

CHRISTOPHER & BANKS CORP

Form 10-K/A

July 23, 2008

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 1, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File No. 001-31390

CHRISTOPHER & BANKS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06 - 1195422
(I.R.S. Employer
Identification No.)

2400 Xenium Lane North, Plymouth, Minnesota
(Address of principal executive offices)

55441
(Zip Code)

Registrant's telephone number, including area code: **(763) 551-5000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-K/A

to such filing requirements for the past 90 days.

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The aggregate market value of the Common Stock, par value \$0.01 per share, held by non-affiliates of the registrant as of August 31, 2007, was approximately \$422,692,464 based on the closing price of such stock as quoted on the New York Stock Exchange (\$12.08) on such date.

The number of shares outstanding of the registrant's Common Stock, par value \$0.01 per share, was 35,261,197 as of May 3, 2008 (excluding treasury shares of 9,790,718).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held July 30, 2008 (the Proxy Statement) are incorporated by reference into Part III.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this Form 10-K/A) to our Annual Report on Form 10-K for the fiscal year ended March 1, 2008, initially filed with the Securities and Exchange Commission on May 15, 2008 (the Original Filing), is being filed to amend Item 8 in the Original Filing to add the name of our independent registered public accounting firm to the signature line of the Report of Independent Registered Public Accounting Firm contained therein. The accounting firm delivered a signed copy of its report to us prior to our making the Original Filing. Item 9A is being re-filed in this Form 10-K/A because it incorporates by reference the Report of Independent Registered Public Accounting Firm included in Item 8. In addition, Item 15 of the Original Filing has been amended to contain (1) revised incorporation by reference language for Exhibit 3.1, (2) a currently dated consent from our independent registered public accounting firm, and (3) currently dated certifications from our Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Such consent and certifications are attached to this Form 10-K/A as Exhibits 23.1, 31.1, 31.2, 32.1 and 32.2.

Except for the foregoing amended information, this Form 10-K/A does not amend or update any other information contained in the Original Filing.

Table of Contents

PART II

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

	Page
Financial Statements:	
<u>Report of Independent Registered Public Accounting Firm</u>	2
<u>Consolidated Balance Sheet at March 1, 2008 and March 3, 2007</u>	3
<u>Consolidated Statement of Income for each of the three fiscal years ended March 1, 2008</u>	4
<u>Consolidated Statement of Stockholders' Equity for each of the three fiscal years ended March 1, 2008</u>	5
<u>Consolidated Statement of Cash Flows for each of the three fiscal years ended March 1, 2008</u>	6
<u>Notes to Consolidated Financial Statements</u>	7

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Christopher & Banks Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Christopher & Banks Corporation and its subsidiaries at March 1, 2008 and March 3, 2007, and the results of their operations and their cash flows for each of the three fiscal years in the period ended March 1, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 1, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 12 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) as of March 4, 2007. As discussed in Note 2 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board Statement No. 123(R), *Share-Based Payment*, as of February 26, 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota

May 15, 2008

Table of Contents**CHRISTOPHER & BANKS CORPORATION
CONSOLIDATED BALANCE SHEET**

	March 1, 2008	March 3, 2007
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 78,492,297	\$ 53,991,398
Short-term investments		48,275,000
Accounts receivable	5,222,976	4,481,624
Merchandise inventories	43,840,338	52,354,944
Prepaid expenses	11,597,280	10,666,421
Income taxes receivable	5,031,494	2,076,717
Current deferred tax asset	4,450,899	3,257,919
Total current assets	148,635,284	175,104,023
Property, equipment and improvements, net	133,598,580	127,776,442
Long-term investments	23,350,000	
Deferred tax asset	5,784,895	
Goodwill		3,587,052
Intangible assets	74,135	575,281
Other assets	348,828	280,299
Total assets	\$ 311,791,722	\$ 307,323,097
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 15,380,692	\$ 16,287,931
Accrued salaries, wages and related expenses	9,246,050	7,574,930
Other accrued liabilities	28,040,623	22,387,281
Total current liabilities	52,667,365	46,250,142
Non-current liabilities:		
Deferred lease incentives	24,854,278	23,646,261
Deferred rent obligations	11,720,689	10,678,341
Deferred tax liability		983,137
Other liabilities	3,722,195	
Total non-current liabilities	40,297,162	35,307,739
Commitments		
Stockholders' equity:		
Preferred stock \$0.01 par value, 1,000,000 shares authorized, none outstanding		
Common stock \$0.01 par value, 74,000,000 shares authorized, 45,050,290 and 45,038,310 shares issued, and 35,259,572 and 36,521,451 shares outstanding, in fiscal 2008 and fiscal 2007, respectively	450,503	450,383
Additional paid-in capital	110,359,847	106,806,885
Retained earnings	221,928,654	213,264,385
Common stock held in treasury, 9,790,718 and 8,516,859 shares at cost in fiscal 2008 and fiscal 2007, respectively	(112,711,809)	(94,756,437)
Accumulated other comprehensive income (loss)	(1,200,000)	
Total stockholders' equity	218,827,195	225,765,216

