

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

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended August 3, 2019  
or  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**001-31390**  
(Commission File Number)

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

(Registrant, State of Incorporation or Organization, Address of Principal Executive Officers and Telephone Number)

**CHRISTOPHER & BANKS CORPORATION**

(a Delaware corporation)  
**2400 Xenium Lane North**  
**Plymouth, Minnesota 55441**  
**763-551-5000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  YES  NO  
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  YES  NO

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class	Outstanding at September 6, 2019	Trading Symbol	Name of each exchange on which registered
Common stock, par value \$.01 per share	38,333,716	CBKC	OTCQX

**CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES**  
**QUARTERLY REPORT ON FORM 10-Q**  
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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(amounts in thousands)

	August 3, 2019	February 2, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,242	\$ 10,239
Accounts receivable	3,471	2,767
Merchandise inventories	48,718	41,039
Prepaid expenses and other current assets	3,894	3,372
Income taxes receivable	294	268
Total current assets	58,619	57,685
Non-current assets:		
Property, equipment and improvements, net	27,925	31,643
Operating lease assets	121,782	—
Deferred income taxes	499	499
Other assets	668	1,276
Total non-current assets	150,874	33,418
Total assets	\$ 209,493	\$ 91,103
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 27,098	\$ 17,834
Short-term borrowings	3,450	—
Current portion of long-term lease liabilities	28,258	—
Accrued salaries, wages and related expenses	5,139	4,954
Accrued liabilities and other current liabilities	19,507	25,894
Total current liabilities	83,452	48,682
Non-current liabilities:		
Deferred lease incentives	—	6,267
Long-term lease liabilities	111,968	6,661
Other non-current liabilities	2,013	8,970
Total non-current liabilities	113,981	21,898
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — \$0.01 par value, 1,000 shares authorized, none outstanding	—	—
Common stock — \$0.01 par value, 74,000 shares authorized, 48,639 and 48,365 shares issued, and 38,336 and 38,386 shares outstanding at August 3, 2019 and February 2, 2019, respectively	451	481
Additional paid-in capital	129,118	128,714
Retained earnings	(4,634)	4,137
Common stock held in treasury, 10,303 and 9,979 shares at cost at August 3, 2019 and February 2, 2019	(112,875)	(112,809)
Total stockholders' equity	12,060	20,523
Total liabilities and stockholders' equity	\$ 209,493	\$ 91,103

See Notes to Condensed Consolidated Financial Statements

**CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)**  
(amounts in thousands, except per share data)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales	\$ 83,443	\$ 87,418	\$ 166,663	\$ 173,319
Merchandise, buying and occupancy costs	58,969	62,546	116,575	121,103
Gross profit	24,474	24,872	50,088	52,216
Other operating expenses:				
Selling, general and administrative	27,754	29,675	56,942	59,422
Depreciation and amortization	2,199	2,518	4,581	5,334
Impairment of store assets	311	—	311	—
Total other operating expenses	30,264	32,193	61,834	64,756
Operating loss	(5,790)	(7,321)	(11,746)	(12,540)
Interest expense, net	(111)	(42)	(267)	(99)
Loss before income taxes	(5,901)	(7,363)	(12,013)	(12,639)
Income tax provision	40	63	80	106
Net loss	<u>\$ (5,941)</u>	<u>\$ (7,426)</u>	<u>\$ (12,093)</u>	<u>\$ (12,745)</u>
Other comprehensive income, net of tax	—	—	—	—
Comprehensive loss	<u>\$ (5,941)</u>	<u>\$ (7,426)</u>	<u>\$ (12,093)</u>	<u>\$ (12,745)</u>
Basic loss per share:				
Net loss	\$ (0.16)	\$ (0.20)	\$ (0.32)	\$ (0.34)
Basic shares outstanding	37,440	37,458	37,686	37,381
Diluted loss per share:				
Net loss	\$ (0.16)	\$ (0.20)	\$ (0.32)	\$ (0.34)
Diluted shares outstanding	37,440	37,458	37,686	37,381

**See Notes to Condensed Consolidated Financial Statements**

**CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**  
(amounts in thousands)

	Thirteen Weeks Ended						
	Treasury		Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares Held	Amount Held	Shares Outstanding	Amount Outstanding			
May 4, 2019	10,161	\$ (112,873)	38,193	\$ 463	\$ 128,964	\$ 1,307	\$ 17,861
Total comprehensive loss	—	—	—	—	—	(5,941)	(5,941)
Issuance of restricted stock, net of forfeitures	—	—	285	2	(6)	—	(4)
Stock-based compensation expense	—	—	—	—	160	—	160
Acquisition of common stock held in treasury, at cost	142	(2)	(142)	(14)	—	—	(16)
August 3, 2019	<u>10,303</u>	<u>\$ (112,875)</u>	<u>38,336</u>	<u>\$ 451</u>	<u>\$ 129,118</u>	<u>\$ (4,634)</u>	<u>\$ 12,060</u>

