UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended February 26, 2011

or

o **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. o YES x 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. o YES x 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 to such filing requirements for the past 90 days. x YES o NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o YES o 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. o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o YES x 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 28, 2010, was approximately $226,650,000 based on the closing price of such stock as quoted on the New York Stock Exchange ($6.45) on such date.

The number of shares outstanding of the registrant s Common Stock, par value $0.01 per share, was 35,792,637 as of April 22, 2011 (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 27, 2011 (the Proxy Statement) are incorporated by reference into Part III.

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CHRISTOPHER & BANKS CORPORATION

2011 ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1.

BUSINESS

General

Christopher & Banks Corporation is a Minneapolis, Minnesota-based retailer of women s apparel, which operates retail stores through its wholly-owned subsidiaries (collectively referred to as Christopher & Banks , the Company , we or us). As of April 22, 2011, we operated 770 stores in 46 states, including 509 Christopher & Banks stores, 245 C.J. Banks stores, nine dual-concept stores and seven outlet stores. We also operate e-Commerce web sites for each of our brands at **www.christopherandbanks.com** and **www.cjbanks.com**.

History

Christopher & Banks Corporation, a Delaware corporation, was incorporated in 1986 to acquire Braun s Fashions, Inc., which had operated as a family-owned business since 1956. We became a publicly traded corporation in 1992 and in July 2000, our stockholders approved a change in our name from Braun s Fashions Corporation to Christopher & Banks Corporation. Our plus-size C.J. Banks brand was developed internally and we opened our first C.J. Banks store in August 2000. Our Christopher & Banks and C.J. Banks e-Commerce websites began operating in February 2008 to further meet our customers needs for unique style, quality, value and convenience.

Christopher & Banks/C.J. Banks brands

Our Christopher & Banks brand offers distinctive fashions featuring exclusively designed, coordinated assortments of women s apparel in sizes 4 to 16 in our 509 stores and on our web site at **www.christopherandbanks.com**. In addition, petite sizes are offered in approximately 350 of our Christopher & Banks stores and online. Our C.J. Banks brand offers similar assortments of women s apparel in sizes 14W to 26W in its 245 stores and on its web site at **www.cjbanks.com**. Our dual-concept stores and outlet stores offer an assortment of both Christopher & Banks and C.J. Banks apparel servicing the petite, missy and plus size customer in one location.

The casual lifestyle brand fashions sold by Christopher & Banks and C.J. Banks are typically suitable for both work and leisure activities and are offered at moderate price points. The target customer for Christopher & Banks and C.J. Banks generally ranges in age from 45 to 55 and is typically part of the female baby boomer demographic.

Segments

For details regarding the operating performance of our reportable segments, see Note 19, Segment Reporting, to the consolidated financial statements, which are incorporated herein by reference.

Strategy

We strive to provide our customers with fashionable, versatile, high-quality apparel at a great value and with a consistent fit. Our overall strategy for our two brands, Christopher & Banks and C.J. Banks, is to offer a compelling, evolving merchandise assortment through our stores and e-Commerce web sites in order to satisfy our customers expectations for style, quality, value, versatility and fit, while providing knowledgeable and personalized customer service.

We have positioned ourselves to offer merchandise assortments balancing updated unique, novelty apparel with more classic styles, at affordable prices. To differentiate ourselves from our competitors, our buyers, working in conjunction with our internal design group, strive to create a merchandise assortment of coordinated outfits, the majority of which are manufactured exclusively for us under our proprietary Christopher & Banks and C.J. Banks brand names.

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We have several key initiatives currently underway to return Christopher & Banks to profitability and growth. First and foremost, our primary focus is on our product. We are working diligently to increase sales productivity through transforming our merchandising strategy to better align our assortment with our customers fashion preferences. Second, we are taking a customer centric approach as we work to improve our in-store and on-line customer experiences. Third, we are refining our marketing initiatives. Fourth, our focus on continued multi-channel e-commerce growth has intensified and, finally, we continue to refine our real estate strategy, including the evolution of our outlet strategy.

Merchandise

In fiscal 2011, our merchandise included women s apparel generally consisting of knit tops, woven tops, jackets, sweaters, skirts, denim bottoms and bottoms made of other fabrics. In addition, we carried collections of petite styles online and in approximately 350 of our Christopher & Banks stores. We also began offering jewelry in all stores during the first quarter of fiscal 2011 and expanded the assortment throughout the year.

In the second half of fiscal 2011 we refocused our attention on our core merchandising efforts. We are striving to develop more innovative and modern merchandise assortments that offer updated styling and better fabrications. In addition, we are increasing our focus on product construction and fit to ensure consistent standards across all merchandise categories and deliveries. While we have edited and modified some styling for our fiscal 2012 spring and summer assortments, the full impact of our renewed merchandising effort is expected to be completely incorporated in our fiscal 2012 early fall assortment, to be delivered in August 2011. In March 2011, we introduced a branded collection which is representative of our new fashion direction. Initial customer reaction to the branded product has been encouraging. As a result, we plan to continue to test new opportunities through the introduction of additional branded collections in fiscal 2012.

In fiscal 2011, we began to test several new product categories in an effort to increase spending by existing customers and to attract new customers to our brands. We will continue to test product offerings such as sunglasses, scarves, handbags, swimwear and outerwear and, if successful, will expand these product assortments to more stores throughout fiscal 2012.

Sourcing

We are analyzing all aspects of our product development and sourcing practices to identify opportunities for cost savings in an effort to mitigate increases in the cost of raw materials, particularly cotton and synthetic fibers, and production labor. We are also working to enhance our product sourcing capabilities through building relationships with new merchandise vendors and improving our relationships with existing suppliers. We intend to diversify our vendor base, including the countries in which our merchandise is produced. Additionally, we plan to improve visibility to the components of our inbound transportation process with a goal to enhance control and reduce costs. While we plan to implement some price increases in fiscal 2012, we believe this is a reflection of our improved product. We intend to maintain our commitment to providing quality merchandise to our customers at a value, while we work to reduce the impact of cost increases.

Customer Experience

In an effort to drive overall productivity, the Company is working to enhance its customer experience. We have focused our associates on strengthening our selling culture while providing more knowledgeable selling and personalized service to our customers. We will be reintroducing a selling program that includes a grass roots focus, improved product knowledge and store incentives and contests, which are intended to improve sales as our new product assortments are delivered in fiscal 2012. We also will strive to continue to deliver exceptional personalized customer service in a warm and inviting store environment.

In addition, we continue to refine and add new visual merchandising elements to our stores to maximize displays to provide more compelling and clearer product messages. This is intended to drive increased numbers of new and existing customers into our stores through more compelling and organized presentation of merchandise and product outfitting options.

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Marketing

In fiscal 2011, we expanded our marketing spend to approximately 1.5% of sales and plan to maintain a similar level in fiscal 2012. Our marketing efforts will be focused on strengthening communications with our customers through e-mail and direct mail. In fiscal 2012, we plan to deliver approximately eight direct mail pieces and deploy more targeted e-mail campaigns.

In early fiscal 2012, we began an initiative to develop a strong brand presence and ensure consistency in the message we are sending to our customer, including delivering a consistent look and feel across our stores and e-commerce web sites. We are also developing plans to test media advertising in select markets in the second half of fiscal 2012 in conjunction with the introduction of our updated product assortments.

In March 2010, we launched our Friendship® Rewards loyalty program. Friendship Rewards is a point-based program where members earn points based on purchases. After reaching a certain level of accumulated points, members are rewarded with a certificate which may be applied towards purchases at our stores or web sites. The program has helped us to build our customer database and we will be refining the program throughout fiscal 2012 to encourage increased purchases by our Friendship Rewards members as we move through the year.

e-Commerce

In February 2008, we launched separate e-Commerce web sites for our Christopher & Banks and C.J. Banks brands at www.christopherandbanks.com and www.cjbanks.com. Today these sites offer the entire assortment of merchandise carried at our Christopher & Banks, C.J. Banks and dual stores in addition to exclusive e-commerce products, select store buys and extended sizes and lengths. Inventory and order fulfillment for our e-Commerce operations are handled by a third-party provider.

We saw considerable growth in our e-Commerce sales during fiscal 2011 and we plan to continue to grow this business in fiscal 2012. Customers responded favorably to new online merchandise categories such as extended plus sizes and swimwear. In fiscal 2012, we plan to expand these new product offerings, along with petites, dresses and outerwear. We will continue to focus on converting existing customers into multi-channel shoppers, attracting new customers to our e-commerce sites and leveraging the branding benefits the e-Commerce channel can provide. We also plan to increase our online customer base and continue to use the channel to test further product line and size extensions.

The web sites referenced above are for textual reference only and such references are not intended to incorporate our web sites into this Annual Report on Form 10-K.

Real Estate/Leasing

We opened six new stores in fiscal 2011, including one C.J. Banks store, two dual concept stores, and our first three outlet stores. We closed 23 Christopher & Banks and 14 C.J. Banks stores for a total of 37 store closures in fiscal 2011. As of February 26, 2011, we operated 775 stores including 517 Christopher & Banks stores, 252 C.J. Banks stores, three dual concept stores and three outlet stores. In fiscal 2012, we are planning to open nine new dual concept stores and 22 new outlet stores, while we expect to close approximately 20 existing Christopher & Banks and 15 C.J. Banks stores during the year.

We will also continue to focus on reducing occupancy costs through aggressive lease renegotiations and diligently exercising rent reductions related to sales volume and co-tenancy thresholds. We have approximately 100 leases expiring per year in each of the next five years, allowing for significant opportunities to improve the productivity of our store portfolio through closing underperforming locations, renegotiating more favorable lease terms, and strategically relocating stores in existing markets.

We opened our first dual-concept store (dual store) in fiscal 2010. Dual stores offer merchandise from both of our Christopher & Banks and C.J. Banks brands, and all three size ranges (petite, missy and plus) within each store, resulting in a greater opportunity to service our customers while increasing productivity and enhancing operating efficiencies. We opened two additional dual stores in fiscal 2011 and plan to open nine new dual stores in fiscal 2012.

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We opened our first three outlet stores in the second half of fiscal 2011 as we believe the outlet business provides an additional opportunity to drive profitability and growth. Our outlet stores offer merchandise from both of our Christopher & Banks and C.J. Banks brands, and all three size ranges (petite, missy and plus) in each location. In addition, they carry select styles designed and sourced specifically for the outlet business. Based on the initial success of our first three outlet stores, we believe we have additional opportunities in the outlet business and plan to open approximately 22 new outlet stores in fiscal 2012.

Merchandise Distribution, Planning and Allocation

We have continued to employ disciplined inventory processes and effectively managed our merchandise inventories in fiscal 2011. We ended fiscal 2011 with inventories up approximately 4% on a per-store basis when compared to the end of fiscal 2010.

We completed the implementation of a new merchandise planning and allocation system in fiscal 2009 and expanded use of the system in fiscal 2010 and 2011. Through the use of the new allocation modules, we have gained increased flexibility in product placement. Functionality from this system has allowed us to more readily manage our merchandise assortments based on differences in store sales volume and regional climates, as well as customer size and fashion preferences. The system has provided us with improved forecasting of sales, merchandise margins and inventory levels and allows us to continue to maintain strict inventory controls.

We utilize a single distribution center in Plymouth, Minnesota to receive and distribute merchandise to our stores and to our third-party e-Commerce provider. Once received at our distribution center, merchandise is counted and processed for distribution to stores. In fiscal 2011, we enhanced our product handling equipment and improved our processes, which resulted in continued improvements in productivity and efficiency of merchandise receiving, packing and distribution.

Store Operations

We manage our store organization in a manner that encourages participation by our field associates in the execution of our business and operational strategies. Our store operations are organized into districts and regions. Each district is managed by a district manager, who typically supervises an average of 14 stores. We have five regional managers who supervise our district managers.

Information Technology

We have built and maintain a scalable, cost-effective and integrated information technology infrastructure. In fiscal 2011, we completed our rollout of upgraded point-of-sale hardware and software to all stores and implemented a new product lifecycle management system. While we anticipate that there will be normal, ongoing system enhancements and investments, we do not anticipate additional significant information technology investments in the near term.

