

CHRISTOPHER & BANKS CORP
Form 10-Q
January 09, 2001

[QuickLinks](#) -- Click here to rapidly navigate through this document

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 25, 2000

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. 0-19972

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 Number)

2400 Xenium Lane North, Plymouth, Minnesota

(Address of principal executive offices)

55441

(Zip Code)

(763) 551-5000

(Registrant's telephone number, including area code)

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 to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of December 29, 2000, 10,493,623 shares of the registrant's common stock were outstanding.

CHRISTOPHER & BANKS CORPORATION
FORM 10-Q QUARTERLY REPORT
INDEX

		<u>Page</u>
PART I		
FINANCIAL INFORMATION		
Item 1.	Consolidated Condensed Financial Statements:	
	Consolidated Condensed Balance Sheet As of November 25, 2000, February 26, 2000 and November 27, 1999	3
	Consolidated Condensed Statement of Income For the Quarters Ended November 25, 2000 and November 27, 1999	4
	Consolidated Condensed Statement of Income For the Three Quarters Ended November 25, 2000 and November 27, 1999	5
	Consolidated Condensed Statement of Cash Flows For the Three Quarters Ended November 25, 2000 and November 27, 1999	6
	Notes to Consolidated Condensed Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	13
PART II		
OTHER INFORMATION		
Item 1.	Legal Proceedings	14
Item 2.	Changes in Securities and Use of Proceeds	14
Item 3.	Defaults Upon Senior Securities	14
Item 4.	Submission of Matters to a Vote of Security Holders	14
Item 5.	Other Information	14
Item 6.	Exhibits and Reports on Form 8-K	14
	Signatures	15
2		

CHRISTOPHER & BANKS CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEET

	November 25, 2000	February 26, 2000	November 27, 1999
	<u> </u>	<u> </u>	<u> </u>
	(Unaudited)	(Audited)	(Unaudited)

ASSETS

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-Q

Current assets:

Cash and cash equivalents	\$ 18,216,830	\$ 22,685,876	\$ 8,935,791
Accounts receivable	3,647,861	1,170,927	2,364,929
Merchandise inventory	22,405,718	11,421,417	15,681,696
Prepaid expenses	1,983,824	1,314,733	1,118,768
Current deferred tax asset	697,907	697,907	275,493
	<u> </u>	<u> </u>	<u> </u>
Total current assets	46,952,140	37,290,860	28,376,677
Equipment and improvements, net	27,286,083	19,780,675	17,382,556
Other assets:			
Long-term deferred tax asset	1,629,813	1,629,813	1,468,101
Other	31,005	17,296	410,431
	<u> </u>	<u> </u>	<u> </u>
Total other assets	1,660,818	1,647,109	1,878,532
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 75,899,041	\$ 58,718,644	\$ 47,637,765
	<u> </u>	<u> </u>	<u> </u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 1,951,472	\$ 2,650,116	\$ 1,627,928
Accrued liabilities	10,258,610	10,190,225	6,426,679
Current maturities of long-term debt	24,885	169,410	239,485
Income taxes payable	1,223,161	2,180,804	1,750,460
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	13,458,128	15,190,555	10,044,552

Long-term liabilities:

Long-term debt	5,168,204	5,053,359	5,015,648
Accrued rent obligation	1,173,442	1,089,899	1,103,010
	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	6,341,646	6,143,258	6,118,658

Stockholders' equity:

Preferred stock \$0.01 par value, 1,000,000 shares authorized; none outstanding			
Common stock \$0.01 par value, 29,000,000 shares authorized; 10,493,623, 10,122,954 and 10,025,004 shares issued and outstanding at November 25, 2000, February 26, 2000 and November 27, 1999, respectively	113,216	109,511	108,530
Additional paid-in capital	32,231,112	30,531,715	29,810,127
Retained earnings	27,115,942	10,088,048	4,830,341
	<u> </u>	<u> </u>	<u> </u>
	59,460,270	40,729,274	34,748,998
Common stock held in treasury, 828,000 shares at cost	(2,999,961)	(2,999,961)	(2,999,961)
Common stock subscriptions receivable	(361,042)	(344,482)	(274,482)
	<u> </u>	<u> </u>	<u> </u>
Total stockholders' equity	56,099,267	37,384,831	31,474,555
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 75,899,041	\$ 58,718,644	\$ 47,637,765
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to unaudited consolidated condensed financial statements.