	Twenty-six Weeks Ended						
	Treasury		Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares Held	Amount Held	Shares Outstanding	Amount Outstanding			
February 2, 2019	9,979	\$ (112,809)	38,386	\$ 481	\$ 128,714	\$ 4,137	\$ 20,523
Total comprehensive loss	—	—	—	—	—	(12,093)	(12,093)
Issuance of restricted stock, net of forfeitures	—	—	274	2	(9)	—	(7)
Stock-based compensation expense	—	—	—	—	413	—	413
Acquisition of common stock held in treasury, at cost	324	(66)	(324)	(32)	—	—	(98)
Cumulative effect of accounting change	—	—	—	—	—	3,322	3,322
August 3, 2019	<u>10,303</u>	<u>\$ (112,875)</u>	<u>38,336</u>	<u>\$ 451</u>	<u>\$ 129,118</u>	<u>\$ (4,634)</u>	<u>\$ 12,060</u>

	Thirteen Weeks Ended						
	Treasury		Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares Held	Amount Held	Shares Outstanding	Amount Outstanding			
May 5, 2018	9,791	\$ (112,711)	38,078	\$ 478	\$ 127,993	\$ 31,658	\$ 47,418
Total comprehensive loss	—	—	—	—	—	(7,426)	(7,426)
Issuance of restricted stock, net of forfeitures	—	—	354	3	(10)	—	(7)
Stock-based compensation expense	—	—	—	—	253	—	253
August 4, 2018	<u>9,791</u>	<u>\$ (112,711)</u>	<u>38,432</u>	<u>\$ 481</u>	<u>\$ 128,236</u>	<u>\$ 24,232</u>	<u>\$ 40,238</u>

	Twenty-six Weeks Ended						
	Treasury		Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares Held	Amount Held	Shares Outstanding	Amount Outstanding			
February 3, 2018	9,791	\$ (112,711)	37,834	\$ 475	\$ 127,652	\$ 34,993	\$ 50,409
Total comprehensive loss	—	—	—	—	—	(12,745)	(12,745)
Issuance of restricted stock, net of forfeitures	—	—	598	6	(20)	—	(14)
Stock-based compensation expense	—	—	—	—	604	—	604
Cumulative effect of accounting change	—	—	—	—	—	1,984	1,984
August 4, 2018	<u>9,791</u>	<u>\$ (112,711)</u>	<u>38,432</u>	<u>\$ 481</u>	<u>\$ 128,236</u>	<u>\$ 24,232</u>	<u>\$ 40,238</u>

See Notes to Condensed Consolidated Financial Statements

**CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(amounts in thousands)

	Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018
<b>Cash flows from operating activities:</b>		
Net loss	\$ (12,093)	\$ (12,745)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,581	5,334
Impairment of store assets	311	—
Amortization of financing costs	30	31
Lease expense	12,867	—
Deferred lease-related liabilities	—	(486)
Stock-based compensation expense	413	604
Changes in operating assets and liabilities:		
Accounts receivable	(704)	(882)
Merchandise inventories	(7,680)	1,178
Prepaid expenses and other assets	(505)	(1,579)
Income taxes receivable	(26)	(46)
Accounts payable	9,286	3,021
Accrued liabilities	(2,964)	(5,757)
Lease liabilities	(13,634)	—
Other liabilities	(230)	(59)
Net cash used in operating activities	<u>(10,348)</u>	<u>(11,386)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, equipment and improvements	(996)	(1,722)
Proceeds from sale of assets	—	13,329
Net cash (used in) provided by investing activities	<u>(996)</u>	<u>11,607</u>
<b>Cash flows from financing activities:</b>		
Shares redeemed for payroll taxes	(5)	(13)
Proceeds from short-term borrowings	12,650	9,100
Payments of short-term borrowings	(9,200)	(9,100)
Payments of deferred financing costs	—	(171)
Acquisition of common stock held in treasury, at cost	(98)	—
Net cash provided by (used in) financing activities	<u>3,347</u>	<u>(184)</u>
Net (decrease) increase in cash and cash equivalents	(7,997)	37
Cash and cash equivalents at beginning of period	10,239	23,077
Cash and cash equivalents at end of period	<u>\$ 2,242</u>	<u>\$ 23,114</u>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 267	\$ 100
Income taxes paid	\$ 198	\$ 130
Accrued purchases of equipment and improvements	\$ 98	\$ 143

See Notes to Condensed Consolidated Financial Statements

**CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1 — Basis of Presentation**

The unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q have been prepared by Christopher & Banks Corporation and its subsidiaries (collectively referred to as "Christopher & Banks", "the Company", "we" or "us") pursuant to the current rules and regulations of the United States ("U.S.") Securities and Exchange Commission ("SEC"). Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been omitted, pursuant to such rules and regulations. These unaudited Condensed Consolidated Financial Statements, except the Condensed Consolidated Balance Sheet as of February 2, 2019 derived from the Company's audited financial statements, should be read in conjunction with the audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year. In the opinion of management, the information contained herein reflects all adjustments, consisting only of normal adjustments, except as otherwise stated in these notes, considered necessary to present fairly our financial position, results of operations, and cash flows as of August 3, 2019, August 4, 2018 and for all periods presented.