Competition

The women s retail apparel business is highly competitive. To differentiate us from our competitors, our buyers, working in conjunction with our internal design group, create a merchandise assortment which is manufactured exclusively for us under our proprietary Christopher & Banks and C.J. Banks brand names. We believe that the principal basis upon which we compete is by providing an updated, modern, exclusively designed merchandise selection, quality garment construction, value, visual merchandise presentation, personalized customer service and store location. Our competitors include a broad range of national and regional retail chains that sell similar merchandise, including department stores and specialty stores. Many of these competitors are larger and have greater financial resources than us. We believe that our unique merchandise assortments, strong visual presentation, product quality, affordable merchandise price and customer service enable us to compete effectively.

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Employees

As of April 22, 2011, we had approximately 1,700 full-time and 4,700 part-time employees. The number of part-time employees typically increases during November and December in connection with the holiday selling season. Approximately 242 of our associates are employed at our corporate office and distribution center facility, with the remaining associates employed in our store field organization. None of our employees is represented by a labor union or is subject to a collective bargaining agreement. We have never experienced a work stoppage and consider our relationship with our employees to be good.

Seasonality

Our quarterly results may fluctuate significantly depending on a number of factors, including general economic conditions, consumer confidence, customer response to our seasonal merchandise mix, timing of new store openings, adverse weather conditions, shifts in the timing of certain holidays and shifts in the timing of promotional events. Traditionally, we have had higher sales, and have been more profitable, in the first and third quarters of our fiscal year, and have had lower sales, and have been less profitable or incurred losses, in our second and fourth fiscal quarters.

Trademarks and Service Marks

The Company, through our wholly-owned subsidiary, Christopher & Banks Company, is the owner of the federally registered trademarks and service marks christopher & banks, which is our predominant private brand, and cj banks, our plus-size private brand. Management believes these primary marks are important to our business and are recognized in the women s retail apparel industry. Accordingly, we intend to maintain these marks and the related registrations. U.S. trademark registrations are for a term of ten years and are renewable every ten years as long as the trademarks are used in the regular course of trade. Management is not aware of any challenges to our right to use these marks in the United States.

Available Information

We make available free of charge, on or through our web site, located at www.christopherandbanks.com under the heading Investor Relations, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (the Exchange Act) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

ITEM 1A.

RISK FACTORS

We make forward-looking statements in some of our filings with the SEC and in other oral or written communications, such as our quarterly investor conference calls and earnings announcements. Our business is subject to a variety of risks. In addition to the other information in this Report, the following risk factors should be considered carefully in evaluating our business and the forward-looking statements we may make. Set forth below are the more significant risk factors which could cause our future results to differ, in some cases, materially from what we anticipate and from those forward-looking statements. Please also see the Forward-Looking Statements in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations , which is incorporated into this Item 1A by reference.

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Economic conditions may cause a decline in business and consumer spending which could adversely affect our financial performance.

Our financial performance is impacted by general economic conditions and their effect on consumer confidence and consumer spending, which may continue to be depressed for the foreseeable future. Some of the factors impacting discretionary consumer spending include general economic conditions, wages and unemployment, consumer debt, residential real estate and mortgage markets, taxation, fuel and energy prices, consumer confidence and other macroeconomic factors. The current economic conditions may continue to negatively affect consumer purchases of our merchandise and adversely impact our results of operations, liquidity and potential for growth. In addition, economic conditions could negatively impact the Company s retail landlords and their ability to maintain their shopping centers in a first-class condition and otherwise perform their obligations, which in turn could negatively impact our sales. Although the recent global financial crisis eased somewhat in the United States during fiscal 2011 from the levels reached during fiscal 2009 and fiscal 2010, world-wide economic conditions remain challenging and consumer spending remains depressed as compared to pre-crisis levels. Consumer purchases of discretionary items, including our merchandise, generally decline during recessionary periods and other periods where disposable income is adversely affected. The state of the U.S. economy may continue to affect consumer purchases of our merchandise and adversely impact our results of operations and our potential for growth. It is difficult to predict whether recent improvements in the economic, capital and credit markets will continue or whether such conditions will deteriorate, as well as the impact this might have on our business.

All of our stores are located within the United States, making us highly susceptible to deteriorations in U.S. macroeconomic conditions and consumer confidence.

All of our stores are located within the United States, making our results highly dependent on U.S. consumer confidence and the health of the U.S. economy. In addition, a significant portion of our total sales is derived from stores located in nine states: Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, New York, Pennsylvania and Wisconsin, resulting in further dependence on local economic conditions in these states. Deterioration in macroeconomic conditions and consumer confidence could negatively impact our business in many ways. It is difficult to predict how long the current economic conditions will continue and what long-term impact, if any, they will have on our business. In the short-term, however, these conditions have negatively affected our results of operations.

Our stock price may be volatile due to many factors affecting our sales and earnings.

A variety of factors have historically affected, and will continue to affect, our comparable sales results and profit margins. These factors include fashion trends and client preferences, changes in our merchandise mix, competition, economic conditions, weather, effective inventory management and new store openings. There is no assurance that we will achieve positive levels of sales and earnings growth, and any decline in our performance could have an adverse affect on the market price of our common stock.

Our stock price has experienced, and could continue to experience in the future, substantial volatility as a result of many factors, including global economic conditions, broad market fluctuations, our operating performance and public perception of the prospects for the women s apparel industry. Failure to meet market expectations, particularly with respect to comparable sales, net revenue, operating margins and earnings per share, would likely result in a decline in the market value of our stock.

If we are unable to anticipate or react to changing consumer preferences in a timely manner, our sales, merchandise margins and operating income could decline.

Our success largely depends on our ability to consistently gauge and respond on a timely basis to fashion trends and provide a balanced assortment of merchandise that satisfies changing fashion tastes and customer demands that translates into appropriate, saleable product offerings for each of our two brands. Customer tastes and fashion trends change rapidly. Any missteps may affect merchandise desirability and inventory levels. Our failure to anticipate, identify or react appropriately in a timely manner to changes in fashion trends could lead to lower sales, missed opportunities and excess inventories. This in turn could lead to more frequent and larger markdowns, which could have a material adverse impact on our business. Merchandise missteps could also negatively impact our image with our customers and result in diminished brand loyalty.

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Our ability to manage inventory levels and our ability to predict or respond to customer demand may impact our results.

The long lead times required for a substantial portion of our merchandise makes customer demand difficult to predict and responding to changes quickly a challenge. Though we have the ability to source certain product categories with shorter lead times, we enter into contracts for a substantial portion of our merchandise well in advance of the applicable selling season. Our financial condition could be adversely affected if we are unable to manage inventory levels and respond to short-term shifts in customer demand patterns. Inventory levels in excess of customer demand may result in excessive markdowns and, therefore, lower than planned margins. On the other hand, if we underestimate demand for our merchandise we may experience inventory shortages resulting in missed sales and lost revenues. Either of these events could harm our operating results and brand image. In addition, our margins may be impacted by changes in our merchandise mix and a shift toward merchandise with lower selling prices. These changes could have an adverse affect on our results of operations.

The absence of, or a further reduction in, customer traffic to our stores could significantly reduce our sales and leave us with unsold inventory.

A significant portion of our current stores are located in shopping malls and other retail centers. Sales at these stores are derived in considerable part from the volume of traffic generated in those malls or retail centers, which, if reduced, in turn can result in lower traffic at our stores. Sales volume has been adversely affected by the reduction in traffic both generally and at our stores due to economic conditions, the closing of anchor department stores and competition from other brick and mortar retailers, internet retailers and other locations where we do not have stores, and the closing of other stores in the malls or retail centers in which our stores are located. If the volume of consumer traffic at malls or retail centers declines, this could limit the number of customers visiting many of our stores. This could result in lower sales and leave us with excess inventory. In such circumstances, we may have to respond by increasing markdowns or initiating marketing promotions to reduce excess inventory, which could adversely impact our merchandise margins and operating income.

We operate in a highly competitive retail industry. The size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of market share.

The women s specialty retail apparel business is highly competitive. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, all of which could have an adverse affect on the Company s financial condition and results of operations. We believe we compete primarily with women s apparel retailers and department stores, catalog retailers and internet businesses that sell women s apparel. We believe that the principal bases upon which we compete for sales are the quality, design and price of our merchandise, the quality of our customer service, our visual merchandise presentation and store locations. Many of our competitors are companies with greater financial, marketing and other resources available to them. They may be able to adapt to changes in customer preferences more quickly, devote greater resources to the marketing and sale of their products, generate greater national brand recognition or adopt more aggressive pricing policies than we can. In addition, an increased level of promotions or discounted sales by our competitors may adversely affect response rates to our merchandise or to our own level of promotions or sales. As a result, we may lose market share or experience a reduction in store traffic, which could reduce our revenues, merchandise margins and operating income. In addition to competing for sales, we compete for favorable store locations, lease terms and qualified associates. Increased competition in these areas may result in higher costs, which could reduce our sales and margins and adversely affect our results of operations.

Fluctuations in our level of comparable store sales could adversely affect our earnings growth.

Our results of operations for our individual stores have fluctuated in the past and can be expected to fluctuate in the future. Since the beginning of fiscal year 2007 through fiscal year 2011, our quarterly comparable store sales have ranged from an increase of 9% to a decrease of 24%. We cannot ensure that we will be able to achieve a high level of comparable store sales in the future. A variety of factors has affected, and will continue to affect, our comparable stores sales and operating results, including:

- fashion trends and customer preferences;
- changes in our merchandise mix;
- mall or retail center traffic;

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- calendar shifts of certain holiday periods;
- the effectiveness of our inventory management;
- the timing of promotional events;
- weather conditions;
- changes in general economic conditions and consumer spending patterns; and
- actions of competitors or anchor tenants in retail centers or malls.

There is no assurance that we will achieve positive levels of comparable store sales or earnings growth in the future, and any declines in our comparable stores sales or financial performance could have an adverse affect on the market price of our common stock, as well as result in further impairment of our long-lived (*i.e.*, store) assets.

Our sales, operating income and inventory levels fluctuate on a seasonal basis and decreases in sales or margins during our peak seasons could have a disproportionate affect on our overall financial condition and results of operations.

Our business experiences seasonal fluctuations in net sales and operating income, with a significant portion of our operating income typically realized during the first and third fiscal quarters (spring and fall selling seasons). Any decrease in sales or margins particularly during these periods could have a disproportionate affect on our financial condition and results of operations. Seasonal fluctuations also affect our inventory levels. We must carry a significant amount of inventory, especially before the spring and fall selling seasons. If we are not successful in selling our inventory, we may have to write down the value of our inventory or sell it at significantly reduced prices, which could have an adverse affect on our financial condition and results of operations.

We have experienced significant management turnover and our future success will depend to a significant extent on the current management team s ability to implement a successful business strategy.

In the past year, we have experienced changes in our president and chief executive officer, our chief financial officer and our top merchandising officer. Our future success will depend to a significant extent on the current management team s ability to develop and implement a successful business strategy, to lead and motivate our employees, and to work effectively together and with our Board of Directors. If this management team is not successful in that regard, our ability to execute our business strategy and tactical initiatives could be adversely affected. Future turnover within senior management could adversely impact the execution of our business strategies, our stock price, our results of operations and it may make recruiting for future management positions more difficult.

Our results of operations could deteriorate if we fail to attract, develop and retain qualified employees.

Our success depends to a significant extent on both the continued services of our current executive and management team, as well as our ability to attract, hire, motivate and retain qualified employees, including store personnel in the future. Competition for experienced managers in the retail industry is considerable, and our operations could be adversely affected if we cannot retain our experienced managers or if we fail to attract additional qualified individuals. Our performance also depends in large part on the talents and contributions of engaged and skilled associates in all areas of our organization. If we are unable to identify, hire, develop, motivate and retain talented individuals, we may be unable to compete effectively and our business could be adversely impacted.

The turnover rate in the retail industry s store operations is high, and qualified individuals of the requisite caliber and number needed to fill open positions may be in short supply in some geographic areas. Significant increases in employee turnover rates could have an adverse affect on our business, financial condition and results of operations. Effective leadership and strategic guidance of our executives and key members of our merchandise creative team is critical to developing successful merchandise offerings that reinforce our brand identity. The loss, for any reason, of the services of any of these key individuals could delay or adversely affect the implementation of our strategic initiatives or style and quality of the merchandise we offer.

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Extreme and/or unseasonable weather conditions could have a disproportionately large affect on our business, financial condition and results of operations and we could be forced to mark down inventory.