CHRISTOPHER & BANKS CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF INCOME

(Unaudited)

	Quarter Ended	
	November 25, 2000	November 27, 1999
Net sales	\$ 57,261,694	\$ 39,803,720
Cost of sales:		
Merchandise, buying and occupancy	31,130,547	24,122,363
Gross profit	26,131,147	15,681,357
Selling, general and administrative	11,929,353	8,331,646
Depreciation and amortization	1,301,891	889,436
Operating income	12,899,903	6,460,275
Interest (income) expense, net	(111,571)	85,831
Income before income taxes	13,011,474	6,374,444
Income tax provision	5,074,474	2,454,161
Net income	\$ 7,937,000	\$ 3,920,283
Basic earnings per common share:		
Net income	\$ 0.76	\$ 0.39
Basic shares outstanding	10,486,848	9,939,903
Diluted earnings per common share:		
Net income	\$ 0.69	\$ 0.37
Diluted shares outstanding	11,529,210	10,645,017

See accompanying notes to unaudited consolidated condensed financial statements.

4

CHRISTOPHER & BANKS CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF INCOME

(Unaudited)

	Three Quarters Ended	
	November 25, 2000	November 27, 1999
Net sales	\$ 141,146,143	\$ 98,216,714
Cost of sales:		
Merchandise, buying and occupancy	78,864,109	62,598,378

4

Gross profit	62,282,034	35,618,336
Selling, general and administrative	31,407,681	22,801,765
Depreciation and amortization	3,417,190	2,424,566
Operating income	27,457,163	10,392,005
Interest (income) expense, net	(457,417)	184,786
Income before income taxes	27,914,580	10,207,219
Income tax provision	10,886,686	3,929,779
Net income	\$ 17,027,894	\$ 6,277,440
Basic earnings per common share:		
Net income	\$ 1.65	\$ 0.64
Basic shares outstanding	10,330,667	9,861,308
Diluted earnings per common share:		
Net income	\$ 1.51	\$ 0.60
Diluted shares outstanding	11,313,171	10,416,273

See accompanying notes to unaudited consolidated condensed financial statements.

CHRISTOPHER & BANKS CORPORATION

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

(Unaudited)

	Three Quarters Ended	
	November 25, 2000	November 27, 1999
Cash flows from operating activities:		
Net income	\$ 17,027,894	\$ 6,277,440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,417,190	2,424,566
Income tax benefit on exercise of stock options	519,014	
Loss on disposals of equipment	96,198	93,416
Increase in accrued rent obligation	83,543	30,420
Changes in operating assets and liabilities:		
Increase in accounts receivable, merchandise inventory, prepaid expenses, and other assets	(14,144,035)	(6,802,485)
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	(1,587,902)	893,003
Net cash provided by operating activities	5,411,902	2,916,360
Cash flows from investing activities:		
Purchase of equipment and improvements	(11,029,226)	(7,024,374)

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-Q

Proceeds from sale of equipment	10,430	78,800
	<u> </u>	<u> </u>
Net cash used in investing activities	(11,018,796)	(6,945,574)
Cash flows from financing activities:		
Principal payments on long-term debt	(144,525)	(201,517)
Interest on 12% Senior Notes added to principal	114,845	111,454
Exercise of stock options	1,184,088	566,831
Common stock subscriptions receivable	(16,560)	(99,482)
	<u> </u>	<u> </u>
Net cash provided by financing activities	1,137,848	377,286
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(4,469,046)	(3,651,928)
Cash and cash equivalents at beginning of period	22,685,876	12,587,719
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$ 18,216,830	\$ 8,935,791
	<u> </u>	<u> </u>

See accompanying notes to unaudited consolidated condensed financial statements.

6

CHRISTOPHER & BANKS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The financial statements included in this Form 10-Q have been prepared by Christopher & Banks Corporation, formerly Braun's Fashions Corporation, and subsidiary (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2000.