*Recently issued accounting pronouncements*

In August 2018, the FASB issued *ASU No. 2018-13, Fair Value Measurement - Disclosure Framework (Topic 820)*. The updated guidance improves the disclosure requirements for fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We are currently evaluating the impact of adopting the updated provisions.

*Recently adopted accounting pronouncements*

In February 2016, the FASB issued *ASU No. 2016-02, Leases (Topic 842)*. The Company adopted the new standard, ASC 842, *Leases*, and all related amendments on February 3, 2019 using the "Comparatives Under 840 Option" for all leases in which we applied the previous standard, ASC 840, *Leases*, and recognized the effects of applying ASC 842 as a cumulative-effect adjustment to retained earnings as of February 3, 2019. We elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carryforward the historical lease classification. In addition, we elected certain practical expedients and accounting policies including the lessee practical expedient to not separate lease components. We made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet. We recognize those lease payments in the Condensed Consolidated Statements of Operations on a straight-line basis over the lease term. Adoption of the standard resulted in the recognition of operating lease assets and operating lease liabilities of \$134.9 million and \$153.9 million, respectively, as of February 3, 2019. The operating lease asset recorded at adoption of the standard represents the capitalization of operating lease assets and the reclassification of prepaid rent and leasehold acquisition costs, offset by the reclassification of straight-line rent accruals, tenant improvement allowances and vacant space reserves. At adoption, we recorded an adjustment to retained earnings of \$3.3 million, which includes the recognition of the deferred gain on the sale-leaseback transaction of our corporate headquarters facility. Additional information and disclosures required by the new standard are contained in *Note 9 - Leases*.

In August 2018, the SEC adopted a final rule under *SEC Release No. 33-10532, Disclosure Update and Simplification* that amends certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments also expanded the disclosure requirements on the analysis of shareholders' equity for interim financial statements, in which registrants must now analyze changes in shareholders' equity, in the form of reconciliation, for the current and comparative year-to-date periods, with subtotals for each interim period. This final rule was effective on November 5, 2018. As of the first quarter of Fiscal 2019, the Company has adopted all relevant disclosure requirements, including the shareholders' equity interim disclosures.

We reviewed all other significant newly-issued accounting pronouncements and concluded they are either not applicable to our operations or that no material effect is expected on our consolidated financial statements as a result of future adoption.



**NOTE 2 — Revenue**

*Merchandise sales*

We sell merchandise through our brick and mortar and eCommerce sales channels. Revenues are recognized when control of the promised merchandise is transferred to our customers. Within our brick and mortar sales channel, control is transferred at the point of sale. Within our eCommerce sales channel, control is transferred upon delivery of the merchandise to our customers. Shipping revenues associated with the eCommerce channel are recognized upon the completion of the delivery. The revenue recorded reflects the consideration that we expect to receive in exchange for our merchandise. The Company has elected, as an accounting policy, to exclude from the transaction price all taxes assessed by governmental authorities imposed on merchandise sales.

*Right of return*

As part of our merchandise sales, we offer customers a right of return on merchandise that lapses, after a specified period of time, based on the original purchase date. The Company estimates the amount of sales that may be returned by our customers and records this estimate as a reduction of revenue in the period in which the related revenues are recognized. We utilize historical and industry data to estimate the total return liability. Conversely, the reduction in revenue results in a corresponding reduction in merchandise, buying and occupancy costs which results in a contract asset for the anticipated merchandise returned. The total reduction in revenue from estimated returns was \$1.2 million and as of both August 3, 2019 and February 2, 2019, this amount is included within accrued liabilities and other current liabilities in the Condensed Consolidated Balance Sheets.

*Friendship rewards program*

The Company established the Friendship Rewards Program as a loyalty program where customers earn points towards future discount certificates based on their purchase activity. We have identified the additional benefits received from this program as a separate performance obligation within a sales contract in the form of the discount certificates earned by customers. Accordingly, we assess any incremental discounts issued to our customers through the program and allocate a portion of the transaction price associated with merchandise sales from loyalty program members to the future discounts earned. The transaction price allocated to future discounts is recorded as deferred revenue until the discounts are used or forfeited. In addition, the Company estimates breakage on the points earned within the program that will not be used by customers for future discounts. The Company estimates breakage based on the historical redemption rate and considers industry trends. Breakage is recorded as a reduction to the deferred revenue associated with the program. As of August 3, 2019, and February 2, 2019, the Company recorded \$4.2 million and \$3.8 million, respectively, in deferred revenue associated with the program, which is included in accrued liabilities and other current liabilities in the Condensed Consolidated Balance Sheets.

*Gift card revenue*

The Company sells gift cards to customers which can be redeemed for merchandise within our brick and mortar and eCommerce sales channels. Gift cards are recorded as deferred revenue when issued and are subsequently recorded as revenue upon redemption. The Company estimates breakage related to gift cards when the likelihood of redemption is remote. This estimate utilizes historical trends based on the vintage of the gift card. Breakage on gift cards is recorded as revenue in proportion to the rate of gift card redemptions by vintage. As of August 3, 2019, and February 2, 2019, the Company had \$2.6 million and \$4.6 million, respectively, of deferred revenue associated with the issuance of gift cards. The deferred gift card revenue is included in accrued liabilities and other current liabilities in the Condensed Consolidated Balance Sheets.

