

Citi Trends Inc
Form DEF 14A
April 30, 2007

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

SCHEDULE 14A

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

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Citi Trends, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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 - (4) Date Filed:
-

102 Fahm Street
Savannah, Georgia 31401
(912) 236-1561

April 27, 2007

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc. to be held at

10:00 a.m., EDT, on Wednesday, May 30, 2007, at the Hilton Garden Inn, 321 West Bay Street, Savannah, Georgia 31401. The formal notice of annual meeting appears on the next page.

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

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

Very truly yours,

R. Edward Anderson
Chairman and Chief Executive Officer

Citi Trends, Inc.

102 Fahm Street

Savannah, Georgia 31401

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on May 30, 2007

TO THE STOCKHOLDERS:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc., a Delaware corporation, which will be held at the Hilton Garden Inn, 321 West Bay Street, Savannah, Georgia 31401, on Wednesday, May 30, 2007, at 10:00 a.m., EDT, for the following purposes:

1. To elect one director to our board of directors to serve as a Class II director whose term will expire in 2010;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2008; and
3. To transact any other business properly brought before the meeting or any adjournment or postponement of the meeting.

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on April 2, 2007, the record date for the annual meeting.

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

By Order of the Board of Directors,

Bruce D. Smith

Senior Vice President, Chief Financial Officer and Secretary

April 27, 2007

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CITI TRENDS, INC.

102 Fahm Street

Savannah, Georgia 31401

PROXY STATEMENT

Annual Meeting of Stockholders

to be held on May 30, 2007

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement is furnished in connection with the solicitation by the board of directors of Citi Trends, Inc. of proxies to be voted at the annual meeting of stockholders on May 30, 2007. This proxy statement, the accompanying proxy card and the annual report to stockholders are being mailed to stockholders on or about April 30, 2007.

The principal executive offices of Citi Trends, Inc., a Delaware corporation, are located at 102 Fahm Street, Savannah, Georgia 31401, and our telephone number is (912) 236-1561.

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

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

Where and when will the annual meeting be held?

The date, time and place of the meeting are: May 30, 2007 at 10:00 a.m., EDT, at Hilton Garden Inn, 321 West Bay Street, Savannah, Georgia 31401.

Why did you send me this proxy statement?

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

What can I vote on at the meeting?

There are two matters scheduled to be voted on at the meeting:

- (1) The election of one Class II director to our board of directors to hold office until the annual meeting of stockholders in 2010 and until his successor is elected and qualified; and

- (2) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2008.

How does the board of directors recommend that I vote?

The board of directors recommends that you vote your shares **FOR** the nominee to the board of directors, and **FOR** the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2008.

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 April 2, 2007, the record date for determining the stockholders who are entitled to vote at the annual meeting. As of the close of business on April 2, 2007, there were a total of 13,866,191 shares of our common stock outstanding and entitled to vote at the annual meeting. You get one vote for each share of common stock that you own. Holders of shares of common stock do not have cumulative voting rights. The enclosed proxy card shows the number of shares you can vote.

How are votes counted?

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

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

What is the required vote for approval?

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

How do I vote?

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

How do I vote by proxy?

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

You have the following choices in completing your proxy:

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

In voting on the nominee for director, you can either vote **FOR** the nominee or withhold your vote on the nominee.

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

You may return a signed proxy card without indicating your vote on any matter, in which case the designated proxies will vote to elect the nominee as a director and ratify the appointment of KPMG LLP as our independent registered public accounting firm.

What if other matters come up at the annual meeting?

The only matters we now know of that will be voted on at the annual meeting are the proposals we have described in this proxy statement: the election of the Class II director; and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2007. If other matters are properly presented at the meeting, the designated proxies will vote your shares in their discretion.

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

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

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

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

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person even if you have submitted a proxy card.

What do I do if my shares are held in street name ?

If your shares are held in the name of your broker, a bank or other nominee, that party will give you instructions for voting your shares.

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

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

Who will count the votes?

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

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

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

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

**PROPOSAL 1:
ELECTION OF DIRECTORS**

Our board of directors currently consists of five directors, R. Edward Anderson, Lawrence E. Hyatt, John S. Lupo, Patricia M. Luzier and Tracy L. Noll. Our directors are divided into three classes having staggered three-year terms, so that the term of one class expires at each annual meeting of stockholders. One nominee will be proposed for election as a Class II director at the annual meeting to hold office until the annual meeting in 2010 and until his successor is duly elected and qualified. Our other Class II director, Mr. Noll, has indicated that he has decided not to stand for re-election and his term will end at the annual meeting. Although no candidate has been identified to date, it is intended that the vacancy resulting from Mr. Noll's decision not to stand for re-election will be filled by the remaining directors, in accordance with the Company's bylaws, subsequent to the annual meeting.

It is intended that the persons named in the accompanying proxy will vote to elect the nominee listed below unless authority to vote is withheld. The nominee will serve until the annual meeting of stockholders at which his term expires or until an earlier resignation or retirement or until a successor is elected and qualifies to serve.

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

Nominee for Election as Director for a Term Expiring at the 2010 Annual Meeting of Stockholders

John S. Lupo currently serves as a Class II director whose term expires at the annual meeting. Mr. Lupo has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring in 2010.