The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

NOTE 2 COMPANY NAME CHANGE

On July 26, 2000, the Company's shareholders approved an amendment to the Company's Certificate of Incorporation to change the Company name from Braun's Fashions Corporation to Christopher & Banks Corporation. The name change became effective immediately upon shareholder approval.

NOTE 3 STOCK SPLITS

In November 1999, the Company's Board of Directors approved a 3-for-2 stock split in the form of a stock dividend on the Company's outstanding common stock. The record date was November 30, 1999 and the stock dividend was distributed on December 14, 1999.

In May 2000, the Company's Board of Directors approved another 3-for-2 stock split in the form of a stock dividend. The record date was June 27, 2000 and the stock dividend was distributed on July 11, 2000.

Share and per share data for all periods presented have been restated to reflect both stock splits.

NOTE 4 NET INCOME PER SHARE

6

Basic earnings per share ("EPS") is computed based on the weighted average number of shares of common stock outstanding during the applicable periods while diluted EPS is computed based on the weighted average number of common and common equivalent shares (dilutive stock options) outstanding.

7

The following is a reconciliation of the number of shares (denominator) and per share amounts used in the basic and diluted EPS computations:

	Quarter Ended			
	November 25, 2000		November 27, 1999	
	Shares	Net Income	Shares	Net Income
Basic EPS	10,486,848	\$ 0.76	9,939,903	\$ 0.39
Effect of dilutive stock options	1,042,362	(0.07)	705,114	(0.02)
Diluted EPS	11,529,210	\$ 0.69	10,645,017	\$ 0.37
	Three Quarters Ended			
	November 25, 2000		November 27, 1999	
	Shares	Net Income	Shares	Net Income
Basic EPS	10,330,667	\$ 1.65	9,861,308	\$ 0.64
Effect of dilutive stock options	982,504	(0.14)	554,965	(0.04)
Diluted EPS	11,313,171	\$ 1.51	10,416,273	\$ 0.60

8

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Christopher & Banks Corporation, formerly Braun's Fashions Corporation, is a Minneapolis-based retailer of women's specialty apparel, which operates through its wholly-owned subsidiary, Christopher & Banks, Inc. As of December 29, 2000, the Company operated 274 stores in 27 states under the names Christopher & Banks, Brauns and C.J. Banks, primarily in the northern half of the United States. The Company's stores offer coordinated assortments of exclusively designed sportswear, sweaters, and dresses.

On July 26, 2000, the Company's shareholders approved a change in the Company name from Braun's Fashions Corporation to Christopher & Banks Corporation. As of December 29, 2000, the Company operated 150 Christopher & Banks stores, 104 Brauns stores and 20 C.J. Banks stores. In addition, the Company anticipates all remaining Braun's stores will be converted to Christopher & Banks by December 2002. Effective July 28, 2000, the Company's stock began trading under the ticker symbol "CHBS" on the Nasdaq Stock Market.

The Company opened 33 new Christopher & Banks stores in the first three quarters of fiscal 2001 and plans to open approximately 40 new Christopher & Banks stores in fiscal 2002. The Company also opened 20 C.J. Banks stores in the second and third quarters of fiscal 2001. These stores cater to the casual wardrobing needs of 35 to 55 year old women who wear sizes 14W to 24W. As of December 29, 2000, the Company operated 20 C.J. Banks stores. The Company plans to open approximately 40 new C.J. Banks stores in fiscal 2002.

7

Results of Operations

The following table sets forth, for the periods indicated, certain items from the Company's statement of income expressed as a percentage of net sales.

	Quarter Ended		Three Quarters Ended	
	November 25, 2000	November 27, 1999	November 25, 2000	November 27, 1999
Net sales	100.0%	100.0%	100.0%	100.0%
Merchandise, buying and occupancy	54.4	60.6	55.9	63.7
Gross profit	45.6	39.4	44.1	36.3
Selling, general and administrative	20.8	20.9	22.2	23.2
Depreciation and amortization	2.3	2.3	2.4	2.5
Operating income	22.5	16.2	19.5	10.6
Interest (income) expense, net	(0.2)	0.2	(0.3)	0.2
Income before income taxes	22.7	16.0	19.8	10.4
Income tax provision	8.8	6.2	7.7	4.0
Net income	13.9%	9.8%	12.1%	6.4%

**QUARTER ENDED NOVEMBER 25, 2000 COMPARED TO QUARTER ENDED
NOVEMBER 27, 1999**

Net Sales. Net sales for the quarter ended November 25, 2000 were \$57.3 million, an increase of 44% from \$39.8 million for the quarter ended November 27, 1999. The increase in sales was attributable to a 17% increase in same-store sales combined with an increase in the number of stores

9

operated by the Company. The Company operated 274 stores at November 25, 2000 compared to 223 at November 27, 1999.