*Private label credit card*

The Company offers a private label credit card ("PLCC") which bears the *Christopher and Banks* brand name offered under an agreement with Comenity Bank. Pursuant to this agreement, there are several obligations on behalf of Comenity Bank that impact the recording of revenue.

In connection with extending the term of the agreement, the Company received a signing bonus. We have determined that the benefits associated with signing the agreement are recognized over time throughout its term. This is the most accurate depiction of the transfer of services as the customer receives and consumes the benefits by obtaining and having the ability to use financing through Comenity Bank for purchases within our brick and mortar and eCommerce sales channels throughout the agreement's term. The deferred signing bonus is included in other liabilities and is being recognized in net sales ratably over the term of the contract.

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The other revenue based on customer usage of the card is recognized in net sales in the periods in which the related customer transaction occurs. As of August 3, 2019 and February 2, 2019, the Company had \$1.5 million recorded as deferred revenue associated with the signing bonus, of which \$0.3 million is included in accrued liabilities and other current liabilities and the remaining \$1.2 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheets. The Company recorded \$0.1 million into revenue for the thirteen and twenty-six-week periods ended August 3, 2019 and August 4, 2018, respectively, associated with the signing bonus.

The Company records revenue associated with royalties received for purchases made using the PLCC. Royalty revenue is recognized based on the total amount to which we have a right to invoice in accordance with the practical expedient included in ASC 606. Accordingly, royalty revenue is recognized in the period in which the related purchases are recognized.

The Company receives a performance bonus based on the total amount of new PLCC accounts that are opened during the year. We have determined that this is a form of variable consideration. Variable consideration is recorded if, in the Company's judgment, it is probable that a significant future reversal of revenue under the contract will not occur.

*Disaggregation of revenue*

The following table provides information about disaggregated revenue by sales channel. All revenue illustrated below is included within our one reportable segment.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Brick and mortar stores	\$ 65,595	\$ 66,715	\$ 130,647	\$ 134,770
eCommerce sales	16,698	19,216 <sup>1</sup>	35,598	38,010 <sup>1</sup>
Other	1,150	1,487	418	539
Net sales	<u>\$ 83,443</u>	<u>\$ 87,418</u>	<u>\$ 166,663</u>	<u>\$ 173,319</u>

<sup>(1)</sup> Includes approximately \$2.4 million and \$4.7 million of 2018 revenues for the thirteen and twenty-six week periods ended, respectively, from orders placed in store and fulfilled from another location. For 2019, similar sales are included in brick and mortar stores.

Amounts included within other revenue relate to revenues earned from our private label credit card, net of any revenue adjustments and accruals.

*Contract balances*

The following table provides information about contract assets and liabilities from contracts with customers (in thousands):

	Contract Liabilities			
	August 3, 2019		February 2, 2019	
	Current	Non-Current	Current	Non-Current
Right of return	\$ 1,215	\$ —	\$ 1,176	\$ —
Friendship Rewards Program	4,169	—	3,768	—
Gift card revenue	2,637	—	4,646	—
Private label credit card	274	1,210	274	1,348
Total	<u>\$ 8,295</u>	<u>\$ 1,210</u>	<u>\$ 9,864</u>	<u>\$ 1,348</u>

The Company recognized revenue of \$1.4 million and \$1.5 million in the thirteen-week periods ended August 3, 2019 and August 4, 2018, respectively, related to contract liabilities recorded at the beginning of the period. The Company recognized revenue of \$3.1 million and \$3.4 million in the twenty-six-week periods ended August 3, 2019 and August 4, 2018, respectively, related to contract liabilities recorded at the beginning of the period. Such revenues were comprised of the redemption and forfeiture of Friendship Rewards Program discount certificates, redemption of gift cards, and amortization of the PLCC signing bonus. As of August 3, 2019, and February 2, 2019, the Company did not have any material contract assets.

For the thirteen and twenty-six-week periods ended August 3, 2019 and August 4, 2018, the Company did not recognize any revenue resulting from changes in the estimated variable consideration to be received associated with performance obligations satisfied or partially satisfied in prior periods.

*Transaction price allocated to remaining performance obligations*

The following table includes the estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied or partially unsatisfied as of August 3, 2019:

	Remainder of		
	Fiscal 2019	Fiscal 2020	Thereafter
Private label credit card	\$ 137	\$ 274	\$ 1,073
Total	\$ 137	\$ 274	\$ 1,073

*Contract Costs*

The Company has not incurred any costs to obtain or fulfill a contract.