Extreme weather conditions in the areas in which our stores are located could have an adverse affect on our business, financial condition and results of operations. For example, heavy snowfall or other extreme weather conditions over a prolonged period might make it difficult for our customers to travel to our stores. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions in the affected areas of the United States. Any such prolonged unseasonable weather conditions could adversely affect our business, financial condition and results of operations.

Our ability to manage selling, general and administrative expenses and capital expenditures may impact our operating results.

In order to maintain or improve our operating margins, we need to successfully manage our operating costs. Our inability to successfully manage labor costs, occupancy costs or other operating costs, or our inability to take advantage of opportunities to reduce operating costs or to manage capital expenditures, could adversely affect our operating margins and our results of operations.

We are highly dependent on a few suppliers who primarily manufacture overseas.

We do not own or operate any manufacturing facilities and depend on independent third parties to manufacture our merchandise. We cannot be certain that we will not experience operational difficulties with our manufacturers, such as reductions in the availability of production capacity, errors in complying with merchandise specifications, insufficient quality controls and failure to meet production deadlines or increases in manufacturing costs. In addition, we source our merchandise from a select group of manufacturers and we continue to strive to strengthen our relationships with those vendors.

In fiscal 2011, approximately 12% of our merchandise was directly imported from foreign factories and our ten largest suppliers accounted for approximately 77% of the merchandise we purchased. While this strategy has benefits, it also has risks. If one or more of our key vendors were to cease working with us, the flow of merchandise to our stores could be impacted, which could have an adverse affect on our sales and results of operations. In addition, worldwide economic conditions continue to impact businesses around the world, and the impact of those conditions on our major suppliers cannot be predicted. Our suppliers may be unable to obtain adequate credit or access liquidity to finance their operations. A manufacturer s failure to ship merchandise to us on a timely basis or to meet our product safety and quality standards could cause supply shortages, resulting in lost revenues and operating margins and this could adversely affect our financial performance.

Our reliance on foreign sources of production poses various risks.

Substantially all of our directly imported merchandise is manufactured in Asia. The majority of these goods are produced in China, Indonesia and India. An adverse change in the status of our relationship with our largest suppliers or any event causing a sudden disruption of manufacturing or imports from Asia or elsewhere, including the imposition of additional import restrictions, could harm our operations. We have no long-term merchandise supply contracts, and we compete with other companies for production facilities.

Because we purchase a significant portion of our merchandise from overseas, we are subject to the various risks of doing business in foreign markets and importing merchandise from abroad, such as:

- significant delays in the delivery of cargo due to port security considerations;
- imposition of duties, taxes or other charges on imports;
- imposition of new legislation relating to import quotas or other restrictions that may limit the quantity of our merchandise that may be imported into the United States from countries or regions where we do business;

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- imposition of anti-dumping or countervailing duties in response to an investigation as to whether a particular product being sold in the United States at less than fair value may cause (or threaten to cause) material injury to the relevant domestic industry;
- financial or political instability in any of the countries in which our merchandise is manufactured;
- fluctuation in the value of the U.S. dollar against foreign currencies or restrictions on the transfer of funds;
- potential recalls or cancellations of orders for any merchandise that does not meet our quality standards;
- disruption of imports by labor disputes and local business practices;
- political or military conflict involving the United States, which could cause a delay in the transportation of the Company s products and an increase in transportation costs;
- heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods;
- natural disasters, disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas; and
- the migration and development of manufacturers, which can affect where our products are or will be produced.

Any of the foregoing factors, or a combination of them, could have an adverse affect on our business.

We cannot predict whether any of the foreign countries in which our merchandise is manufactured, or in which our merchandise may be manufactured in the future, will be subject to import restrictions by the U.S. government. Any sudden disruption of manufacturing or imposition of trade restrictions, such as increased tariffs or more restrictive quotas on apparel or other items we sell, could affect the import of such merchandise and could increase the cost or reduce the supply of merchandise available to us and adversely affect our business, financial condition, results of operations or liquidity.

Our raw material and sourcing costs may increase, which could negatively impact our profitability.

The raw materials, in particular cotton and petroleum-based synthetics, used to manufacture our merchandise are subject to availability constraints and price volatility caused by high demand for fabrics, labor conditions, transportation or freight costs, currency fluctuations, weather conditions, supply conditions, government regulations, the economic climate and other unpredictable factors. We have taken steps to mitigate sourcing pressures from rising raw material costs by making advance commitments on key core fabrics, leveraging our strong vendor relationships and using country sourcing flexibility. Despite these measures, an increase in the demand for, or the price of, and/or a decrease in the availability of the raw materials used to manufacture our merchandise could have an adverse affect on our cost of sales or our ability to meet our customers needs. Increases in labor costs, especially in China, as well as a shortage of labor in certain areas of China, may also impact our sourcing costs. We may not be able to pass all or a portion of such higher sourcing costs on to our customers, which could negatively impact our profitability.

Our transportation and labor costs are subject to price volatility, which could result in increased costs.

Our transportation and labor costs are subject to price volatility caused by the price of oil, supply of labor, governmental regulations, economic climate and other unpredictable factors. We may not be able to pass all or a material portion of any higher transportation or labor costs on to our customers, which could negatively impact our profitability.

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Our inability to maintain the value of our brands and our trademarks may adversely affect our business and financial performance.

The Christopher & Banks and C.J. Banks brand names are integral to our business, as well as to the implementation of our strategies for expanding our business. Maintaining, promoting, positioning and growing our brands will depend largely on the success of our design, merchandising and marketing efforts and on our ability to provide a consistent, high quality customer experience. Our business could be adversely affected if we fail to achieve these objectives for one or both of these brands. In addition, our public image and reputation could be tarnished by negative publicity. Any of these events could negatively impact sales.

We also believe that our christopher & banks and cj banks trademarks are important to our success. Even though we register and protect our trademarks and other intellectual property rights, there is no assurance that our actions will protect us from the prior registration of trademarks by others or prevent others from infringing our trademarks and proprietary rights or seeking to block sales of our products as infringements of their trademarks and proprietary rights. If we cannot adequately protect our marks or prevent infringement of them, our business and financial performance could suffer. In addition, others may assert rights in, or ownership of, trademarks and other intellectual property rights or in marks that are similar to ours, and we may not be able to successfully resolve these types of conflicts to our satisfaction. In some cases, there may be holders who have prior rights to similar marks. Failure to protect our trademarks could adversely affect our business.

The failure of our complex management information systems to operate continuously or as intended could adversely affect our sales and profitability and our reputation.

The efficient operation of our business is dependent on a number of complex management information systems. In particular, we rely on our information systems to effectively manage product development, merchandising, sourcing, customer service, supply chain, finance and marketing systems, as well as our in-store point-of-sale systems. Our ability to maintain and upgrade our information systems is critical to the success of our business. The hardware and software to support our information systems may not continue to be available on commercially reasonable terms or at all. Any disruptions to our information system infrastructure or loss of the right to use any of this hardware or software could affect our operations, which could negatively affect our business until corrected or until equivalent technology is identified, obtained or developed and integrated into our systems. In addition, the software underlying our operations can contain undetected errors. Upon detection, we may be forced to modify our operations until such problems are corrected and, in some cases, may need to implement enhancements to correct errors that we did not initially detect. Problems with the software underlying our operations could result in loss of revenue, unexpected expenses and capital costs, diversion of resources, loss of market share and damage to our reputation which could adversely affect our business, financial condition and results of operations.

We depend significantly on a single operations and distribution facility.

All of our administrative and distribution operations are housed in a single facility. A significant interruption in the operation of this facility due to natural disasters, accidents or other events could reduce our ability to receive and provide merchandise to our stores, as well as reduce our ability to administer and oversee our business, which could reduce our sales and results of operations. The success of our stores depends on their timely receipt of merchandise from our distribution center. A single independent third party transportation company delivers the vast majority of our merchandise to our stores and to our third party e-commerce provider. Disruptions in the delivery of merchandise or work stoppages, slowdowns or strikes by employees of this third party could delay the timely receipt of merchandise, which could result in lost sales, a loss of loyalty to our brands and the late receipt of inventory when it is no longer seasonally appropriate. Timely receipt of merchandise by our stores or our third party e-commerce provider may also be affected by factors such as inclement weather, natural disasters, accidents, system failures and acts of terrorism or other unforeseen causes. This could result in lost sales, lower profits, loss of customers or loyalty to our brands and excess inventory. If our use of our facility or distribution center were interrupted, it would disrupt business operations and could adversely affect our operations and our earnings.

There are risks associated with our e-commerce business.

We sell merchandise over the internet through our websites, www.christopherandbanks.com and www.cjbanks.com. Our e-commerce operations are subject to numerous risks, including:

- the successful implementation of new systems and internet platforms;
- reliance on a single third party fulfillment center;

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- rapid technological change;
- reliance on third party computer hardware and software;
- diversion of sales from our stores;
- liability for online content;
- violations of state or federal privacy laws, including those relating to online privacy;
- credit card fraud;
- the failure of the computer systems that operate our websites and their related support systems, including the threat of computer viruses;
- telecommunication failures and electronic break-ins and similar disruptions; and
- timely delivery of our merchandise to our customers by third parties.

If consumer confidence in making purchases over the internet declines as a result of privacy or other concerns, our e-commerce sales may be adversely effected. We also may be required to incur increased costs to address or remedy any system failures or security breaches or any actual or perceived consumer privacy concerns. There also can be no assurance that our e-commerce operations will meet our sales and profitability plans and the failure to do so could negatively impact our revenues and earnings.

If third parties who manage some aspects of our business do not adequately perform their functions, we might experience disruptions in our business, resulting in decreased profits or losses and damage to our reputation.

We use third parties in various aspects of our business or to support our operations. We have a long-term contract with a third party to manage much of our e-commerce operations, including order management, order fulfillment, customer care, and channel management services. We rely on third parties to inspect the factories where our products are made for compliance with our vendor code of conduct and labor standards. We may rely on a third party for the implementation and/or management of certain aspects of our information technology infrastructure. We also rely on third parties to transport merchandise and deliver it to our distribution center, as well as to ship merchandise to our stores and to our third party e-commerce fulfillment center. Failure by any of these third parties to perform these functions effectively and properly could disrupt our operations and negatively impact our profitability and reputation.

Effects of war, terrorism or other catastrophes could adversely impact our business or operations.

Threats of terrorist attacks or actual terrorist events in the United States or worldwide could cause damage or disruption to international commerce and the global economy, disrupt the production, shipment or receipt of our merchandise or lead to lower customer traffic at malls or retail centers. Natural disasters, pandemics or other significant health issues could also impact our ability to open and run our stores in affected areas or the manufacturing operations of our vendors. Lower customer traffic due to security concerns, war or the threat of war, natural disasters, pandemics or other health concerns, and the decreased sales that would likely result, could have an adverse impact on our business, financial condition and results of operations.

Failure to comply with legal and regulatory requirements could damage our reputation, financial condition and market price of our stock.

Our policies, procedures and internal controls are designed to comply with all applicable laws and regulations, including those imposed by the U.S. Securities and Exchange Commission and the New York Stock Exchange, as well as applicable employment laws. Any changes in regulations, the imposition of additional regulations or the enactment of any new legislation, in response to current economic conditions or otherwise, may increase the complexity of the regulatory environment in which we operate and the related cost of compliance. Failure to comply with such laws and regulations may damage our reputation, impact our financial condition or reduce the market price of our stock.

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Our business could suffer if one of the manufacturers of the goods that we sell fails to follow acceptable labor practices.

We expect that manufacturers of the goods that we sell to operate in compliance with applicable laws and regulations and comply with our social compliance program. Our social compliance program promotes ethical business practices and our staff and the staff of our third party inspection service company periodically visit or inspect the operations of our independent manufacturers to assess compliance with our social compliance program. However, we do not control these manufacturers or their labor or business practices. The violation of labor or other laws by an independent manufacturer used by us, or the divergence of an independent manufacturer s labor practices from those generally accepted as ethical in the United States, could interrupt, or otherwise disrupt the shipment of products to us, damage our reputation or result in cancelled contracts or orders. Any of these events could have an adverse affect on our revenues and consequently our results of operations.

Our marketing efforts rely upon the effective use of customer information. Restrictions on the availability or use of customer information or unauthorized disclosure of sensitive or confidential information could adversely affect our marketing programs or expose us to litigation, which could disrupt our operations and harm our business.