Gross Profit. Gross profit, which is net sales less cost of merchandise, buying and occupancy expenses, was \$26.1 million, or 45.6% of net sales, during the third quarter of fiscal 2001 compared to \$15.7 million or 39.4% of net sales during the same period in fiscal 2000. The increase in gross margin as a percent of net sales was primarily due to improved merchandise margins resulting from increased sales of merchandise at regular prices.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the third quarter of fiscal 2001 were \$11.9 million or 20.8% of net sales compared to \$8.3 million or 20.9% of net sales in the third quarter of fiscal 2000. The decrease as a percent of net sales was primarily the result of leveraging of expenses associated with increased sales, offset by start-up costs associated with new store openings and increased bonus and employee benefits expenses as a percent of net sales.

Operating Income. As a result of the foregoing factors, operating income for the quarter ended November 25, 2000 was \$12.9 million, or 22.5% of net sales, compared to operating income of \$6.5 million, or 16.2% of net sales, in the quarter ended November 27, 1999.

Interest (Income) Expense, Net. For the quarter ended November 25, 2000 net interest income was \$111,571 compared to net interest expense of \$85,831 for the quarter ended November 27, 1999. The difference was primarily due to increased interest income resulting from a higher cash balance and higher interest rates earned on short-term investments during the third quarter of fiscal 2001.

Income Taxes. Income tax expense in the third quarter of fiscal 2001 was \$5.1 million with an effective tax rate of 39.0% compared to \$2.5 million with an effective tax rate of 38.5% in the third quarter of fiscal 2000.

Net Income. As a result of the foregoing factors, net income for the quarter ended November 25, 2000 was \$7.9 million, or 13.9% of net sales, compared to \$3.9 million, or 9.8% of net sales, for the quarter ended November 27, 1999.

**THREE QUARTERS ENDED NOVEMBER 25, 2000 COMPARED TO THREE QUARTERS ENDED
NOVEMBER 27, 1999**

Net Sales. Net sales for the three quarters ended November 25, 2000 were \$141.1 million, an increase of 44% from \$98.2 million for the three quarters ended November 27, 1999. The increase in sales was attributable to a 19% increase in same-store sales combined with an increase in the number of stores operated by the Company. The Company operated 274 stores at November 25, 2000 compared to 223 at November 27, 1999.

Gross Profit. Gross profit, which is net sales less cost of merchandise, buying and occupancy expenses, was \$62.3 million, or 44.1% of net sales, during the first three quarters of fiscal 2001 compared to \$35.6 million or 36.3% of net sales during the same period in fiscal 2000. The increase in gross margin as a percent of net sales was primarily due to improved merchandise margins resulting from increased sales of merchandise at regular prices.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the first three quarters of fiscal 2001 were \$31.4 million or 22.2% of net sales compared to \$22.8 million or 23.2% of net sales in the first three quarters of fiscal 2000. The decrease as a percent of net sales was primarily the result of leveraging of expenses associated with increased sales, offset by an increase in start-up costs associated with new store openings and an increase in bonus expense as a percent of net sales.

10

Operating Income. As a result of the foregoing factors, operating income for the three quarters ended November 27, 2000 was \$27.5 million, or 19.5% of net sales, compared to operating income of \$10.4 million, or 10.6% of net sales, in the three quarters ended November 27, 1999.

Interest (Income) Expense, Net. For the three quarters ended November 25, 2000 net interest income was \$457,417 compared to net interest expense of \$184,786 for the three quarters ended November 27, 1999. The difference was primarily due to increased interest income resulting from a higher cash balance and higher interest rates earned on short term investments during the first three quarters of fiscal 2001.