**NOTE 3 — Property, Equipment and Improvements, Net**

Property, equipment and improvements, net consisted of the following (in thousands):

Description	August 3, 2019	February 2, 2019
Store leasehold improvements	\$ 50,071	\$ 50,305
Store furniture and fixtures	70,442	70,815
Corporate office and distribution center furniture, fixtures and equipment	6,220	6,179
Computer and point of sale hardware and software	33,631	33,098
Construction in progress	91	419
Total property, equipment and improvements, gross	160,455	160,816
Less accumulated depreciation and amortization	(132,530)	(129,173)
Total property, equipment and improvements, net	\$ 27,925	\$ 31,643

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the sum of the estimated future cash flows is less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which is typically based on estimated discounted future cash flows. We recognize an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. For a depreciable long-lived asset, the new cost basis is depreciated over the remaining useful life of that asset.

When reviewing long-lived assets for impairment, we group long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For long-lived assets deployed at store locations, we review for impairment at the individual store level.

Our impairment loss calculations involve uncertainty because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including estimating useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows. If actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material.

Due to declining sales and continued operating losses, the Company performed an impairment analysis during the period ended August 3, 2019. Leasehold improvements, store furniture and fixtures at certain under-performing stores, and stores identified for closure were analyzed for impairment. As a result of this analysis, the Company recorded a \$0.3 million long-lived asset impairment during the thirteen and twenty-six week periods ended August 3, 2019. The Company recorded no long-lived asset impairment during the thirteen and twenty-six week periods ended August 4, 2018.

*Sale-Leaseback*

On April 27, 2018, the Company completed the sale of and entered into an agreement to leaseback its corporate headquarters facility, which includes its distribution center, in Plymouth, Minnesota. The agreement provided for the sale of the facility for a purchase price of \$13.7 million and the subsequent leaseback of the facility for a 15-year period. The lease is classified as an operating lease. As a result of this transaction, the Company recorded a deferred gain of \$7.7 million. During Fiscal 2018, the Company recognized the deferred gain on a straight-line basis over the term of the lease. At the beginning of Fiscal 2019, the remaining \$7.3 million of the deferred gain was recorded as an adjustment to retained earnings with the adoption of ASC 842, *Leases*.

As part of the transaction, the Company deposited \$1.7 million in escrow for certain repairs to the building. As of August 3, 2019, and February 2, 2019, \$0.8 million remained in escrow for repairs to the building. This amount is considered to be restricted cash and is included within cash and cash equivalents on the Condensed Consolidated Balance Sheet.

**NOTE 4 — Accrued Liabilities**

Accrued liabilities and other current liabilities consisted of the following (in thousands):

	August 3, 2019	February 2, 2019
Gift card and store credit liabilities	\$ 2,637	\$ 4,646
Accrued Friendship Rewards Program loyalty liability	4,169	3,768
Accrued income, sales and other taxes payable	1,200	911
Accrued occupancy-related expenses	645	3,700
Sales return reserve	1,215	1,176
eCommerce obligations	4,842	6,194
Other accrued liabilities	4,799	5,499
Total accrued liabilities and other current liabilities	<u>\$ 19,507</u>	<u>\$ 25,894</u>

**NOTE 5 — Credit Facility**

The Company is party to an amended and restated credit agreement ("the Credit Facility") with Wells Fargo Bank, National Association ("Wells Fargo"), as lender. On August 3, 2018, the Company entered into a second amendment ("Second Amendment") to the Credit Facility.

The Second Amendment, among other changes, (i) extended the term of the Credit Facility to August 3, 2023; and (ii) supplemented the existing \$50.0 million revolving Credit Facility by adding a new \$5.0 million revolving "first-in, last-out" tranche credit facility (the "FILO Facility"), subject to borrowing base restrictions applicable to the FILO Facility. The Company must draw under the FILO Facility before making any borrowings under the revolving Credit Facility.

Loans under the FILO Facility will bear interest based on quarterly excess available under the Borrowing Base as defined in the Credit Facility. The interest rate under the FILO Facility will be either (i) the London Interbank Offered Rate ("LIBOR") plus 3.00% for FILO loans that are LIBOR loans; or (ii) 2.00% above the Base Rate for FILO loans that are Base Rate loans as such terms are defined in the Credit Facility. Borrowings under the Credit Facility will generally accrue interest at a rate ranging from 1.50% to 1.75% over the LIBOR or 0.50% to 0.75% over the Wells Fargo Prime Rate based on the amount of Average Daily Availability for the Fiscal Quarter immediately preceding each Adjustment Date, as such terms are defined in the Credit Facility. The Company has the ability to select between the LIBOR or prime based rate at the time of the cash advance. The Credit Facility has an unused commitment fee of 0.25%.

In addition to these changes, the Second Amendment eliminates availability against the Company's real property, which was the subject of a sale-leaseback transaction on April 27, 2018. The Company expensed approximately \$30 thousand of deferred financing costs during the twenty-six week period ended August 3, 2019 in connection with the Credit Agreement. The deferred financing costs have been combined with the balance of the deferred financing costs remaining from the prior amendment on September 8, 2014. Deferred financing costs are included in other assets on the Condensed Consolidated Balance Sheet and are being amortized as interest expense over the related term of the Second Amendment.

