make a recommendation based on its findings. Retirement or material change in position should not necessarily preclude a director's continued service on the Board; however, the Nominating and Corporate Governance Committee should be in a position to assess the effect of such a change in its evaluation of the appropriate mix of skills and experience necessary for the Board to perform its oversight function effectively.

7. Term Limits

The Board does not believe it is advisable to limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the Company's business based on their experience and understanding of the Company's history, policies and objectives. The Board believes that it can, as necessary, utilize the nominating process described above to elect or appoint new directors to obtain new ideas and viewpoints regarding the Company's business and affairs.

8. Retirement Policy

The Board has determined not to establish a mandatory retirement age. Alternatively, the Nominating and Corporate Governance Committee and the Board will review each director's continuation on the Board upon reaching the age of 75 and every three years thereafter.

9. Director Independence

At least a majority of the Board and all of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee will at all times be comprised of directors who qualify as independent directors in accordance with applicable rules of the Securities and Exchange Commission (the "SEC") and the listing standards of the Nasdaq Stock Market (the "Nasdaq"), subject to the exceptions provided under the Nasdaq rules. No director qualifies as "independent" under the Nasdaq listing standards unless the Board affirmatively determines that the director has no relationships which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The focus of this inquiry is a director's independence from the management of the Company.

Board Meetings

10. Board Meeting Schedule and Agenda

The Board shall have at least four regularly scheduled meetings each year. Additional unscheduled Board meetings may be called upon appropriate notice at any time to address specific needs of the business. The Chairman of the Board will establish the agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda at any time. The Board will review the Company's long-term strategic plan and the fundamental factors affecting the Company's successful operation of its business during at least one meeting each year. The Chief Executive Officer and Secretary shall attend all non-executive sessions of the Board, and other members of management may attend non-executive sessions of the Board at the invitation of the Chief Executive Officer or the Board.

11. Advance Distribution of Materials

Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting. Directors should review these materials in advance of the meeting to preserve time at the meeting and to provoke questions and discussion about the material. On certain occasions where the subject matter is too sensitive to put in writing, the matter will be discussed at the meeting.

12. Presiding Director

At their discretion, the non-management Directors may elect one Director from among their membership as Presiding Director. Responsibilities of the Presiding Director shall include: leadership of executive sessions of the Board; consultation with the Chairman of the Board concerning the agenda for Board meetings; input as to the kind of material to be provided to the Board in consultation with the Chairman of the Board; facilitation of communications between the Board and management; focal point for shareholder communications addressed to independent or non-management directors; ability to retain outside professionals on behalf of the Board as the Board may determine is necessary or appropriate; and such other functions as the Board may direct.

13. Executive Session

The non-management directors of the Board will meet in executive session at least twice a year and will have an opportunity to meet in executive session at each regular meeting of the Board. Executive session discussions may include such topics as the non-management directors determine, but actions of the Board should be taken separately at a formal Board meeting. The Presiding Director, or if one shall not have been designated, the Chairman of the Nominating and Corporate Governance Committee, shall serve as chairman for any executive session of the Board. If the non-management directors include any non-independent directors, independent directors will meet at least twice a year in executive session.

Committees of the Board

14. Number of Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will satisfy the applicable independence requirements of the Nasdaq and the SEC, as and when required. The Board may have additional committees as it determines from time to time are necessary or appropriate.

15. Committee Membership

Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee after taking into account the desires, experiences and expertise of individual directors. The Board believes that consideration should be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as a policy. Audit Committee members shall not serve simultaneously on the audit committee of more than two other companies, unless the Board determines that such service will not impair the member's ability to serve on the Audit Committee.

16. Committee Structure

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee's performance will be evaluated annually and that each committee will assess the adequacy of its charter and will otherwise comply with the Nasdaq's listing standards and applicable SEC regulations.

17. Committee Meetings

The chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. Each committee chair will periodically give a report of his or her committee's activities to the Board.

Director Access and Shareholder Communications

18. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the director. Any such contact should be done in a way that is not disruptive to the business operations of the Company. Any non-routine written communications between a director and an officer or employee of the Company should be copied to the Chief Executive Officer and, as appropriate, to the Company's Secretary.

19. Shareholder Communications with the Board

The Board and the non-management directors welcome communications from shareholders and interested parties. Shareholders or interested parties may submit communications addressed to the Board or the non-management directors to the Company's Secretary in accordance with the Company's Shareholder Nominations and Communications Policy.

20. Director Access to Outside Advisors

The Board and each committee shall have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

21. Board's Role in Communications

The Board believes that executive management speaks for the Company, has the responsibility to communicate with investors, the press and other constituencies, and to establish policies for those communications under the direction of the Chief Executive Officer. At the request of management, individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company.

Director Remuneration

22. Director Compensation

The form and amount of director compensation will be determined by the Board after a recommendation from the Nominating and Corporate Governance Committee in accordance with the policies and principles set forth in its charter and these Guidelines. Management shall report to the Nominating and Corporate Governance Committee annually on an assessment of the Company's director compensation measured against comparable companies. Board compensation should be consistent with market practices, but should not be set at a level that would call into question the Board's objectivity. Independent directors serving on the Audit Committee will receive no additional compensation, in the form of consulting fees or other specific benefits, beyond that provided for service on the Board or a committee.

Chief Executive Officer Compensation, Evaluation and Succession

23. Chief Executive Officer Compensation and Evaluation

The Compensation Committee shall annually approve the goals and objectives for compensating the Chief Executive Officer. The Compensation Committee shall evaluate the Chief Executive Officer's performance in light of these goals and objectives before setting the Chief Executive Officer's salary, bonus and other incentive and equity compensation. The committee shall also annually approve the compensation structure for the Company's officers, and shall evaluate the performance of the Company's senior executive officers before approving their salary, bonus and other incentive and equity compensation.

24. Succession Plan

At least annually, the Board shall approve and maintain a succession plan, developed by management, outlining policies and principles to select the Chief Executive Officer, both in the ordinary course of business and in an emergency. The succession plan should include an assessment of the experience, performance, skills and planned career paths for a possible successor to the Chief Executive Officer.

Miscellaneous

25. Board and Committee Evaluation

Board positions should not be regarded as permanent. Directors should serve only so long as they add value to the Board, and a director's ability to continue to contribute to the Board should be considered each time the director is considered for renomination. The Board will have a process for reviewing and evaluating the performance of the Board and its committees annually to determine whether the Board and the committees are functioning effectively. The Nominating and Corporate Governance Committee shall be responsible for overseeing the Board and committee evaluation process and reporting its assessments to the Board.

26. Director Orientation and Continuing Education

The Board and the Company's management will conduct a comprehensive orientation process for new directors to become familiar with the Company's vision, strategic direction, core values including ethics, financial matters, corporate governance practices and other key policies and practices through a review of background material and meetings with senior management. The Board also recognizes the importance of continuing education for its directors and is committed to provide such education in order to improve both Board and committee performance.

27. Review of Governance Guidelines

These guidelines have been developed based on the prior experiences of the Board. The Board expects to review these guidelines at least every two years as appropriate.

Approved, as amended
November 19, 2008

[Back to Top](#)