As part of our normal course of business, we collect, process and retain sensitive and confidential customer information. Any limitations imposed on the use of such consumer data, whether imposed by federal or state governments or business partners, could have an adverse affect on our future marketing activities. Despite the security measures we have in place, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our vendors, could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

Government mandated healthcare requirements could adversely affect our profits.

In March 2010, the Patient Protection and Affordable Care Act (the Act) and the Health Care and Education Reconciliation Act of 2010 (the Reconciliation Act) were signed into law. The Act, as modified by the Reconciliation Act, includes a large number of health care provisions to take effect over four years. The costs of these provisions are expected to be funded by a variety of taxes and fees. Some of the taxes and fees, as well as certain health care changes required by these provisions, are expected to result, directly or indirectly, in increased health care costs for us. While we are still evaluating the impact of the Act, this legislation, as well as any future changes in healthcare legislation, could increase healthcare expenses for us and have an adverse affect on our results of operations.

Our ability to successfully manage store growth and optimize the productivity and profitability of our store portfolio may impact our financial performance.

Our ability to return to profitability depends, in part, on our ability to successfully open and operate new stores, including new store concepts, and to optimize the performance of our current stores, including by closing under-performing stores. Due to the deterioration in the macroeconomic environment in fiscal year 2009 and the continued economic uncertainty, we reduced our capital expenditures for fiscal years 2010 and 2011. As the economy recovers, we intend to open more new stores, while relocating and remodeling a portion of our existing store base each year. Accomplishing our store opening goals depends upon a number of factors, including locating suitable sites and negotiating favorable lease terms. We must also be able to effectively renew and renegotiate lease terms for existing stores. Improving the profitability of our stores and optimizing store productivity will also depend on customer acceptance of our dual store and outlet store concepts and our effectively executing the planned store growth for fiscal 2012. Hiring and training qualified associates, particularly at the store management level, and maintaining overall good relations with our associates, is also important to our store operations. There is no assurance that we will achieve our store expansion goals, manage our potential growth effectively or operate our stores profitably.

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We may be subject to adverse outcomes in current or future litigation matters.

We are involved from time-to-time in litigation and other claims against our business. The types of claims that could be asserted against us based on litigation that has been asserted against others, particularly in the retail industry, includes commercial, intellectual property infringement (as discussed below), customer and employment claims, including class action lawsuits claiming that we have violated federal or state laws. These matters typically arise in the ordinary course of business but in some cases could also raise complex factual and legal issues requiring significant management time and, if determined adversely to the Company, could subject the Company to material liabilities. We believe that our current litigation matters will not have a material adverse affect on the results of our operations or financial condition. However, our assessment of current litigation could change in light of the discovery of facts with respect to legal actions pending against us not presently known to us or determinations by judges, juries or other finders of fact which do not accord with our evaluation of the possible liability or outcome of such litigation.

In recent years there has been increasing activity by companies which have acquired intellectual property rights but do not practice those rights (sometimes referred to as patent trolls) to engage in very broad licensing programs aimed at a large number of companies in a wide variety of businesses or at retail companies specifically. These efforts typically involve proposing licenses in exchange for a substantial sum of money and may also include the threat or actual initiation of litigation for that purpose. Any such litigation can be quite costly to defend, even if unsubstantiated or invalid. There is one such matter pending against us which our third party e-commerce provider has agreed to defend and indemnify us, subject to the terms of our e-commerce agreement with them. We also receive from time-to-time communications from patent trolls relating to proposed licenses. It is not possible to predict the impact, if any, of such claims on our business and operations.

We may not successfully implement our fiscal 2012 initiatives.

In conjunction with recent changes in senior management, the Company has begun to undertake a series of initiatives to return the Company to profitability and growth, in particular transforming our merchandise strategy to better align with our customers fashion preferences. While progress on these initiatives has been made, our ability to continue to make progress depends upon a number of factors which could result in unexpected costs, delays or failure to meet our internal expectations. If we are unable to improve our financial performance, additional measures and cost controls may need to be implemented and our results of operations could be adversely affected.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

There are no matters which are required to be reported under Item 1B.

ITEM 2.

PROPERTIES

Store Locations

Our stores are located primarily in shopping malls and retail centers in smaller to mid-sized cities and suburban areas. Approximately 85% of our stores are located in enclosed malls that typically have numerous specialty stores and two or more general merchandise chains or department stores as anchor tenants. The remainder of our Christopher & Banks and C.J. Banks stores are located in power, strip and lifestyle shopping centers. While we have historically operated the majority of our stores in enclosed shopping malls, we intend to focus our future store expansion on off-mall locations where appropriate, due to the convenience these locations provide our customers and the reduced occupancy costs associated with these sites. In addition, we launched an outlet division in fiscal 2011 and have seven locations in outlet centers as of April 22, 2011.

At April 22, 2011, our Christopher & Banks, C.J. Banks, dual and outlet stores averaged approximately 3,300, 3,600, 4,400 and 3,800 square feet, respectively. Approximately 85% of the total aggregate store square footage is allocated to selling space.

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At April 22, 2011, we operated 770 stores in 46 states as follows:

State	Christopher & Banks	C.J. Banks	Dual	Outlet	Total Stores
Alabama	5	3			8
Alaska					
Arizona	8	2			10
Arkansas	6	1			7
California	7	1			8
Colorado	18	10		1	29
Connecticut	3				3
Delaware	2				2
Florida	14	4			18
Georgia	5	1			6
Hawaii					
Idaho	7	2			9
Illinois	27	15			42
Indiana	18	14			32
Iowa	21	10	1		32
Kansas	11	7		1	19
Kentucky	10	4			14
Louisiana	2				2
Maine	2	2			4
Maryland	7	1			8
Massachusetts	11	2			13
Michigan	29	15			44
Minnesota	32	12	2	1	47
Mississippi					
Missouri	11	12	2	1	26
Montana	6	4			10
Nebraska	12	7			19
Nevada					
New Hampshire	3				3
New Jersey	2				2
New Mexico	2	2			4
New York	22	13	1		36
North Carolina	8	4			12
North Dakota	7	4			11
Ohio	35	23	1	1	60
Oklahoma	7	1			8
Oregon	7	3			10
Pennsylvania	36	18	1	1	56
Rhode Island	1				1
South Carolina	3				3
South Dakota	6	2			8
Tennessee	11	7			18
Texas	16	3			19
Utah	9	4			13
Vermont	2	1			3
Virginia	13	5			18
Washington	15	7	1		23
West Virginia	7	7			14
Wisconsin	20	10		1	31
Wyoming	3	2			5

	509	245	9	7	770

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Store Leases

All of our store locations are leased. Lease terms typically include a rental period of ten years and may contain a renewal option. Leases generally require payments of fixed minimum rent and contingent percentage rent, calculated based on a percent of sales in excess of a specified threshold.

The following table, which covers all of the stores operated by us at April 22, 2011, indicates the number of leases expiring during the fiscal year indicated and the number of such leases with renewal options. The number of stores with leases expiring in fiscal 2012 includes those stores which currently are operating on month-to-month terms.

Fiscal Year	Number of Leases Expiring	Number with Renewal Options
2012	187	6
2013	129	
2014	116	1
2015	104	2
2016	73	
2017-2020	161	11
Total	770	20

For leases that expire in a given year, we plan to evaluate the projected future performance of each store location prior to lease expiration to determine if we will seek to negotiate a new lease for that particular location.

Corporate Office and Distribution Center Facility

In fiscal 2002, we purchased our 210,000 square foot corporate office and distribution center facility, located in Plymouth, Minnesota. Prior to fiscal 2002, we leased this facility. We utilize the entire facility for our corporate office and distribution center requirements. Management believes our corporate office and distribution center facility space is sufficient to meet our requirements for fiscal 2012.

ITEM 3.

LEGAL PROCEEDINGS

We are subject, from time to time, to various claims, lawsuits or actions that arise in the ordinary course of business. Although the amount of any liability that could arise with respect to any current proceedings cannot, in management s opinion, be accurately predicted, any such liability is not expected to have a material adverse impact on our financial position, results of operations or liquidity.

ITEM 4.

(REMOVED AND RESERVED)

There is no disclosure required under this Item.

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ITEM 4A.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding our executive officers as of April 22, 2011.

Name	Age	Positions and Offices
Larry C. Barenbaum	64	President and Chief Executive Officer
Monica L. Dahl	44	Senior Vice President, e-Commerce, Planning & Allocation, and Strategy
Luke R. Komarek	57	Senior Vice President, General Counsel and Corporate Secretary
Michael J. Lyftogt	42	Senior Vice President, Chief Financial Officer
Michelle L. Rice	36	Vice President, Store Operations
Julie M. Rouse	48	Senior Vice President, General Merchandise Manager

Larry C. Barenbaum was elected President and Chief Executive Officer on January 10, 2011. From October 19, 2010 to January 10, 2011 he served as Interim President and Chief Executive Officer. He has been a Director of the Company since March 1992 and was Chairman of the Board from December 2005 to January 10, 2011. Mr. Barenbaum founded Lawrence Jewelry Company, a fashion wholesale jewelry distribution company, in 1970. He sold Lawrence Jewelry Company in 1986 and continued to serve as its CEO until November, 1991. Mr. Barenbaum has over 25 years of experience in the retail industry, in addition to serving as a consultant in the specialty retail and services industry until October 19, 2010.

Monica L. Dahl has served as Senior Vice President, e-Commerce, Planning & Allocation, and Strategy since July 2010. From August 2008 to July 2010 Ms. Dahl served as Senior Vice President, Planning & Allocation and e-Commerce. From December 2005 to July 2008, she was Executive Vice President and Chief Operating Officer. Ms. Dahl served as Vice President of Business Development from November 2004 to December 2005. Upon joining the Company in May 2004, Ms. Dahl was Director of Business Development. From January 1993 to April 2004, Ms. Dahl held various positions with Wilson s Leather including Director of Sourcing; Divisional Merchandise Manager Women s Apparel; Director of Merchandise Planning; and several positions in the Finance department. Ms. Dahl was with Arthur Andersen LLP from December 1987 to December 1992.

Luke R. Komarek has served as Senior Vice President, General Counsel since May 2007. He was named Corporate Secretary in August 2007. Prior to joining the Company, Mr. Komarek served as General Counsel, Chief Compliance Officer and Secretary at PNA Holdings, LLC and Katun Corporation from March 2004 to May 2007. Previously, Mr. Komarek served as Vice President of Legal Affairs and Compliance at Centerpulse Spine-Tech Inc. from February 2003 to March 2004. Mr. Komarek was employed by FSI International, Inc., a semiconductor equipment company, from 1995 to 2002, most recently serving as Vice President, General Counsel and Corporate Secretary.

Michael J. Lyftogt was elected Senior Vice President, Chief Financial Officer effective February 23, 2011. From July 15, 2010 to February 23, 2011 Mr. Lyftogt served as Chief Accounting Officer and Interim Chief Financial Officer. Prior to his appointment as Chief Accounting Officer in July 2010, he served as Vice President, Finance since March 2006 and was the Company s Controller from March 1998 through February 2006. Prior to joining the Company, Mr. Lyftogt was Controller for M.F. Bank & Company, Inc. Mr. Lyftogt also has previous experience in public accounting.

Michelle L. Rice was elected Vice President, Store Operations effective February 23, 2011. From July 2010 until February 23, 2011, she was Vice President, Stores. From August 2008, when she joined the Company, until July 2010 she was a Regional Vice President. Ms. Rice has over 20 years of retail industry experience. She was the Regional Sales Director at Fashion Bug, a division of Charming Shoppes, a fashion retailer of missy and plus size apparel, from November 2006 to August 2008 and was a District Operations Manager at TJX Corporation from 2003 to November 2006.

Julie M. Rouse joined the Company as Senior Vice President, General Merchandise Manager in October 2010. From August 2009 to October 2010, Ms. Rouse was employed as Vice President of Merchandising by ThatsWhatIWant.com, an e-Commerce company providing women s clothing in sizes 12, 14 and 16. From April 2009 through August 2010, Ms. Rouse also acted in a consulting role for several companies. She was previously employed by Christopher & Banks from 1995 through September 2008 in various capacities, including Vice President, General Merchandise Manager-CJ Banks from 2001 until September 2008.