The Credit Facility contains customary events of default and various affirmative and negative covenants. The sole financial covenant contained in the Credit Facility requires the Company to maintain Availability at least equal to the greater of (a) ten percent (10%) of the borrowing base or (b) \$3.0 million. In addition, the Credit Facility permits the payment of dividends to the Company's stockholders if certain financial conditions are met. The Company was in compliance with all financial covenants and other financial provisions of the Credit Facility as of August 3, 2019.

The Company's obligations under the Credit Facility are secured by the assets of the Company and its subsidiaries. The Company has pledged substantially all of its assets as collateral security for the loans, including accounts owed to the Company, bank accounts, inventory, other tangible and intangible personal property, intellectual property (including patents and trademarks), and stock or other evidences of ownership of 100% of all of the Company's subsidiaries.

There were \$3.5 million and zero in outstanding borrowings under the Credit Facility as of August 3, 2019 and February 2, 2019, respectively. The capped borrowing base at August 3, 2019 was approximately \$39.8 million. As of August 3, 2019, the Company had open on-demand letters of credit of approximately \$11.1 million. Accordingly, after reducing the capped borrowing base, current borrowings of \$3.5 million, open letters of credit and the required minimum availability of the greater of \$3.0 million, or \$3.4 million (10.0% of the revolving loan cap), the net availability of revolving credit loans under the Credit Facility was approximately \$21.8 million at August 3, 2019.

#### **NOTE 6 — Income Taxes**

For the thirteen weeks ended August 3, 2019, the Company recorded income tax expense of \$40 thousand, or an effective tax rate of (0.7)%, versus income tax expense of \$63 thousand, or an effective tax rate of (0.9)% for the same period of Fiscal 2018. For the twenty-six weeks ended August 3, 2019, the Company recorded income tax expense of \$80 thousand, or an effective rate of (0.7)%, versus income tax expense of \$106 thousand, or an effective rate of (0.8)%, for the same period of Fiscal 2018. The income tax provisions for the Fiscal 2019 and 2018 periods are primarily driven by state taxes.

As of August 3, 2019, the possibility of future cumulative losses still exists. Accordingly, the Company has continued to maintain a valuation allowance against its net deferred tax assets. A small deferred tax asset was allowed to remain related to certain state tax benefits. As of February 2, 2019, the Company has gross federal and state net operating loss ("NOL") carryforwards of approximately \$145.5 million and \$73.6 million, respectively. A portion of the federal net operating loss carryforwards will begin to expire in 2032 while the other portion can be carried forward indefinitely. The state net operating loss carryforwards have carryforward periods of 5 to 20 years and begin to expire in the current year. The Company also has federal tax credits of \$859 thousand which will begin to expire in 2030 and gross charitable contribution carryforwards of \$726 thousand that will begin to expire in 2020.

Sections 382 and 383 of the Internal Revenue Code limit the annual utilization of certain tax attributes, including net operating loss carryforwards, incurred prior to a change in ownership. If the Company were to experience an ownership change, as defined by Sections 382 and 383, its ability to utilize its tax attributes could be substantially limited. Depending on the severity of the annual NOL limitation, the Company could permanently lose its ability to use a significant number of its accumulated NOLs.

The Company's liability for unrecognized tax benefits associated with uncertain tax provisions is recorded within the Condensed Consolidated Balance Sheets in Other non-current liabilities. There has been no material change in the reserve for unrecognized tax benefits since the end of the previous year. The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. We do not expect any significant changes to the amount of unrecognized tax benefits in the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. With few exceptions, the Company or its subsidiaries are no longer subject to examination prior to tax years before Fiscal 2011. The Company does not have any ongoing income tax audits that are anticipated to have a material impact on the financial statements.

**NOTE 7 — Earnings Per Share**

The following table sets forth the calculation of basic and diluted earnings per share (“EPS”) shown on the face of the accompanying Condensed Consolidated Statement of Operations:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
<b>Numerator (in thousands):</b>				
Net loss attributable to Christopher & Banks Corporation	\$ (5,941)	\$ (7,426)	\$ (12,093)	\$ (12,745)
<b>Denominator (in thousands):</b>				
Weighted average common shares outstanding - basic	37,440	37,458	37,686	37,381
Dilutive shares	—	—	—	—
Weighted average common and common equivalent shares outstanding - diluted	37,440	37,458	37,686	37,381
<b>Net loss per common share:</b>				
Basic	\$ (0.16)	\$ (0.20)	\$ (0.32)	\$ (0.34)
Diluted	\$ (0.16)	\$ (0.20)	\$ (0.32)	\$ (0.34)

Total stock options of approximately 4.8 million and 4.3 million were excluded from the shares used in the computation of diluted earnings per share for the thirteen-week periods ended August 3, 2019 and August 4, 2018, as they were anti-dilutive. Total stock options of approximately 4.7 million and 4.0 million were excluded from the shares used in the computation of diluted earnings per share for the twenty-six-week periods ended August 3, 2019 and August 4, 2018, as they were anti-dilutive.