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-K/A

Total liabilities and stockholders equity	\$	311,791,722	\$	307,323,097
---	----	-------------	----	-------------

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**CHRISTOPHER & BANKS CORPORATION
CONSOLIDATED STATEMENT OF INCOME**

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-K/A

	March 1, 2008	Fiscal Year Ended March 3, 2007	February 25, 2006
Net sales	\$ 575,780,825	\$ 547,316,832	\$ 490,508,054
Costs and expenses:			
Merchandise, buying and occupancy, exclusive of depreciation and amortization	354,468,184	330,473,262	292,071,779
Selling, general and administrative	166,361,699	145,228,828	131,717,125
Depreciation and amortization	22,603,342	20,606,249	18,847,615
Impairment of store assets	6,924,694	1,080,743	237,764
Impairment of goodwill	3,587,052		
Total costs and expenses	553,944,971	497,389,082	442,874,283
Operating income	21,835,854	49,927,750	47,633,771
Interest income, net	4,661,683	5,115,525	2,092,411
Income before income taxes	26,497,537	55,043,275	49,726,182
Income tax provision	9,479,383	21,356,791	19,313,648
Net income	\$ 17,018,154	\$ 33,686,484	\$ 30,412,534
Basic earnings per common share:			
Net income	\$ 0.48	\$ 0.90	\$ 0.85
Basic shares outstanding	35,771,851	37,306,742	35,907,028
Diluted earnings per common share:			
Net income	\$ 0.47	\$ 0.89	\$ 0.84
Diluted shares outstanding	35,851,507	37,761,001	36,220,153
Dividends per share	\$ 0.24	\$ 0.20	\$ 0.16

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CHRISTOPHER & BANKS CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-K/A

	Shares Issued	Shares Held in Treasury	Common Stock Shares Outstanding	Amount Outstanding	Amount Held in Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
February 26, 2005	42,503,590	6,784,736	35,718,854	\$ 425,047	\$ (60,576,094)	\$ 61,035,745	\$ 162,324,168		\$ 163,208,866
Net income							30,412,534		30,412,534
Stock issued on exercise of options	502,561		502,561	5,015		3,003,396			3,008,411
Tax benefit on exercise of stock options						1,641,463			1,641,463
Stock-based compensation expense						260,352			260,352
Dividends paid (\$0.16 per share)							(5,738,727)		(5,738,727)
February 25, 2006	43,006,151	6,784,736	36,221,415	\$ 430,062	\$ (60,576,094)	\$ 65,940,956	\$ 186,997,975		\$ 192,792,899
Net income							33,686,484		33,686,484
Stock issued on exercise of options	1,740,076		1,740,076	17,400		30,992,575			31,009,975
Issuance of restricted shares, net of forfeitures	292,083		292,083	2,921					2,921
Tax benefit on exercise of stock options						5,785,587			5,785,587
Stock-based compensation expense						4,087,767			4,087,767
Acquisition of common stock held in treasury, at cost		1,732,123	(1,732,123)		(34,180,343)				(34,180,343)
Dividends paid (\$0.20 per share)							(7,420,074)		(7,420,074)
March 3, 2007	45,038,310	8,516,859	36,521,451	\$ 450,383	\$ (94,756,437)	\$ 106,806,885	\$ 213,264,385		\$ 225,765,216
Comprehensive income:									
Net income							17,018,154		17,018,154
Temporary impairment of long-term investments								(1,200,000)	(1,200,000)
Total comprehensive income									15,818,154
Adoption of FIN 48							219,654		219,654
Stock issued on exercise of options	112,530		112,530	1,125		1,155,868			1,156,993
Issuance of restricted shares, net of forfeitures	(100,550)		(100,550)	(1,005)		1,005			
Tax benefit on exercise of stock options						(122,279)			(122,279)
Stock-based compensation expense						2,518,368			2,518,368
Acquisition of common stock held in treasury, at cost		1,273,859	(1,273,859)		(17,955,372)				(17,955,372)
Dividends paid (\$0.24 per share)							(8,573,539)		(8,573,539)