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PART II

ITEM 5.

MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol CBK . The quarterly high and low stock sales price information for our common stock for fiscal 2011 and fiscal 2010 is included in the table below.

	Market Price			
Quarter Ended		**High**		**Low**
February 26, 2011	$	6.38	$	5.21
November 27, 2010	$	7.91	$	5.15
August 28, 2010	$	8.92	$	6.00
May 29, 2010	$	10.97	$	7.33
February 27, 2010	$	7.86	$	5.64
November 28, 2009	$	8.20	$	5.96
August 29, 2009	$	8.64	$	5.32
May 30, 2009	$	5.86	$	3.51

As of April 22, 2011, we had 105 holders of record of our common stock and approximately 5,500 beneficial owners. The last reported sales price of our common stock on April 22, 2011 was $6.11.

In fiscal 2004, our Board of Directors declared our first cash dividend. The declaration provided for an on-going cash dividend of $0.04 per share to be paid quarterly, subject to Board approval. In July 2006, our Board of Directors authorized an increase in the quarterly cash dividend to $0.06 per share. We have declared and paid a dividend each quarter since the first declaration in fiscal 2004. Our Board of Directors reviews and approves dividend payments on a quarterly basis.

The following table sets forth information concerning purchases of our common stock for the periods indicated.

Period	**Total Number of Shares Purchased (1)**		**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**		**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans**
November 29, 2010 - December 26, 2010	2,583	$	5.69		$	
December 27, 2010- January 30, 2011	7,369	$	5.84			

January 31, 2011- February 26, 2011		$		
Total	9,952	$	5.80	$

(1) The shares of common stock in this column represent shares that were surrendered to the Company by stock plan participants in order to satisfy withholding tax obligations related to restricted stock awards.

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Comparative Stock Performance

The graph below compares the cumulative total stockholder return on the Company s common stock (CBK) from February 25, 2006 to February 26, 2011 to the cumulative total stockholder return of the S&P 500 Index and the S&P Apparel Retail Index. The comparisons assume $100 was invested on February 25, 2006 in our common stock, the S&P 500 Index and the S&P Apparel Retail Index and also assumes that any dividends are reinvested.

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ITEM 6.

SELECTED FINANCIAL DATA

The following selected financial data has been derived from our audited Consolidated Financial Statements and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K and the Consolidated Financial Statements and related notes appearing in Item 8 of this Form 10-K.

	Fiscal Year Ended (in thousands, except per share amounts and selected operating data)				
	Feb. 26, 2011	Feb. 27, 2010	Feb. 28, 2009	Mar. 1, 2008	Mar. 3, 2007(1)
Income Statement Data:					
Net sales	$ 448,130	$ 455,402	$ 530,742	$ 560,912	$ 533,156
Merchandise, buying and occupancy costs	292,713	289,134	341,734	341,928	318,971
Selling, general and administrative expenses	142,461	138,711	172,295	161,180	140,696
Depreciation and amortization	24,736	25,985	26,264	21,764	19,616
Impairment of store assets	2,779	2,939	4,557	411	330
Operating income (loss)	(14,559)	(1,367)	(14,108)	35,629	53,543
Other income	450	728	1,809	4,662	5,116
Income (loss) from continuing operations before income taxes	(14,109)	(639)	(12,299)	40,291	58,659
Income tax provision (benefit)	8,058	(797)	(4,215)	14,827	22,701
Income (loss) from continuing operations	(22,167)	158	(8,084)	25,464	35,958
Loss from discontinued operations, net of income tax			(4,666)	(8,446)	(2,272)
Net income (loss)	$ (22,167)	$ 158	$ (12,750)	$ 17,018	$ 33,686
Basic earnings (loss) per common share:					
Continuing operations	$ (0.63)	$	$ (0.23)	$ 0.71	$ 0.96
Discontinued operations			(0.13)	(0.24)	(0.06)
Earnings (loss) per basic share	$ (0.63)	$	$ (0.36)	$ 0.48	$ 0.90
Basic shares outstanding	35,392	35,141	35,097	35,772	37,307
Diluted earnings (loss) per common share:					
Continuing operations	$ (0.63)	$	$ (0.23)	$ 0.71	$ 0.95
Discontinued operations			(0.13)	(0.24)	(0.06)
Earnings (loss) per diluted share	$ (0.63)	$	$ (0.36)	$ 0.47	$ 0.89
Diluted shares outstanding	35,392	35,234	35,097	35,852	37,761
Dividends per share	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.20

(1) The year ended March 3, 2007 consisted of 53 weeks. All other years presented consisted of 52 weeks.

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	Feb. 26, 2011	Feb. 27, 2010	Feb. 28, 2009	Mar. 1, 2008	Mar. 3, 2007(1)
Balance Sheet Data (at end of each period in thousands):					
Cash, cash equivalents and short-term investments	$ 76,772	$ 99,324	$ 78,814	$ 78,492	$ 102,266
Merchandise inventory	39,211	38,496	38,828	43,840	52,355
Long-term investments	28,824	13,622	16,400	23,350	
Total assets	234,163	267,297	290,142	311,792	307,323
Long-term debt					
Stockholders equity	164,229	193,730	200,223	218,827	225,765
Working capital	83,415	108,321	94,059	95,968	128,854
Selected Operating Data:					
Same-store sales increase (decrease) (2)	(1)%	(15)%	(12)%	1%	1%
Stores at end of period	775	806	815	837	778
Net sales per gross square foot (3)	$ 154	$ 156	$ 188	$ 215	$ 219

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(1) The year ended March 3, 2007 consisted of 53 weeks. All other years presented consisted of 52 weeks.

(2) Same-store sales data is calculated based on the change in net sales for stores that have been open for more than 13 full months and includes stores, if any, that have been relocated within the same mall. We typically do not expand or relocate stores within a mall. Stores where square footage has been changed by more than 25 percent are excluded from the same-store sales calculation. Stores closed during the year are included in the same-store sales calculation only for the full months of the year during which the stores were open. In addition, sales which are initiated in stores but fulfilled through our e-Commerce websites are included in the calculation of same store sales.

(3) The computation of net sales per gross square foot includes stores which were open for all 12 months of the fiscal year. Relocated and expanded stores, if any, are included in the calculation.

ITEM 7.

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and related Notes included in Item 8 of this Form 10-K.

Executive Overview

Christopher & Banks Corporation, a Delaware corporation, is a Minneapolis-based retailer of women s apparel, which operates retail stores through its wholly-owned subsidiaries. Our fiscal year ends on the Saturday nearest February 28. The fiscal years ended February 26, 2011 (fiscal 2011), February 27, 2010 (fiscal 2010) and February 28, 2009 (fiscal 2009) each consisted of 52 weeks.

As of April 22, 2011, we operated 770 stores in 46 states, including 509 Christopher & Banks stores, 245 C.J. Banks stores, nine dual concept stores and seven outlet stores. Our Christopher & Banks brand offers distinctive fashions featuring exclusively designed, coordinated assortments of women s apparel in sizes four to 16. Our C.J. Banks brand offers similar assortments of women s apparel in sizes 14W to 26W. Our dual concept and outlet stores offer an assortment of both Christopher & Banks and C.J. Banks apparel servicing the petite, missy and plus size customer in one location. We also operate e-Commerce web sites for our two brands at **www.christopherandbanks.com** and **www.cjbanks.com** which, in addition to offering the apparel found in our stores, also offer exclusive sizes and styles available only online.

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We strive to provide our customers with fashionable, high-quality apparel at a great value and with a consistent fit. Our overall strategy for our two brands, Christopher & Banks and C.J. Banks, is to offer a compelling, evolving merchandise assortment through our stores and e-Commerce web sites in order to satisfy our customers expectations for style, quality, value, versatility and fit, while providing knowledgeable and personalized customer service.

We have positioned ourselves to offer merchandise assortments balancing updated unique apparel with more classic styles, at affordable prices. To differentiate ourselves from our competitors, our buyers, working in conjunction with our internal design group, strive to create a merchandise assortment of coordinated outfits, the majority of which are manufactured exclusively for us under our proprietary Christopher & Banks and C.J. Banks brand names.

Fiscal 2011 Summary

Fiscal 2011 was a challenging year for us at Christopher & Banks, as we reported a loss of $0.63 per diluted share for the year. Customers did not respond favorably to our merchandise assortment, particularly in the third and fourth quarters. As a result, same-store sales decreased 1% for the year and merchandise margins declined by approximately 310 basis points when compared to fiscal 2010. We aggressively increased markdown levels and promotional activity, particularly in the third and fourth quarters, in an effort to encourage customers to purchase and to clear inventory. Our newer petite and accessory product categories were better received by customers during the year, resulting in stronger performance than experienced with our core merchandise offerings.

Despite the challenges, we maintained a strong balance sheet in fiscal 2011. Cash, cash equivalents and short and long-term investments totaled $105.6 million at the end of fiscal 2011, compared to $112.9 million at the end of fiscal 2010. Total inventory was $39.2 million as of February 26, 2011, compared to $38.5 million as of February 27, 2010 and inventory per-store (excluding e-commerce inventory) was up approximately 4% over the prior year. We ended the year with no long-term debt.

We opened six new stores in fiscal 2011, including one C.J. Banks store, two dual concept stores and our first three outlet stores. We closed 23 Christopher & Banks and 14 C.J. Banks stores for a total of 37 store closures in fiscal 2011. As of February 26, 2011, we operated 775 stores including 517 Christopher & Banks stores, 252 C.J. Banks stores, three dual concept stores and three outlet stores. In fiscal 2012, we are planning to open nine new dual concept stores and 22 new outlet stores, while we expect to close approximately 20 existing Christopher & Banks and 15 C.J. Banks stores during the year.

Other Developments

Effective January 10, 2011, we announced that our Board of Directors elected Larry C. Barenbaum as our President and Chief Executive Officer. Mr. Barenbaum served as Interim President and Chief Executive Officer from October 19, 2010 through January 10, 2011. Mr. Barenbaum has been a Director on our Board since March 1992 and served as Chairman of the Board from December 2005 until he was elected to the position of President and Chief Executive Officer. In conjunction with Mr. Barenbaum s election as President and Chief Executive Officer in January 2011, the Board of Directors named James J. Fuld, Jr. as Non-Executive Chair of the Board. Mr. Fuld has been a director of the Company since 1986.

Mr. Barenbaum replaced Lorna E. Nagler, our former President and Chief Executive Officer, who resigned all positions with the Company, including the position of Director, effective October 19, 2010. We incurred a pre-tax, non-recurring severance charge of approximately $1.0 million in the third quarter of fiscal 2011 in connection with Ms. Nagler s resignation.

On February 24, 2011, the Company announced that Michael J. Lyftogt had been elected Senior Vice President, Chief Financial Officer of the Company. Mr. Lyftogt has worked at Christopher & Banks for over thirteen years in a variety of financial roles including Chief Accounting Officer, Vice President, Finance and Controller and has served as Interim Chief Financial Officer since July 2010.

On December 16, 2010, we announced the appointment of Morris Goldfarb to our Board of Directors, effective January 3, 2011. The election of Mr. Goldfarb increased the number of Board members to eight and the number of independent Directors to seven. Mr. Goldfarb is Chairman of the Board and Chief Executive Officer of G-III Apparel Group, Ltd.

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Fiscal 2012 Outlook

We have several key initiatives currently underway to return Christopher & Banks to profitability and growth. First and foremost, our primary focus is on our product. We are working diligently to increase sales productivity through transforming our merchandising strategy to better align our assortment with our customers fashion preferences. Second, we are taking a customer centric approach as we work to improve our in-store and on-line customer experiences. Third, we are refining our marketing initiatives. Fourth, our focus on continued multi-channel e-commerce growth has intensified and, finally, we continue to refine our real estate strategy, including the evolution of our outlet strategy.

Merchandise

In fiscal 2011, our merchandise included women s apparel generally consisting of knit tops, woven tops, jackets, sweaters, skirts, denim bottoms and bottoms made of other fabrics. In addition, we carried collections of petite styles online and in approximately 350 of our Christopher & Banks stores. We also began offering jewelry in all stores during the first quarter of fiscal 2011 and expanded the assortment throughout the year.