Income Taxes. Income tax expense in the first three quarters of fiscal 2001 was \$10.9 million with an effective tax rate of 39.0% compared to \$3.9 million with an effective tax rate of 38.5% in the first three quarters of fiscal 2000.

Net Income. As a result of the foregoing factors, net income for the three quarters ended November 25, 2000 was \$17.0 million, or 12.1% of net sales, compared to \$6.3 million, or 6.4% of net sales, for the quarter ended November 27, 1999.

Liquidity and Capital Resources

The Company's principal on-going cash requirements are to finance the construction of new stores and the remodeling of certain existing stores, to purchase merchandise inventory and to fund other working capital requirements. Merchandise purchases vary on a seasonal basis, peaking in the fall. As a result, the Company's cash requirements historically reach their peak in October and November. Conversely, cash balances reach their peak in January, after the holiday season is completed.

Net cash provided by operating activities totaled \$5.4 million for the first three quarters of fiscal 2001. Cash was used to finance \$11.0 million of capital expenditures to open 53 new stores, to substantially complete ten major store remodelings and to make various expenditures for the Company's headquarters facility including enhancements to the merchandise handling system at its distribution center. Financing activities, primarily the exercise of stock options, provided net cash of \$1.1 million. As a result of the foregoing, cash decreased by \$4.5 million in the first three quarters of fiscal 2001. During the remainder of the fiscal year, the Company intends to spend approximately \$3 million on additional capital expenditures relating to new stores planned to open in the first quarter of fiscal 2002.

The Company anticipates it will spend approximately \$22 million in fiscal 2002, net of construction allowances, to open up to 40 new Christopher & Banks stores and 40 new C.J. Banks stores, to complete 15 major store remodelings and to make other various capital expenditures including an estimated \$5 million for new point-of-sale hardware and software for all the Company's new and existing stores. The Company expects its cash on hand combined with cash flow from operations to be sufficient to meet its anticipated capital expenditure, working capital, and other requirements for liquidity during the remainder of fiscal 2001 and fiscal 2002.

In March 1999, the Company entered into an Amended and Restated Revolving Credit and Security agreement with Wells Fargo Bank, National Association, formerly Norwest Bank Minnesota, National Association, (the "Wells Fargo Revolver") which expires on June 30, 2002. The Wells Fargo Revolver provides the Company with revolving credit loans and letters of credit up to \$12 million, subject to a borrowing base formula tied to inventory levels.

Loans under the Wells Fargo Revolver bear interest at Wells Fargo's base rate (9.5% as of December 29, 2000) plus 0.25%. Interest is payable monthly in arrears. The Wells Fargo Revolver carries a facility fee of 0.25% on the unused portion of the Wells Fargo Revolver as defined in the Wells Fargo Revolver. This facility is collateralized by substantially all of the Company's assets. The

borrowing base at December 29, 2000, was \$12.0 million. As of December 29, 2000, the Company had no borrowings and outstanding letters of credit in the amount of \$3.8 million under the Wells Fargo Revolver. Accordingly, the availability of revolving credit loans under the Wells Fargo Revolver was \$8.2 million at that date.

The Wells Fargo Revolver contains certain restrictive covenants including restrictions on incurring additional indebtedness, limitations on certain types of investments and prohibitions on paying dividends, as well as requiring the maintenance of certain financial ratios. As of November 25, 2000, the most recent measurement date, the Company was in compliance with all covenants of the Wells Fargo Revolver.

In January 1997, the Company issued \$10,300,200 of debt in the form of 12% Senior Notes (the "Senior Notes") due January 2005. In fiscal 1999 and fiscal 1998, the Company repurchased \$4,676,000 and \$1,033,000, respectively, of principal face amount of its Senior Notes at a discount from par. These purchases satisfied all of the annual mandatory redemption requirements through January 1, 2004, leaving no additional mandatory payments due until maturity on January 1, 2005. The Senior Notes were issued pursuant to an Indenture dated as of December 2, 1996. The principal amount of the Senior Notes bears interest at the rate of 12% per annum. Interest at the rate of 9% per annum on the outstanding principal amount is due monthly. Interest at the rate of 3% per annum on the outstanding principal amount accrues monthly and upon accrual is treated as principal for all purposes, including without limitations, the calculation of all interest payments due thereafter, and is payable in full on January 1, 2005.