**NOTE 8 — Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair value measurements, as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable
- Level 3 – Unobservable inputs that are significant to the fair value of the asset or liability.

*Assets that are Measured at Fair Value on a Non-recurring Basis:*

The following table summarizes certain information for non-financial assets for the twenty-six weeks ended August 3, 2019 and the fiscal year ended February 2, 2019, that are measured at fair value on a non-recurring basis in periods subsequent to an initial recognition period. The Company places amounts into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Long-Lived Assets Held and Used (in thousands):	Twenty-six Weeks Ended	Fiscal Year Ended
	August 3, 2019	February 2, 2019
Carrying value	\$ 510	\$ 4,829
Fair value measured using Level 3 inputs	199	445
Impairment charge	\$ 311	\$ 4,384

Approximately \$0.2 million of the Fiscal 2019 impairment charge reduced the carrying value of operating lease assets. The remainder of the Fiscal 2019 and 2018 impairment charges reduced the carrying value of fixed assets.

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All of the fair value measurements included in the table above were based on significant unobservable inputs (Level 3). The Company determines fair value for measuring assets on a non-recurring basis using a discounted cash flow approach as discussed in *Note 3, Property, Plant and Equipment*. In determining future cash flows, the Company uses its best estimate of future operating results, which requires the use of significant estimates and assumptions, including estimated sales, merchandise margin and expense levels, and the selection of an appropriate discount rate; therefore, differences in the estimates or assumptions could produce significantly different results. General economic uncertainty impacting the retail industry and continuation of recent trends in company performance makes it reasonably possible that additional long-lived asset impairments could be identified and recorded in future periods.

Fixed asset fair values were derived using a discounted cash flow ("DCF") model to estimate the present value of net cash flows that the asset or asset group is expected to generate. The key inputs to the DCF model generally included our forecasts of net cash generated from revenue, expenses and other significant cash outflows, such as capital expenditures, as well as an appropriate discount rate. In the case of assets for which the impairment was the result of restructuring activities, no future cash flows have been assumed as the assets will cease to be used and expected sale values are nominal.

**NOTE 9 — Leases**

The Company leases its store locations and vehicles under operating leases. The store lease terms, including rental period, renewal options, escalation clauses and rent as a percentage of sales, vary among the leases. Most store leases require the Company to pay real estate taxes and common area maintenance charges. In addition, we have lease agreements that contain both lease and non-lease components. We have elected to combine lease and non-lease components for all classes of assets.

Maturities of our lease liabilities as of August 3, 2019 are as follows:

(in thousands)	Lease Liabilities <sup>(1)</sup>
Remainder of 2019	\$ 19,479
2020	31,824
2021	26,201
2022	22,946
2023	22,170
Thereafter	45,568
Total lease payments	168,188
Less: Imputed interest	(27,962)
Present value of lease liabilities	140,226
Less: Current lease liabilities	(28,258)
Long-term lease liabilities	\$ 111,968

<sup>(1)</sup> Includes retail stores and the corporate headquarters facility, including the distribution center.

Maturities of our lease liabilities as of February 2, 2019 (under ASC 840, *Leases*) were as follows:

(in thousands)	Lease Liabilities <sup>(1)</sup>
2019	\$ 36,965
2020	25,887
2021	21,386
2022	18,439
2023	17,811
Thereafter	38,827
Total lease payments	\$ 159,315

<sup>(1)</sup> Includes retail stores and the corporate headquarters facility, including the distribution center.

The weighted average remaining lease terms and discount rates for all leases as of August 3, 2019 were as follows:

<b>Remaining lease term and discount rate:</b>	<b>August 3, 2019</b>
Weighted average remaining lease term (years)	6.0
Weighted average discount rate	6.0%

Operating expense for the thirteen weeks ended August 3, 2019 totaled approximately \$10.2 million, with \$0.5 million of that amount representing operating lease variable rent that was recorded in cost of sales. In addition, all but \$20 thousand of the \$9.7 million of non-variable operating lease rent is included in cost of sales. \$20 thousand of operating lease expense is included in selling, general and administrative expenses. For the thirteen weeks ended August 3, 2019, cash lease payments were \$11.2 million, and right of use assets obtained in exchange for lease liabilities were \$0.5 million.

Operating expense for the twenty-six weeks ended August 3, 2019 totaled approximately \$20.6 million, with \$0.9 million of that amount representing operating lease variable rent that was recorded in cost of sales. In addition, all but \$52 thousand of the \$19.7 million of non-variable operating lease expense is included in cost of sales. \$52 thousand of operating lease expense is included in selling, general and administrative expenses. For the twenty-six weeks ended August 3, 2019, cash lease payments were \$21.3 million, and right of use assets obtained in exchange for lease liabilities were \$2.6 million.

#### **NOTE 10 — Legal Proceedings**

We are subject, from time to time, to various claims, lawsuits or actions that arise in the ordinary course of business. We accrue for loss contingencies associated with outstanding litigation or legal claims for which management has determined it is probable that a loss contingency exists and the amount of the loss can be reasonably estimated. If we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue a potential loss contingency.