In the second half of fiscal 2011 we refocused our attention on our core merchandising efforts. We are striving to develop more innovative and modern merchandise assortments that offer updated styling and better fabrications. In addition, we are increasing our focus on product construction and fit to ensure consistent standards across all merchandise categories and deliveries. While we have edited and modified some styling for our fiscal 2012 spring and summer assortments, the full impact of our renewed merchandising effort is expected to be completely incorporated in our fiscal 2012 early fall assortment, to be delivered in August 2011. In March 2011, we introduced a branded collection which is representative of our new fashion direction. Initial customer reaction to the branded product has been encouraging. As a result, we plan to continue to test new opportunities through the introduction of additional branded collections in fiscal 2012.

In fiscal 2011, we began to test several new product categories in an effort to increase spending by existing customers and to attract new customers to our brands. We will continue to test product offerings such as sunglasses, scarves, handbags, swimwear and outerwear and, if successful, will expand these product assortments to more stores throughout fiscal 2012. We are also working to enhance our product sourcing capabilities through building relationships with new merchandise vendors and improving our relationships with existing suppliers. In addition, we are analyzing all aspects of our product development and sourcing practices to identify opportunities for cost savings in an effort to mitigate increases in the cost of raw materials, particularly cotton and synthetic fibers, and production labor. We intend to diversify our vendor base, including the countries in which our merchandise is produced. Additionally, we plan to improve visibility to the components of our inbound transportation process with a goal to enhance control and reduce costs. While we plan to implement some price increases in fiscal 2012, we believe this is a reflection of our improved product. We intend to maintain our commitment to providing quality merchandise to our customers at a value, while we work to reduce the impact of cost increases.

Customer Experience

In an effort to drive overall productivity, the Company is working to enhance its customer experience. We have focused our associates on strengthening our selling culture while providing more knowledgeable selling and personalized service to our customers. We will be reintroducing a selling program that includes a grass roots focus, improved product knowledge and store incentives and contests, which are intended to improve sales as our new product assortments are delivered in fiscal 2012. We also will strive to continue to deliver exceptional personalized customer service in a warm and inviting store environment.

In addition, we continue to refine and add new visual merchandising elements to our stores to maximize displays to provide more compelling and clearer product messages. This is intended to drive increased numbers of new and existing customers into our stores through a more compelling and organized presentation of merchandise and product outfitting options.

Marketing

In fiscal 2011, we expanded our marketing spend to approximately 1.5% of sales and plan to maintain a similar level in fiscal 2012. Our marketing efforts will be focused on strengthening communications with our customers through e-mail and direct mail. In fiscal 2012, we plan to deliver approximately eight direct mail pieces and deploy more targeted e-mail campaigns.

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In early fiscal 2012, we began an initiative to develop a strong brand presence and ensure consistency in the message we are sending to our customer, including delivering a consistent look and feel across our stores and e-commerce web sites. We are also developing plans to test media advertising in select markets in the second half of fiscal 2012 in conjunction with the introduction of our updated product assortments.

In March 2010, we launched our Friendship Rewards loyalty program. Friendship Rewards is a point-based program where members earn points based on purchases. After reaching a certain level of accumulated points, members are rewarded with a certificate which may be applied towards purchases at our stores or web sites. The program has helped us to build our customer database and we will be refining the program throughout fiscal 2012 to encourage increased purchases by our Friendship Rewards members as we move through the year.

e-Commerce

In February 2008, we launched separate e-Commerce web sites for our Christopher & Banks and C.J. Banks brands at www.christopherandbanks.com and www.cjbanks.com. Today these sites offer the entire assortment of merchandise carried at our Christopher & Banks, C.J. Banks and dual stores in addition to exclusive e-commerce products, select store buys and extended sizes and lengths. Inventory and order fulfillment for our e-Commerce operations are handled by a third-party provider.

We saw considerable growth in our e-Commerce sales during fiscal 2011 and we plan to continue to grow this business in fiscal 2012. Customers responded favorably to new online merchandise categories such as extended plus sizes and swimwear. In fiscal 2012, we plan to expand these new product offerings, along with petites, dresses and outerwear. We will continue to focus on converting existing customers into multi-channel shoppers, attracting new customers to our e-commerce sites and leveraging the branding benefits the e-Commerce channel can provide. We also plan to increase our online customer base and continue to use the channel to test further product line and size extensions.

The web sites referenced above are for textual reference only and such references are not intended to incorporate our web sites into this Annual Report on Form 10-K.

Real Estate/Leasing

We opened six new stores in fiscal 2011, including one C.J. Banks store, two dual concept stores, and our first three outlet stores. We closed 23 Christopher & Banks and 14 C.J. Banks stores for a total of 37 store closures in fiscal 2011. As of February 26, 2011, we operated 775 stores including 517 Christopher & Banks stores, 252 C.J. Banks stores, three dual concept stores and three outlet stores. In fiscal 2012, we are planning to open nine new dual concept stores and 22 new outlet stores, while we expect to close approximately 20 existing Christopher & Banks and 15 C.J. Banks stores during the year.

We will also continue to focus on reducing occupancy costs through aggressive lease renegotiations and diligently exercising rent reductions related to sales volume and co-tenancy thresholds. We have approximately 100 leases expiring per year in each of the next five years, allowing for significant opportunities to improve the productivity of our store portfolio through closing underperforming locations, renegotiating more favorable lease terms, and strategically relocating stores in existing markets.

We opened our first dual-concept store (dual store) in fiscal 2010. Dual stores offer merchandise from both of our Christopher & Banks and C.J. Banks brands, and all three size ranges (petite, missy and plus) within each store, resulting in a greater opportunity to service our customers while increasing productivity and enhancing operating efficiencies. We opened two additional dual stores in fiscal 2011 and plan to open nine new dual stores in fiscal 2012.

We opened our first three outlet stores in the second half of fiscal 2011 as we believe the outlet business provides an additional opportunity to drive profitability and growth. Our outlet stores offer merchandise from both of our Christopher & Banks and C.J. Banks brands, and all three size ranges (petite, missy and plus) in each location. In addition, they carry select styles designed and sourced specifically for the outlet business. Based on the initial success of our first three outlet stores, we believe we have additional opportunities in the outlet business and plan to open approximately 22 new outlet stores in fiscal 2012.

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Key Performance Indicators

Our management evaluates the following items, which are considered key performance indicators, in assessing our performance:

Same-store sales

Our same-store sales data is calculated based on the change in net sales for stores that have been open for more than 13 full months and includes stores, if any, that have been relocated within the same mall, though we typically do not expand or relocate stores within the same center. Stores where square footage has been changed by more than 25 percent are excluded from the same-store sales calculation. Stores closed during the year are included in the same-store sales calculation only for the full months of the year the stores were open. In addition, sales which are initiated in stores but fulfilled through our e-Commerce websites are included in the calculation of same store sales.

Management considers same-store sales to be an important indicator of our performance. Same-store sales results are important in achieving leveraging of costs, including store payroll, store occupancy, depreciation and other general and administrative expenses. Year-over-year increases in same-store sales contribute to greater leveraging of costs, while declining same-store sales contribute to deleveraging of costs. Same-store sales results also have a direct impact on our total net sales, cash, cash equivalents, investments and working capital.

Merchandise, buying and occupancy costs

Merchandise, buying and occupancy costs, exclusive of depreciation and amortization, measure whether we are appropriately optimizing the price of our merchandise. Merchandise, buying and occupancy costs include the cost of merchandise, markdowns, shrink, freight, buyer and distribution center salaries, buyer travel, rent and other occupancy-related costs, various merchandise design and development costs, miscellaneous merchandise expenses and other costs related to our distribution network.

Operating income

Our management views operating income as a key indicator of our success. The key drivers of operating income are same-store sales, merchandise, buying and occupancy costs and our ability to control our other operating costs.

Store productivity

Store productivity measures, including sales per square foot, average unit retail selling price, average number of transactions per store, number of units per transaction, average retail dollars per transaction, customer traffic and conversion rates are evaluated by management in assessing the operational performance of individual stores.

Inventory turnover

Our management evaluates inventory turnover as a measure of how productively inventory is bought and sold. Inventory turnover is important as it can signal slow-moving inventory, which can be critical in determining the need to take markdowns on merchandise.

Cash flow and liquidity

Management evaluates free cash flow and cash flow from operations, investing activities and financing activities in determining the sufficiency of our cash position. Cash flow from operations has historically been sufficient to provide for our uses of cash. We expect our cash, cash equivalents and short and long-term investments, combined with cash flows from operations, to be sufficient to fund anticipated capital expenditures, working capital and other requirements for liquidity during fiscal 2012.

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Results of Operations

The following table sets forth consolidated income statement data expressed as a percentage of net sales for the last three fiscal years and should be read in conjunction with Selected Financial Data in Item 6 of this Form 10-K.

	Fiscal Year Ended February 26, 2011	February 27, 2010	February 28, 2009
Net sales	100.0%	100.0%	100.0%
Merchandise, buying and occupancy costs	65.3	63.5	64.4
Selling, general and administrative expenses	31.8	30.5	32.4
Depreciation and amortization	5.5	5.7	4.9
Impairment of store assets	0.6	0.6	0.9
Operating loss	(3.2)	(0.3)	(2.6)
Other income, net	0.1	0.1	0.3
Loss from continuing operations before income taxes	(3.1)	(0.2)	(2.3)
Income tax provision (benefit)	1.8	(0.2)	(0.8)
Net income (loss) from continuing operations	(4.9)	0.0	(1.5)
Loss from discontinued operations, net of tax			(0.9)
Net income (loss)	(4.9)%	0.0%	(2.4)%

Fiscal 2011 Compared to Fiscal 2010

Net Sales. Net sales from continuing operations for the 52-week period ended February 26, 2011 were $448.1 million, a decrease of $7.3 million or 1.6%, from net sales from continuing operations of $455.4 million for the 52-week period ended February 27, 2010. The decrease in our net sales resulted from a 1% decrease in same store sales, combined with a decrease in the number of stores operated during fiscal 2011 as compared to fiscal 2010. In addition, revenue declined by approximately $2.9 million due to a reduction in net sales related to accrued unearned revenue for points accumulated by customers and certificates issued in conjunction with the Company s Friendship Rewards loyalty program, which was established in early fiscal 2011. The decrease in net sales was partially offset by increases in revenues at our Christopher & Banks and C.J. Banks e-commerce web sites in fiscal 2011.

The number of average transactions per store was essentially flat in the first and second quarters of fiscal 2011, compared to the first two quarters of fiscal 2010, as declines in customer traffic were offset by increases in the rate of customer conversion. The number of average transactions per store decreased approximately 7% in the third quarter of fiscal 2011 and increased approximately 4% in the fourth quarter of fiscal 2011, when compared to corresponding periods in fiscal 2010. Average transaction values were higher in the first and second quarters, flat in the third quarter and lower in the fourth quarter of fiscal 2011, as compared to the same periods in fiscal 2010. Average selling prices declined throughout the year. Improved selling at full price in the first quarter gave way to sequentially increased promotional activity during the year and a reduced average selling price per unit in the second, third and fourth quarters as customers did not respond favorably to the Company s fall, holiday and spring merchandise assortments.

The Company operated 775 stores as of February 26, 2011, compared to 806 stores as of February 27, 2010.

Merchandise, Buying and Occupancy Costs. Merchandise, buying and occupancy costs, exclusive of depreciation and amortization, were $292.7 million, or 65.3% of net sales, in fiscal 2011, compared to $289.1 million, or 63.5% of net sales, in fiscal 2010, resulting in an approximate 180 basis point decrease in our gross profit margin during the year.

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Our merchandise margins decreased by approximately 310 basis points in fiscal 2011 as lower markdown levels in the first quarter were replaced by significantly increased markdowns and promotional activity in the second, third and fourth quarters while we worked to increase net sales and clear less desirable fall, holiday and spring product assortments. Inventory per store was up approximately 4%, excluding e-commerce inventory, at the end of fiscal 2011 as compared to the end of fiscal 2010. The decline in merchandise margin was partially offset by approximately 130 basis points of positive leverage of buying and occupancy costs driven mainly by lower rent expense.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the fiscal year ended February 26, 2011 were $142.5 million, or 31.8% of net sales, compared to $138.7 million, or 30.5% of net sales, for the fiscal year ended February 27, 2010, resulting in a 130 basis point increase as a percent of net sales in fiscal 2011, as compared to fiscal 2010.