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-K/A

March 1, 2008	45,050,290	9,790,718	35,259,572	\$ 450,503	\$ (112,711,809)	\$ 110,359,847	\$ 221,928,654	\$ (1,200,000)	\$ 218,827,195
---------------	------------	-----------	------------	------------	------------------	----------------	----------------	----------------	----------------

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CHRISTOPHER & BANKS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	March 1, 2008	Fiscal Year Ended March 3, 2007	February 25, 2006
Cash flows from operating activities:			
Net income	\$ 17,018,154	\$ 33,686,484	\$ 30,412,534
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,603,342	20,546,233	18,847,615
Excess income tax benefit on exercise of stock options	(19,785)	(5,785,587)	1,641,463
Stock-based compensation expense	2,518,368	4,087,767	260,352
Deferred income taxes	(6,814,957)	(3,180,752)	(2,954,487)
Loss on disposal of furniture, fixtures and equipment	392,398	153,882	647,022
Impairment of store assets	6,924,694	1,080,743	237,764
Impairment of goodwill	3,587,052		
Amortization of deferred revenue from lease termination			(106,250)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(741,352)	271,679	(1,008,815)
(Increase) decrease in merchandise inventories	8,514,606	(14,483,569)	2,653,633
(Increase) decrease in prepaid expenses	(930,859)	(7,603,600)	789,386
(Increase) decrease in income taxes receivable	(3,077,056)	2,731,358	1,527,451
Increase in other assets	(68,529)	(70,430)	(59,026)
Increase (decrease) in accounts payable	(1,057,133)	5,857,927	(1,757,817)
Increase in accrued salaries, wages and related expenses	1,671,120	2,125,422	842,912
Increase in other accrued liabilities	5,653,342	2,904,298	6,354,874
Increase in deferred rent obligations	1,042,348	1,068,342	1,438,325
Increase in deferred lease incentives	2,017,484	1,843,392	1,154,827
Increase in other liabilities	2,795,794		
Net cash provided by operating activities	62,029,031	45,233,589	60,921,763
Cash flows from investing activities:			
Purchase of property, equipment and improvements	(35,900,999)	(30,529,935)	(26,624,307)
Proceeds from sale of furniture, fixtures and equipment			6,152
Purchases of investments	(115,050,000)	(123,627,900)	(44,842,729)
Sales of investments	138,775,000	105,352,900	61,591,058
Net cash used in investing activities	(12,175,999)	(48,804,935)	(9,869,826)
Cash flows from financing activities:			
Exercise of stock options and issuance of restricted stock	1,156,993	30,992,575	3,008,411
Dividends paid	(8,573,539)	(7,420,074)	(5,738,727)
Excess income tax benefit on exercise of stock options	19,785	5,785,587	
Acquisition of common stock held in treasury	(17,955,372)	(34,180,343)	
Net cash used in financing activities	(25,352,133)	(4,822,255)	(2,730,316)
Net increase (decrease) in cash and cash equivalents	24,500,899	(8,393,601)	48,321,621
Cash and cash equivalents at beginning of year	53,991,398	62,384,999	14,063,378
Cash and cash equivalents at end of year	\$ 78,492,297	\$ 53,991,398	\$ 62,384,999
Supplemental cash flow information:			
Interest paid	\$ 3,409	\$ 8,353	\$ 1,458
Income taxes paid	\$ 16,388,824	\$ 21,862,381	\$ 18,101,388
Purchases of equipment and improvements, accrued not paid	\$ 149,894	\$ 576,659	\$ 712,136

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**CHRISTOPHER & BANKS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Christopher & Banks Corporation, through its wholly-owned subsidiaries (collectively referred to as Christopher & Banks or the Company) operates retail stores selling women's apparel in the United States. The Company operated 837, 778 and 705 stores at the end of fiscal 2008, 2007 and 2006, respectively.

Fiscal year and basis of presentation

The Company's fiscal year ends on the Saturday nearest February 28. The fiscal years ended March 1, 2008 and February 25, 2006 each consisted of 52 weeks. The fiscal year ended March 3, 2007 consisted of 53 weeks. The Consolidated Financial Statements include the accounts of Christopher & Banks Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates