CHRISTOPHER & BANKS CORP
Form 8-K
December 31, 2008

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: December 24, 2008
(Date of earliest event reported)

CHRISTOPHER & BANKS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-31390	**06-1195422**
(Commission file number)	(IRS Employer Identification No.)

2400 Xenium Lane North
Plymouth, Minnesota 55441
(Address of principal executive offices, including zip code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

On December 24, 2008, Christopher & Banks Corporation (the Company) closed the last of its remaining Acorn stores, thus essentially completing the disposition and abandonment of assets related to the closure of its Acorn division business.

On July 31, 2008, the Company announced its decision to exit its Acorn business when management concluded, after a comprehensive review and evaluation, that the concept had not demonstrated the potential to deliver an acceptable long-term return on the Company s investment. On July 30, 2008, the Company s Board of Directors authorized a plan to close all of the Company s 36 Acorn stores by December 31, 2008, allowing the Company to focus its resources on its two core brands, Christopher & Banks and C.J. Banks. The Company closed 29 of its 36 Acorn stores during its third fiscal quarter ended November 29, 2008 and closed its seven remaining Acorn stores on December 24, 2008.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information.

The Company completed the exit of its Acorn division business by closing its seven remaining Acorn stores on December 24, 2008. The following unaudited pro forma financial statements reflect the exit of the Company s Acorn division business which will be presented as a discontinued operation in the Company s consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144).

The unaudited condensed pro forma balance sheet assumes the Company exited its Acorn business on August 30, 2008. The consolidated, Acorn adjustment and pro forma information is based upon the historical balance sheet data of the Company and Acorn as of that date.

The unaudited condensed pro forma statement of operations reflects the exit of the Acorn business as of February 27, 2005. The consolidated, Acorn adjustment and pro forma information is based upon the historical operating statement data for the Company and for Acorn for the fiscal years ended March 1, 2008, March 3, 2007 and February 25, 2006, and for the six month periods ended August 30, 2008 and September 1, 2007.

No significant estimates or assumptions were utilized in determining the historical balance sheet and operating statement data. These unaudited pro forma financial statements should be read in conjunction with the historical financial statements and notes thereto of the Company.

CHRISTOPHER & BANKS CORPORATION

UNAUDITED CONDENSED PRO FORMA BALANCE SHEET

AUGUST 30, 2008

(in thousands)

	Consolidated	Acorn Adjustment	Pro Forma
ASSETS			
Current assets:			
Cash and cash equivalents	$ 84,037	$ (9)	$ 84,028
Accounts receivable	4,311		4,311
Merchandise inventories	51,531	(1,630)	49,901
Prepaid expenses	12,176		12,176
Other current assets	6,222		6,222
Total current assets	158,277	(1,639)	156,638
Property, equipment and improvements, net	131,771		131,771
Long-term investments	18,536		18,536
Other assets	6,681		6,681
Total assets	$ 315,265	$ (1,639)	$ 313,626
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 11,290		$ 11,290
Accrued salaries, wages and related expenses	9,192		9,192
Other accrued liabilities	27,357		27,357
Total current liabilities	47,839		47,839
Non-current liabilities:			
Deferred lease incentives	24,191	(1,499)	22,692
Deferred rent obligations	10,880	(477)	10,403
Other	4,450		4,450
Total non-current liabilities	39,521	(1,976)	37,545
Commitments			
Stockholders equity:			
Preferred stock $0.01 par value			
Common stock $0.01 par value	453		453
Additional paid-in capital	111,511	337	111,848
Retained earnings	229,814		229,814
Common stock held in treasury	(112,859)		(112,859)
Accumulated other comprehensive income (loss)	(1,014)		(1,014)
Total stockholders equity	227,905	337	228,242
Total liabilities and stockholders equity	$ 315,265	$ (1,639)	$ 313,626

The accompanying notes are an integral part of these pro forma statements.

CHRISTOPHER & BANKS CORPORATION

UNAUDITED CONDENSED PRO FORMA STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Six Months Ended August 30, 2008 Consolidated	Acorn Adjustment	Proforma
Net sales	$ 291,279	$ 7,433	$ 283,846
Costs and expenses:			
Merchandise, buying and occupancy, exclusive of depreciation and amortization	171,927	6,478	165,449
Selling, general and administrative	86,227	2,421	83,806
Depreciation and amortization	14,425	100	14,325
Impairment of store assets		1,221	(1,221)
Total costs and expenses	272,579	10,220	262,359
Operating income (loss)	18,700	(2,787)	21,487
Interest income	1,413		1,413
Income (loss) before income taxes	20,113	(2,787)	22,900
Income tax provision	8,005	5,967	2,038
Net income (loss)	$ 12,108	$ (8,754)	$ 20,862
Basic earnings (loss) per common share:			
Net income (loss)	$ 0.35	$ (0.25)	$ 0.60
Basic shares outstanding	35,086	35,086	35,086
Diluted earnings (loss) per common share:			
Net income (loss)	$ 0.34	$ (0.25)	$ 0.59
Diluted shares outstanding	35,112	35,112	35,112
Dividends per share	$ 0.12	$	$ 0.12

The accompanying notes are an integral part of these pro forma statements.

CHRISTOPHER & BANKS CORPORATION

UNAUDITED CONDENSED PRO FORMA STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Six Months Ended September 1, 2007 Consolidated	Acorn Adjustment	Proforma
Net sales	$ 290,499	$ 7,119	$ 283,380
Costs and expenses:			
Merchandise, buying and occupancy, exclusive of depreciation and amortization	177,511	5,862	171,649
Selling, general and administrative	79,706	2,425	77,281
Depreciation and amortization	10,805	534	10,271
Total costs and expenses	268,022	8,821	259,201
Operating income (loss)	22,477	(1,702)	24,179
Interest income	2,219		2,219
Income (loss) before income taxes	24,696	(1,702)	26,398
Income tax provision	9,631	(83)	9,714
Net income (loss)	$ 15,065	$ (1,619)	$ 16,684
Basic earnings (loss) per common share:			
Net income (loss)	$ 0.42	$ (0.04)	$ 0.46
Basic shares outstanding	35,900	35,900	35,900
Diluted earnings (loss) per common share:			
Net income (loss)	$ 0.42	$ (0.04)	$ 0.46
Diluted shares outstanding	36,010	36,010	36,010
Dividends per share	$ 0.12	$	$ 0.12

The accompanying notes are an integral part of these pro forma statements.

CHRISTOPHER & BANKS CORPORATION

UNAUDITED CONDENSED PRO FORMA STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Year Ended March 1, 2008 Consolidated	Acorn Adjustment	Proforma
Net sales	$ 575,781	$ 14,869	$ 560,912
Costs and expenses:			
Merchandise, buying and occupancy, exclusive of depreciation and amortization	354,468	12,541	341,927
Selling, general and administrative	166,362	5,182	161,180
Depreciation and amortization	22,603	840	21,763
Impairment of store assets	6,925	6,513	412
Impairment of goodwill	3,587	3,587	
Total costs and expenses	553,945	28,663	525,282
Operating income (loss)	21,836	(13,794)	35,630
Interest income	4,662		4,662
Income (loss) before income taxes	26,498	(13,794)	40,292
Income tax provision	9,480	(5,348)	14,828
Net income (loss)	$ 17,018	$ (8,446)	$ 25,464
Basic earnings (loss) per common share:			
Net income (loss)	$ 0.48	$ (0.24)	$ 0.72
Basic shares outstanding	35,772	35,772	35,772
Diluted earnings (loss) per common share:			
Net income (loss)	$ 0.47	$ (0.24)	$ 0.71
Diluted shares outstanding	35,852	35,852	35,852
Dividends per share	$ 0.24	$	$ 0.24

The accompanying notes are an integral part of these pro forma statements.

CHRISTOPHER & BANKS CORPORATION

UNAUDITED CONDENSED PRO FORMA STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Year Ended March 3, 2007 Consolidated	Acorn Adjustment	Proforma
Net sales	$ 547,317	$ 14,161	$ 533,156
Costs and expenses:			
Merchandise, buying and occupancy, exclusive of depreciation and amortization	330,473	11,503	318,970
Selling, general and administrative	145,229	4,533	140,696
Depreciation and amortization	20,606	990	19,616
Impairment of store assets	1,081	751	330
Total costs and expenses	497,389	17,777	479,612
Operating income (loss)	49,928	(3,616)	53,544
Interest income	5,115		5,115
Income (loss) before income taxes	55,043	(3,616)	58,659
Income tax provision	21,357	(1,345)	22,702
Net income (loss)	$ 33,686	$ (2,271)	$ 35,957
Basic earnings (loss) per common share:			
Net income (loss)	$ 0.90	$ (0.07)	$ 0.97
Basic shares outstanding	37,307	37,307	37,307
Diluted earnings (loss) per common share:			
Net income (loss)	$ 0.89	$ (0.06)	$ 0.95
Diluted shares outstanding	37,761	37,761	37,761
Dividends per share	$ 0.20	$	$ 0.20

The accompanying notes are an integral part of these pro forma statements.

CHRISTOPHER & BANKS CORPORATION

UNAUDITED CONDENSED PRO FORMA STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Year Ended February 25, 2006 Consolidated	Acorn Adjustment	Proforma
Net sales	$ 490,508	$ 11,441	$ 479,067
Costs and expenses:			
Merchandise, buying and occupancy, exclusive of depreciation and amortization	292,072	9,646	282,426
Selling, general and administrative	131,717	5,542	126,175
Depreciation and amortization	18,847	586	18,261
Impairment of store assets	238	227	11
Total costs and expenses	442,874	16,001	426,873
Operating income (loss)	47,634	(4,560)	52,194
Interest income	2,092		2,092
Income (loss) before income taxes	49,726	(4,560)	54,286
Income tax provision	19,313	(1,607)	20,920
Net income (loss)	$ 30,413	$ (2,953)	$ 33,366
Basic earnings (loss) per common share:			
Net income (loss)	$ 0.85	$ (0.08)	$ 0.93
Basic shares outstanding	35,907	35,907	35,907
Diluted earnings (loss) per common share:			
Net income (loss)	$ 0.84	$ (0.08)	$ 0.92
Diluted shares outstanding	36,220	36,220	36,220
Dividends per share	$ 0.16	$	$ 0.16

The accompanying notes are an integral part of these pro forma statements.