The increase in selling, general and administrative expenses during fiscal 2011 was largely due to higher severance costs as we recorded total charges of approximately $1.5 million related to our former Chief Executive Officer and Chief Financial Officer. In addition, increases in the amount of medical claims and marketing expenditures were partially offset by decreased store payroll and bonus expense. Selling, general and administrative expenses in the second quarter of fiscal 2010 included pre-tax, non-recurring benefits of approximately $1.2 million related largely to legal and contract settlements.

Depreciation and Amortization. Depreciation and amortization was $24.7 million, or 5.5% of net sales, in fiscal 2011, compared to $26.0 million, or 5.7% of net sales, in fiscal 2010. The decrease in the amount of depreciation and amortization expense primarily resulted from a reduction in our depreciable asset base related to asset impairment charges of $2.8 million and $2.9 million recognized in fiscal 2011 and fiscal 2010, respectively.

Impairment of Store Assets. In the fourth quarter of fiscal 2011, we recorded long-lived store-level asset impairment charges of $2.8 million related to underperforming Christopher & Banks and C.J. Banks stores, compared to $2.9 million of store-level asset impairment charges in fiscal 2010. A portion of the asset impairment charges recognized in fiscal 2011 and fiscal 2010 related to accelerated depreciation on the remaining book value of underperforming stores to be closed in the first half of fiscal 2012 and fiscal 2011, respectively.

Operating Loss. As a result of the foregoing factors, we reported an operating loss of $14.6 million, or 3.2% of net sales, for the 52 weeks ended February 26, 2011, compared to an operating loss of $1.4 million, or 0.3% of net sales, for the 52 weeks ended February 27, 2010.

Other Income. For the fiscal year ended February 26, 2011, other income included interest income of approximately $0.4 million and gains on investments of approximately $40,000. For the fiscal year ended February 27, 2010, other income included interest income of approximately $0.4 million and gains on investments of approximately $0.3 million.

Income Taxes. We recorded income tax expense of $8.1 million, with an effective tax rate of (57.1) %, in fiscal 2011, compared to an income tax benefit of $0.8 million, with an effective tax rate of 124.7%, in fiscal 2010. Income tax expense for fiscal 2011 reflects the establishment of a full valuation allowance on our net deferred tax assets. During fiscal 2011, we evaluated all of the positive and negative evidence related to our ability to utilize our deferred tax assets. Based on a lack of positive evidence to offset the negative evidence provided by our three year cumulative operating loss, we recorded a non-cash valuation allowance of $14 million. Our effective tax rate in fiscal 2011 was significantly impacted by the recognition of the full valuation allowance on our net deferred tax assets, while small discrete tax items and state tax considerations had a significant impact on our annual effective tax rate in fiscal 2010 due to our near break-even operating results.

Net Income (Loss). As a result of the foregoing factors, we reported a net loss of $22.2 million, or 4.9% of net sales, for the twelve months ended February 26, 2011, compared to net income of $0.2 million, or 0.0% of net sales, for the twelve months ended February 27, 2010.

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Fiscal 2010 Compared to Fiscal 2009

Net Sales. Net sales from continuing operations for the 52-week period ended February 27, 2010 were $455.4 million, a decrease of $75.3 million or 14%, from net sales from continuing operations of $530.7 million for the 52-week period ended February 28, 2009. Our sales were negatively impacted in fiscal 2010 by the challenging macro-economic environment and related factors. In particular, continued instability in the housing market and higher levels of unemployment, combined with general economic uncertainty, negatively impacted consumer spending patterns, particularly for discretionary retail purchases.

Our same store sales declined 15% for the fiscal year ended February 27, 2010, when compared to the fiscal year ended February 28, 2009. This decrease was primarily due to reduced customer traffic at our stores resulting in fewer transactions per store and fewer units sold overall, partially offset by an increase in average unit retail selling price. The decline in same-store sales was partially offset by an increase in revenues generated by our two e-Commerce websites. We also operated fewer stores in fiscal 2010 as compared to fiscal 2009, ending the year with 806 stores as of February 27, 2010, compared to 815 stores at February 28, 2009.

Merchandise, Buying and Occupancy Costs. Merchandise, buying and occupancy costs, exclusive of depreciation and amortization, were $289.1 million, or 63.5% of net sales, in fiscal 2010, compared to $341.7 million, or 64.4% of net sales, during fiscal 2009, resulting in approximately 90 basis points of improvement in our gross profit margin.

Our merchandise margins improved by approximately 250 basis points in fiscal 2010 as reduced markdown levels in the third and fourth quarters more than offset the impact of elevated promotional activity in the first and second quarters of the year. Strict inventory discipline was exercised throughout fiscal 2010, resulting in fewer markdowns needed to clear excess inventory. The improved merchandise margins were partially offset by approximately 160 basis points of deleveraging of buying and occupancy costs associated with our 15% decline in same store sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the fiscal year ended February 27, 2010 were $138.7 million, or 30.5% of net sales, compared to $172.3 million, or 32.4% of net sales, for the fiscal year ended February 28, 2009, resulting in a 190 basis point decrease as a percent of net sales in fiscal 2010, compared to fiscal 2009.

SG&A expenses were reduced by $33.6 million in fiscal 2010 compared to fiscal 2009, primarily as a result of our cost reduction initiatives. Significant savings were realized in store payroll and other store-related operating expenses, which accounted for most of the positive leverage of SG&A expenses in fiscal 2010. In addition, we had savings in marketing expenditures, travel, corporate salaries, benefits and information technology related costs. Approximately $4.0 million of the reduction in SG&A expenses in fiscal 2010, particularly in the second quarter, resulted from one-time unplanned savings related to legal settlements and insurance proceeds.

Depreciation and Amortization. Depreciation and amortization was $26.0 million, or 5.7% of net sales, in fiscal 2010, compared to $26.3 million, or 4.9% of net sales, in fiscal 2009. The decrease in the amount of depreciation and amortization resulted from a reduction of capital expenditures in fiscal 2010 compared to fiscal 2009. Capital expenditures for 2010 totaled $6.0 million, compared to $18.4 million in fiscal 2009. In addition, our depreciable asset base was reduced as a result of asset impairment charges recognized in fiscal 2009.

Impairment of Store Assets. As a result of the annual impairment analysis performed in the fourth quarter of fiscal 2010, we recorded long-lived store-level asset impairment charges of $2.9 million related to underperforming Christopher & Banks and C.J. Banks stores, compared to $4.6 million of store-level asset impairment charges in fiscal 2009. A portion of the asset impairment charge in fiscal 2010 related to write-offs of the remaining book value of underperforming stores to be closed in the first half of fiscal 2011.

Operating Loss. As a result of the foregoing factors, we reported an operating loss of $1.4 million, or 0.3% of net sales, for the 52 weeks ended February 27, 2010, compared to an operating loss of $14.1 million, or 2.6% of net sales, for the 52 weeks ended February 28, 2009.

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Other Income. For the fiscal year ended February 27, 2010, other income included interest income of approximately $0.4 million and gains on investments of approximately $0.3 million. For the fiscal year ended February 28, 2009, other income included interest income of $2.2 million, offset by approximately $0.4 million of unrealized losses on long-term investments. The decrease in interest income resulted from lower interest rates on cash, cash-equivalents and short and long-term investments in fiscal 2010 compared to fiscal 2009.

Income Taxes. We recorded an income tax benefit of $0.8 million, with an effective tax rate of 124.7%, in fiscal 2010, compared to an income tax benefit of $4.2 million, with an effective tax rate of 34.3%, in fiscal 2009. Due to our near break even results for the year, small discrete tax items and state tax considerations had a significant impact on our annual effective tax rate.

Income (Loss) From Continuing Operations. As a result of the foregoing factors, we reported income from continuing operations of $0.2 million, or 0.0% of net sales, for the twelve months ended February 27, 2010, compared to a loss from continuing operations of $8.1 million, or 1.5% of net sales, for the twelve months ended February 28, 2009.

Loss from Discontinued Operations, Net of Tax. We reported a loss from discontinued operations of $4.7 million, net of a tax benefit of $3.6 million, for the fiscal year ended February 28, 2009. In addition to store-level operating losses, the loss from discontinued operations for the twelve months ended February 28, 2009 included approximately $4.3 million of lease termination costs, $1.2 million of long-lived store asset impairment charges, $0.3 million of severance costs and $0.3 million of inventory write-offs, all of which were incurred in connection with exiting the Acorn division business. There were no expenses recorded related to discontinued operations for the year ended February 27, 2010.

Net Income (Loss). As a result of the foregoing factors, we recorded net income of $0.2 million, or 0.0% of net sales and $0.00 per diluted share, for the year ended February 27, 2010 compared to a net loss of $12.8 million, or 2.4% of net sales and ($0.36) per diluted share, for the fiscal year ended February 28, 2009.

Liquidity and Capital Resources

Our principal on-going cash requirements are to fund working capital needs, such as purchasing merchandise inventory, financing the construction of new stores, remodeling certain existing stores and making information technology-related and other capital expenditures. Merchandise purchases vary on a seasonal basis, peaking in the fall. As a result, our cash requirements historically reach their peak in October or November, during our third fiscal quarter. Conversely, our cash balances peak in January, during our fourth fiscal quarter, after the holiday season is completed.

Net cash provided by operating activities

Net cash provided by operating activities totaled $7.8 million in fiscal 2011, a decrease of $23.5 million from $31.3 million in fiscal 2010. The decrease was primarily a result of the decrease in net earnings between fiscal 2010 and fiscal 2011. We reported a net loss of $22.2 million for the year ended February 26, 2011, compared to net income of $0.2 million for the year ended February 27, 2010. In addition, net deferred income tax assets decreased by approximately $10.1 in fiscal 2011, due to the recognition of a full valuation allowance on our deferred tax assets in the third quarter, compared to an increase of $3.3 million in fiscal 2010.

Significant fluctuations in our working capital accounts in fiscal 2011 included a $6.3 million increase in income taxes receivable, a $4.6 million decrease in deferred lease incentives and a $2.0 million increase in accrued liabilities. The increase in income taxes receivable resulted from refunds related to estimated income tax payments made in the first and second quarters of fiscal 2011. Accrued liabilities increased as a result of the addition of a liability for points earned by customers enrolled in the Friendship Rewards loyalty program which was launched in March of fiscal 2011, offset by a decrease in the liability for outstanding gift cards. The amount of deferred lease incentives declined by $4.6 million in fiscal 2011 as amortization of tenant allowances exceeded additions related to new store openings, combined with write-offs of unamortized tenant allowances associated with stores closed during the year.

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The remainder of the change in cash provided by operating activities in fiscal 2011 was substantially the result of the net loss of $22.2 million, after adjusting for non-cash charges, including depreciation and amortization expense, store-level asset impairment charges, adjustments to deferred income taxes, stock-based compensation expense, loss on the disposal of furniture, fixtures and equipment and losses on investments, combined with various changes in our other operating assets and liabilities.

Net cash provided by investing activities

Net cash provided by investing activities in fiscal 2011 included approximately $15.5 million of net redemptions of investments offset by $8.4 million of capital expenditures. We opened six new stores during fiscal 2011. We also made technology-related and other investments in our stores, corporate office and distribution center facility during the fiscal year ended February 26, 2011.

We expect to fund approximately $18 million of capital expenditures in fiscal 2012 to open approximately 31 new stores, to invest in displays and fixtures at all stores to enhance the visual presentation of our merchandise and to make further investments in our stores, corporate office and distribution center and information technology infrastructure. In addition, a portion of the fiscal 2012 capital expenditures are expected to fund construction of stores planned to open in the first quarter of fiscal 2013.

Net cash used in financing activities

Net cash of $8.3 million was used in financing activities in fiscal 2011 as we declared and paid four quarterly cash dividends of $0.06 per share, which was partially offset by approximately $0.3 million of proceeds from the exercise of stock options.

We had approximately $105.6 million of cash, cash equivalents and short and long-term investments at February 26, 2011, compared to approximately $112.9 million as of February 27, 2010. We anticipate our cash, cash equivalents and short and long-term investments, combined with cash flows from operations, will be sufficient to meet our capital expenditure, working capital and other liquidity requirements for all of fiscal 2012.