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

Vote Required; Recommendation

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

The board of directors recommends that stockholders vote FOR the nominee listed above for election as a Class II director.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORSRS

Our board of directors consists of five directors, (Messrs. Anderson, Hyatt, Lupo, and Noll and Ms. Luzier), all whom except Mr. Anderson have been determined by the board to be independent under NASDAQ listing standards. Mr. Gregory P. Flynn, who served as a director until May 2006, was determined by the board not to be independent. Our Second Amended and Restated Certificate of Incorporation divides our board into three classes having staggered terms, with one of such classes being elected each year for a new three-year term. Our Class II directors, John S. Lupo and Tracy L. Noll, have an initial term expiring in 2007, our Class III directors, Messrs. Anderson and Hyatt, have an initial term expiring in 2008 and our Class I director, Ms. Patricia M. Luzier, has a term expiring in 2009.

Directors

The following sets forth selected biographical information for our directors.

Class II Directors with Terms Expiring in 2007.

John S. Lupo. Mr. Lupo, age 60, has served as a director since May 2003, and is the Chairman of the Compensation Committee, as well as a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Lupo is a principal in the consulting firm Renaissance Partners, LLC, which he joined in February 2000. From November 1998 until December 1999, Mr. Lupo served as Executive Vice President of Basset Furniture. From October 1996 until October 1998, Mr. Lupo served as the Chief Operating Officer of the International Division of Wal-Mart Stores Inc., and from September 1990 until September 1996, Mr. Lupo served as Senior Vice President and General Merchandise Manager of Wal-Mart Stores Inc. Mr. Lupo currently serves as a director for Spectrum Brands (formerly known as Rayovac Corp.), and as a director of AB Electrolux.

Tracy L. Noll. Mr. Noll, age 58, has served as a director since July 2000 and is the Chairman of the Audit Committee, as well as a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Noll is currently a private investor based in Dallas, Texas. He served as President and Chief Operating Officer of National Dairy Holdings, L.P. a dairy producer, from April 2001 to September 2003. He served as Executive Vice President of Suiza Foods Corporation from September 1994 until March 2001, including serving as Chief Financial Officer from September 1994 until July 1997. He served as Vice President and Chief Financial Officer of Morningstar Foods Inc. from April 1988 until June 1994. Mr. Noll currently serves as a director of Reddy Ice Group, Inc.

Continuing Class III Directors with Terms Expiring in 2008.

R. Edward Anderson. Mr. Anderson, age 57, has served as the Chief Executive Officer and as a director since December

2001. He has served as Chairman of our board of directors since May 2006. Prior to his current responsibilities, Mr. Anderson served as Executive Vice President and Chief Financial Officer of Variety Wholesalers, our previous parent company, from December 1997 to December 2001. From 1978 to 1994, Mr. Anderson served as Chief Financial Officer of Rose s Stores, Inc., a discount retailer. In August 1994, Mr. Anderson was promoted to Chief Executive Officer of Rose s Stores, Inc. and served in this position until December 1997. Mr. Anderson also served as the Chairman of the board of directors of Rose s Stores, Inc. from August 1994 to December 1997.

Lawrence E. Hyatt. Mr. Hyatt, age 52, has served as a director since November 2006, and is a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Hyatt has served as the Chief Financial Officer, Secretary and Treasurer of O Charley's Inc., a multi-concept restaurant company, since November 2004. Prior to that time, Mr. Hyatt had 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 2002, and as Chief Financial Officer of Sodexo Marriott Services, Inc. and its predecessor company from 1989 to 1999.

Continuing Class I Director with a Term Expiring in 2009.

Patricia M. Luzier. Ms. Luzier, age 57, has served as a director since November 2005 and is the Chair of the Nominating and Corporate Governance Committee, as well as a member of the Audit Committee and the Compensation Committee. Ms. Luzier currently has her own private consulting business focused on human resource management, organizational development and executive coaching. Ms. Luzier was previously the Senior Vice President and Chief Administrative Officer of Cole National Corporation, a specialty retailer, from 1999 until October 2004. She served as Senior Vice President, Human Resources and Administration for HomePlace Group, Inc. from 1998 until 1999. She also served as Senior Vice President of Human Resources with Vicorp Restaurants, Inc. from 1994 until 1998. Ms. Luzier currently serves as a director for Dale Carnegie and Associates.

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. Hyatt, Lupo and Noll and Ms. Luzier.

Audit Committee

The Audit Committee, currently consisting of all four of the Company's independent directors: Messrs. Hyatt, Lupo and Noll and Ms. Luzier, reviews our internal accounting procedures and consults with and reviews the services provided by our independent registered public accountants. The current members of the Audit Committee satisfy NASDAQ's audit committee member independence requirements. Mr. Noll is the Chairman of the Audit Committee. The board of directors has determined that each of Mr. Noll and Mr. Hyatt is an audit committee financial expert as defined by rules of the Securities and Exchange Commission (the "SEC"). During fiscal 2006, the Audit Committee met six times.

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

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

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

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

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

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

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

The Audit Committee is required to report regularly to our board of directors to discuss any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, the performance and independence of our independent registered public accounting firm, or the performance of the internal audit function. The Audit Committee's work is guided by a written charter which has been approved and adopted by the board of directors. The Audit Committee regularly reviews its charter to ensure that it is meeting all relevant audit committee policy requirements of the SEC, the Public Company Accounting Oversight Board and The NASDAQ Stock Market. 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 or the Exchange Act, except to the extent that the Company specifically so provides.

Compensation Committee

The Compensation Committee, currently consisting of all four of the Company's independent directors: Messrs. Hyatt, Lupo and Noll and Ms. Luzier, reviews and determines the compensation and benefits of the Company's executive officers and administers our incentive and equity-based compensation plans. Mr. Lupo is the Chairman of the Compensation Committee. The Compensation Committee has adopted a formal charter which is available on our corporate website at <http://www.cititrends.com>. During fiscal 2006, the Compensation Committee met five times. The principal duties and responsibilities of our Compensation Committee, among other things, are to:

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