CHRISTOPHER & BANKS CORPORATION

NOTES TO UNAUDITED CONDENSED PRO FORMA FINANCIAL STATEMENTS

NOTE 1: ACCOUNTING FOR EXIT

On December 24, 2008, Christopher & Banks Corporation (the   Company) closed the last of its remaining Acorn stores, thus essentially completing the disposition of assets related to the closure of its Acorn division business.

On July 31, 2008, the Company announced its decision to exit its Acorn business when management concluded, after a comprehensive review and evaluation, that the concept had not demonstrated the potential to deliver an acceptable long-term return on the Company s investment. On July 30, 2008, the Company s Board of Directors authorized a plan to close all of the Company s 36 Acorn stores by December 31, 2008, allowing the Company to focus its resources on its two core brands, Christopher & Banks and C.J. Banks. The Company closed 29 of its 36 Acorn stores during its third fiscal quarter ended November 29, 2008 and closed its seven remaining Acorn stores on December 24, 2008.

The exit of the Company s Acorn division business will be accounted for as a discontinued operation in accordance with Statement of Financial Accounting Standards No. 144,   Accounting for the Impairment or Disposal of Long-Lived Assets   (SFAS No. 144). The unaudited pro forma financial information reflects Acorn as a discontinued operation and, accordingly, Acorn s net assets and results of operations are excluded from the continuing operations of the Company.

NOTE 2: PRO FORMA PRESENTATION

The unaudited condensed pro forma balance sheet assumes the Company exited its Acorn business on August 30, 2008. The consolidated, Acorn adjustment and pro forma information is based upon the historical balance sheet data of the Company and Acorn as of that date.

The unaudited condensed pro forma statement of operations reflects the exit of the Acorn business as of February 27, 2005. The consolidated, Acorn adjustment and pro forma information is based upon the historical operating statement data for the Company and for Acorn for the fiscal years ended March 1, 2008, March 3, 2007 and February 25, 2006, and for the six month periods ended August 30, 2008 and September 1, 2007.

No significant estimates or assumptions were utilized in determining the historical balance sheet and operating statement data. These unaudited pro forma financial statements should be read in conjunction with the historical financial statements and notes thereto of the Company.

NOTE 3: ASSET IMPAIRMENT

In addition to losses from store operations, the Acorn operating loss for the six months ended August 30, 2008 included approximately $1.2 million of impairment charges related to store-level assets and $69,000 of impairment charges related to intangible assets. No impairment charges were included in the Acorn operating loss for the six months ended September 1, 2007.

The Acorn operating loss for the fiscal year ended March 1, 2008 included approximately $6.1 million of impairment charges related to store-level assets, $3.6 million of charges related to goodwill impairment and $401,000 of impairment charges related to intangible assets. In addition to losses from store operations, the Acorn operating loss for the fiscal years ended March 3, 2007 and February 25, 2006 included $751,000 and $227,000 of impairment charges related to store-level assets, respectively.

NOTE 4: INCOME TAXES

Income taxes have been allocated to continuing and discontinued operations based on the methodology required by Financial Accounting Interpretation Number 18 (FIN 18). As required by this authoritative guidance, income taxes for annual periods are computed with and without the impact of results from discontinued operations and the difference in taxes between these computations is allocated to discontinued operations.

For interim periods, income taxes are allocated to continuing operations based on the effective tax rate on income from continuing operations for the year. The difference between income taxes allocated to continuing operations in interim periods and total income taxes prior to operations qualifying for discontinued operations presentation are allocated to discontinued operations.

Income taxes allocated to the loss from discontinued operations for the six month interim period ended August 30, 2008, result from the fact that the estimated effective tax rate on continuing operations for fiscal 2009 is 8.9%, while the effective tax rate for all operations (combined results for continuing and discontinued operations) per the Company s previously filed Form 10-Q for the six month period ended August 30, 2008 was estimated to be 39.8%. The difference in taxes between those allocable to continuing operations and total taxes previously estimated for all operations are allocated to discontinued operations. Actual tax rates for fiscal 2009 could differ significantly from estimated rates based on results of operations for the balance of fiscal 2009.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHRISTOPHER & BANKS CORPORATION

Date:	December 31, 2008	By:	/s/ Michael J. Lyftogt Michael J. Lyftogt Vice President Finance, and Interim Chief Financial Officer