Credit facility

We maintain an Amended and Restated Revolving Credit Facility (the Credit Facility) with Wells Fargo Bank, National Association (Wells Fargo) which expires on June 30, 2011. The Credit Facility provides us with revolving credit loans and letters of credit of up to $50 million, in the aggregate, subject to a borrowing base formula based on inventory levels. We are currently seeking to establish another credit facility which may be an extension of the existing facility or a new facility.

Loans under the Credit Facility bear interest at the prime rate minus 0.25%. As of February 26, 2011, the prime rate was 3.25%. The Credit Facility also provides us with the ability to borrow under the Credit Facility at an interest rate tied to the London Interbank Market Offered Rate (LIBOR). Advances under the LIBOR option would be tied to the one, three or six month LIBOR rate, based on the length of time the corresponding advance is outstanding.

Interest under the Credit Facility is payable monthly in arrears. The Credit Facility carries a facility fee of 0.25%, based on the unused portion of the facility as defined in the agreement, a collateral monitoring fee and a guaranteed service charge. Borrowings under the Credit Facility are collateralized by our equipment, intangible assets, inventory, inventory letters of credit and letter of credit rights. We had no revolving credit loan borrowings under the Credit Facility during fiscal 2011. Historically, the Credit Facility has been utilized by us only to open letters of credit to facilitate the import of merchandise. The borrowing base at February 26, 2011 was $20.6 million. As of February 26, 2011, we had open on-demand letters of credit in the amount of $1.3 million. Accordingly, the availability of revolving credit loans under the Credit Facility was $19.3 million at February 26, 2011.

The Credit Facility contains certain restrictive covenants, including restrictions on incurring additional indebtedness and limitations on certain types of investments, as well as requiring the maintenance of certain financial covenants. As of February 26, 2011, the most recent measurement date, we were in compliance with all of these restrictive covenants under the Credit Facility.

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Contractual Obligations

The following table summarizes our contractual obligations at February 26, 2011 (in thousands):

		Payments Due By Period			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Long-term debt	$	$	$	$	$
Capital lease obligations					
Operating leases	172,685	42,237	93,651	26,976	9,821
Purchase obligations					
Other liabilities					
Total	$ 172,685	$ 42,237	$ 93,651	$ 26,976	$ 9,821

The table above does not include possible payments for uncertain tax positions. Our reserve for uncertain tax positions, excluding interest and penalties, was approximately $1.3 million at February 26, 2011. Due to the nature of the underlying liabilities and the extended time often needed to resolve income tax uncertainties, we cannot make reliable estimates of the amount or timing of cash payments that may be required to settle these liabilities.

Our contractual obligations include operating leases for each of our retail store locations and vehicles. The amount for operating leases reflected in the table above includes future minimum rental commitments only and excludes common area maintenance charges, real estate taxes and other costs associated with operating leases. These types of costs, which are not fixed and determinable, totaled $29.6 million, $33.7 million and $34.7 million in fiscal 2011, 2010 and 2009, respectively.

At February 26, 2011, we had no other contractual obligations relating to short or long-term debt, capital leases or non-cancelable purchase obligations. In addition, we had no contractual obligations relating to the other liabilities recorded in our balance sheet under accounting principles generally accepted in the United States of America. As of February 26, 2011, our other liabilities consisted solely of deferred rent, deferred lease incentives and deferred income taxes.

Off-Balance Sheet Obligations

We do not have relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Related Party Transactions

The Company or its subsidiaries have for the past several years purchased goods from G-III Apparel Group Ltd. (G-III) or its related entities. On January 3, 2011, Morris Goldfarb, the Chairman of the Board and Chief Executive Officer of G-III, became a director of the Company. In fiscal 2011, the purchases made by the Company and its subsidiaries from G-III and its related entities aggregated approximately $260,000.

Other than the relationship noted above, related party transactions are limited to employment or other agreements with certain of our current and former officers, all of which have been previously disclosed.

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Sourcing

We directly imported approximately 12% of our merchandise purchases in both fiscal 2011 and fiscal 2010. This compares to direct imports of approximately 48% in fiscal 2009. Despite the reduction of direct imports, a significant amount of our merchandise was manufactured overseas in fiscal 2011 and 2010, primarily in China, Indonesia and India. In fiscal 2011, approximately 12% of our merchandise was manufactured in the United States. This reliance on sourcing from foreign countries may cause us to be exposed to certain risks as indicated below and in Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K.

Import restrictions, including tariffs and quotas, and changes in such restrictions, could affect the import of apparel and might result in increased costs, delays in merchandise receipts or reduced supplies of apparel available to us, and could have an adverse effect on our financial conditions, results of operations and liquidity. Our merchandise flow could also be adversely affected by political instability in any of the countries where our merchandise is manufactured or by changes in the United States government s policies toward such foreign countries. In addition, merchandise receipts could be delayed due to interruptions in air, ocean and ground shipments.

We do not have long-term purchase commitments or arrangements with any of our suppliers or agents. Our ten largest vendors represented approximately 77%, 74% and 52% of our total merchandise purchases in fiscal 2011, 2010 and 2009, respectively. Purchases from one of our suppliers accounted for approximately 27% of our purchases during 2011, while two other vendors supplied us with 15% and 12% of our merchandise, respectively. These same vendors supplied 27%, 15%, and 12% of our purchases during fiscal 2010. These vendors produce the majority of the goods sold to us in China and Indonesia, consistent with our overall vendor base. Although we have strong relationships with these vendors, there can be no assurance that these relationships can be maintained in the future or that these vendors will continue to supply merchandise to us. If there should be any significant disruption in the supply of merchandise from these vendors, management believes that it will be able to shift production to other suppliers so as to continue to secure the required volume of product. Nevertheless, it is possible that any significant disruption in supply could have a material adverse impact on our financial position or results of operations.

Seasonality

Our quarterly results may fluctuate significantly depending on a number of factors, including general economic conditions, consumer confidence, customer response to our seasonal merchandise mix, timing of new store openings, adverse weather conditions, shifts in the timing of certain holidays and shifts in the timing of promotional events. Traditionally, we have had higher sales, and have been more profitable, in the first and third quarters of our fiscal year, and have had lower sales, and have been less profitable or incurred losses, in our second and fourth fiscal quarters.

Inflation

As our operations are influenced by general economic conditions, our management believes that rising prices of certain consumer staples, particularly higher gasoline and food costs, had a negative effect on our results of operations during the first and second quarters of fiscal 2009. Management does not believe that inflation had a material effect on our results of operations in the third or fourth quarters of fiscal 2009 or in fiscal 2010 or fiscal 2011.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements and related Notes, which have been prepared in accordance with generally accepted accounting principles used in the United States of America. The preparation of these financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during a reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable. As a result, actual results could differ because of the use of these estimates and assumptions.

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Our significant accounting policies can be found in Note 1 to the consolidated financial statements contained in Item 8 of this Form 10-K. We believe the following accounting policies, which rely upon making certain estimates and assumptions, are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations.

Inventory valuation

Our merchandise inventories are stated at the lower of average cost or market utilizing the retail method. At any given time, inventories include items that have been marked down to management s estimate of their fair market value. We base the decision to mark down merchandise primarily upon the current rate of sale, quantity on hand and the age of the item. To the extent that estimates of fair market value differ from actual results, additional markdowns may have to be recorded, which could reduce merchandise margins and operating results.

Long-lived assets

We review long-lived assets with definite lives annually or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable in accordance with ASC 360, Accounting for the Impairment or Disposal of Long-Lived Assets. This review includes the evaluation of individual under-performing stores and assessing the recoverability of the carrying value of the assets related to the store. Future cash flows are projected for the remaining lease life considering such factors as future sales levels, operating income, changes in occupancy expenses other than base rent and other expenses, as well as the overall operating environment specific to that store. If the estimated undiscounted future cash flows are less than the carrying value of the assets, we records an impairment charge equal to the difference between the assets fair value and carrying value.

Fair value is determined by a discounted cash flow analysis. In determining future cash flows, we use our best estimate of future operating results. In fiscal 2011, consistent with our operating plans, we assumed gradual sales improvements in fiscal 2012 through fiscal 2016. Future growth in same-store sales subsequent to fiscal 2016 was based on our historical same-store sales growth rates over the past ten years. In situations where estimated future undiscounted store cash flows were less than the carrying value of store assets, fair value was determined using discounted cash flows assuming a market participant-based discount rate of 20%.

As the projection of future cash flows involves the use of significant estimates and assumptions, including estimated sales and expense levels and selection of an appropriate market participant-based discount rate, differences in circumstances or estimates could produce different results. The current challenging economic environment, combined with the continued instability in the housing market, higher levels of unemployment and continued general economic uncertainty affecting the retail industry, make it reasonably possible that additional long-lived asset impairments could be identified and recorded in future periods.

We recorded long-lived store-level asset impairment charges of approximately $2.8 million, $2.9 million and $4.6 million in fiscal 2011, 2010 and 2009, respectively, related to underperforming Christopher & Banks and C.J. Banks store locations.

Income taxes

We calculate income taxes in accordance with ASC 740, Income Taxes, which requires the use of the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future taxes attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided, if based on all available evidence, it is considered more likely than not that some portion or all of a deferred tax asset will not be realized in a future period. Realization of these assets is ultimately dependent upon future taxable income. Beginning in the third quarter of this fiscal year, and continuing through the end of the fiscal year, we have incurred a net cumulative loss as measured by the results of the current year and the prior two years. Forming a conclusion that a valuation allowance is not needed is difficult when such negative evidence as cumulative losses exists. As a result of our evaluation of the probability of realization of our deferred tax assets, we have concluded that there was insufficient positive evidence to overcome the negative evidence related to our cumulative losses. Accordingly, we recognized a non-cash provision of $10.6 million to establish a valuation allowance against all of our net deferred tax assets. Recording the valuation allowance does not have any impact on cash flows and does not prevent us from using the deferred tax assets in the future when profits are realized. We did not record a valuation allowance in fiscal 2010 or fiscal 2009 as we believed it was more likely than not that the deferred tax assets would be realized.

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Recently Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-17, Consolidations, which seeks to improve financial reporting by requiring that entities perform an analysis to determine whether any variable interest or interests that they have give them a controlling financial interest in a variable interest entity. We adopted ASU 2009-17 during the first quarter of fiscal 2011. The adoption of ASU 2009-17 had no impact on our financial statements.

In January 2010, the FASB issued ASU 2010-06, New Guidance and Clarifications for Improving Disclosures about Fair Value Measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for transfers in and out of Level 1 and 2 fair value measurements, and the reasons for the transfers must be disclosed. In the reconciliation for Level 3 fair value measurements, separate disclosures are required for purchases, sales, issuances, and settlements on a gross basis. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for interim and annual reporting periods beginning after December 15, 2010. We adopted the disclosure requirements of ASU 2010-06 effective February 28, 2010. See Note 13, Fair Value Measurements, for the additional disclosures required under the guidance. We intend to adopt the remaining Level 3 disclosure requirements effective February 27, 2011. We are in the process of evaluating the additional disclosure requirements and do not expect that the additional requirements will have a significant impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, Multiple Deliverable Revenue Arrangements. ASU 2009-13 amends ASC 605-10, Revenue Recognition, and addresses accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit, and provides guidance regarding how to measure and allocate arrangement consideration to one or more units of accounting. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted, but certain requirements must be met. We are in the process of evaluating ASU 2009-13 and do not expect that it will have a significant impact on our consolidated financial statements.

Forward-Looking Statements

We may make forward-looking statements reflecting our current views with respect to future events and financial performance. These forward-looking statements, which may be included in reports filed under the Exchange Act, in press releases and in other documents and materials as well as in written or oral statements made by or on behalf of the Company, are subject to certain risks and uncertainties, including those discussed in Item 1A of this Form 10-K, which could cause actual results to differ materially from historical results or those anticipated.

The words or phrases will likely result, are expected to, estimate, project, believe, expect, should, anticipate, forecast, intend a expressions are intended to identify forward-looking statements within the meaning of Section 21e of the Exchange Act and Section 27A of the Securities Act of 1933, as amended, as enacted by the Private Securities Litigation Reform Act of 1995 (PSLRA). In particular we desire to take advantage of the protections of the PSLRA in connection with the forward-looking statements made in this Form 10-K.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date such statements are made. In addition, we wish to advise readers that the factors listed in Item 1A of this Form 10-K, as well as other factors, could affect our performance and could cause our actual results for future p