The Senior Notes are general uncollateralized senior obligations of the Company. The Indenture for the Senior Notes (the "Indenture") contains certain covenants which, among other things, limit the ability of the Company to incur liens and additional indebtedness. As of November 25, 2000, the most recent measurement date, the Company was in compliance with all covenants of the Indenture.

Quarterly Results and Seasonality

The Company's sales reflect seasonal variation as sales in the third and fourth quarters, which include the fall and holiday seasons, generally have been higher than sales in the first and second quarters. Sales generated during the fall and holiday seasons have a significant impact on the Company's annual results of operations. Quarterly results may fluctuate significantly depending on a number of factors including adverse weather conditions, shifts in the timing of certain holidays and promotional events, timing of new store openings, and customer response to the Company's seasonal merchandise mix.

Inflation

Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has had a material effect on the results of operations during the quarters ended November 25, 2000 and November 27, 1999.

Forward Looking Information and Risk

Information contained in this Form 10-Q contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "plan", "anticipate", "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. There are certain important factors that could cause results to differ materially from those anticipated by some of these forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. The factors, among others, that could cause actual results to differ materially include: consumers' spending and debt levels; the Company's ability to execute its business plan

including the successful expansion of its Christopher & Banks and C.J. Banks concepts; the Company's ability to open new stores on favorable terms and the timing of such store openings; the acceptance of the Company's merchandising strategies by its target customers; the ability of the Company to anticipate marketing trends and consumer needs; the loss of one or more of the Company's key executives; continuity of a relationship with or purchases from major vendors, particularly those from whom the Company imports merchandise; competitive pressures on sales and pricing; increases in other costs which cannot be recovered through improved pricing of merchandise; and the adverse effect of weather conditions from time to time on consumers' ability or desire to purchase new clothing.

ITEM 3.

**QUANTITATIVE AND QUALITATIVE
DISCLOSURE ABOUT MARKET RISK**

Not applicable.

13

PART II.

ITEM 1.

LEGAL PROCEEDINGS

There are no material legal proceedings pending against the Company.

ITEM 2.

**CHANGES IN SECURITIES
AND USE OF PROCEEDS**

There have been no material modifications to the Company's registered securities.

ITEM 3.

**DEFAULTS UPON
SENIOR SECURITIES**

There has been no default with respect to any indebtedness of the Company.

ITEM 4.

**SUBMISSION OF MATTERS TO A
VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the third quarter of fiscal 2001.

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
None

(b) Reports on Form 8-K

None

14

SIGNATURES

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 thereunto duly authorized.

Dated: January 5, 2001

CHRISTOPHER & BANKS CORPORATION

By /s/ ANDREW K. MOLLER

Andrew K. Moller
*Senior Vice President and Chief Financial
Officer*

Signing on behalf of the Registrant and as
principal financial officer.

15

QuickLinks

[CHRISTOPHER & BANKS CORPORATION CONSOLIDATED CONDENSED BALANCE SHEET](#)
[CHRISTOPHER & BANKS CORPORATION CONSOLIDATED CONDENSED STATEMENT OF INCOME \(Unaudited\)](#)
[CHRISTOPHER & BANKS CORPORATION CONSOLIDATED CONDENSED STATEMENT OF INCOME \(Unaudited\)](#)
[CHRISTOPHER & BANKS CORPORATION CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS \(Unaudited\)](#)
[CHRISTOPHER & BANKS CORPORATION NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS \(Unaudited\)](#)
[ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS QUARTER ENDED NOVEMBER 25, 2000 COMPARED TO QUARTER ENDED NOVEMBER 27, 1999](#)
[THREE QUARTERS ENDED NOVEMBER 25, 2000 COMPARED TO THREE QUARTERS ENDED NOVEMBER 27, 1999](#)
[ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK](#)
[PART II.](#)
[ITEM 1. LEGAL PROCEEDINGS](#)
[ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS](#)
[ITEM 3. DEFAULTS UPON SENIOR SECURITIES](#)
[ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS](#)
[ITEM 5. OTHER INFORMATION](#)
[ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K](#)
[SIGNATURES](#)