On August 14, 2019, Mark Gottlieb, a Company stockholder, filed a purported class action lawsuit against Jonathan Duskin; Seth Johnson; Keri Jones; Kent Kleeberger; William Sharpe, III; Joel Waller and Laura Weil (the "Named Directors"), B. Riley FBR, Inc. and B. Riley Financial Inc., in the Court of Chancery in the State of Delaware, on behalf of himself and all stockholders who held shares as of December 20, 2018. The lawsuit alleges that the Named Directors breached their duty of loyalty in connection with the Company's rejection in December of 2018, of an unsolicited bid to acquire the Company. The lawsuit further alleges that the B. Riley firms aided and abetted the asserted breach of the duty of loyalty by the Named Directors. The Company believes the Complaint is without merit. The Named Directors, and the Company on their behalf, together with the B. Riley firms, intend to defend the lawsuit vigorously.

The ultimate resolution of legal matters can be inherently uncertain and, for some matters, we may be unable to predict the ultimate outcome, determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome because of these uncertainties. We do not, however, currently believe that the resolution of any pending matter will have a material adverse effect on our financial position, results of operations or liquidity.

#### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 2, 2019 and our unaudited Condensed Consolidated Financial Statements and related Notes included in Item 1 of this Quarterly Report on Form 10-Q. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude.

##### **Executive Overview**

We are a specialty retailer of privately branded women's apparel and accessories. We offer our customer an assortment of unique, classic and versatile clothing that fits her everyday needs at a good value.

We operate an integrated, omni-channel platform that provides our customer the ability to shop when and where she wants, including online or at our retail and outlet stores. This approach allows our customers to browse, purchase, return, or exchange our merchandise through the channel that is optimal for her.



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As of August 3, 2019, we operated 455 stores in 44 states, including 310 Missy, Petite, Women ("MPW") stores, 80 outlet stores, 34 Christopher & Banks ("CB") stores, and 31 C.J. Banks ("CJ") stores. Our CB brand offers unique fashions and accessories featuring exclusively designed assortments of women's apparel in sizes 4 to 16 and in petite sizes 4P to 16P. Our C.J. Banks brand offers similar assortments of women's apparel in sizes 14W to 26W. Our MPW concept and outlet stores offer an assortment of both CB and CJ apparel servicing the Missy, Petite and Women-sized customer in one location.

### **Strategic Priorities**

Our overall business strategy is to build sustainable, long-term revenue growth and consistent profitability through the following strategic initiatives:

- Enhance the customer shopping experience;
- Improve marketing and promotional effectiveness;
- Leverage omni-channel capabilities;
- Build loyalty and grow our customer file;
- Optimize our real estate portfolio; and
- Right-size our cost structure.

#### *Enhance the Customer Shopping Experience*

We are committed to enhancing our customer's shopping experience by providing a well curated product assortment that is presented in a way that is easier for her to shop. We are focused on improving the flow and depth of our inventory buys which are intended to help her build an outfit and drive units per transaction. Additionally, we have recently launched a new Style and Selling model to support our store associates in providing even better service and importantly drive sales.

#### *Improve Marketing and Promotional Effectiveness*

Our goals include executing disciplined markdown management, leveraging improved analytics to inform what types and depth of promotions and targeted offers are used and to increase our return on marketing investments.

#### *Leverage Omni-Channel Capabilities*

Our integrated, omni-channel strategy is designed to provide customers with a seamless retail experience, allowing her to shop whenever, however and wherever she chooses. In January of 2018, we launched "Buy online, ship to store," and in November of 2018, we launched "Buy online, ship from store." As of August 2019, we are fulfilling eCommerce orders from approximately 220 of our stores. We launched "Buy online, pick up in store" during the first quarter of Fiscal 2019. These flexible fulfillment options not only meet a customer need, they allow us to better leverage our inventory across our chain.

#### *Build Loyalty and Grow our Customer File*

We have a very loyal customer base that is highly engaged. Our uniquely designed product, our value positioning and our customer service are key differentiators for us and contribute to the loyalty of our customers with approximately 90% of our active customers participating in our loyalty rewards program.

We continue to focus on maximizing the benefits of our customer relationship management ("CRM") database, Friendship Rewards Loyalty Program ("Friendship Rewards"), and private-label credit card program to strengthen engagement with our customers. Our Friendship Rewards program, in conjunction with our CRM system, allows us to personalize communications and customize our offers. We continue to leverage our direct and digital marketing channels to encourage additional customer visits and increased spending per visit.

To grow our active customer file, we intend to reallocate our marketing spend in an effort to drive acquisition of new customers, reactivate lapsed customers, and also capitalize on market disruptions. In addition, we intend to refresh our Friendship Rewards program and to continue to leverage that program. Finally, we plan to capitalize on our unique positioning in the market to drive engagement with customers on a grass roots level.

*Optimize our Real Estate Portfolio*

Between 2011 and 2015 we consolidated our store formats and reduced our store count by 33% in an effort to improve store productivity. Additionally, approximately 44% of our stores have a potential lease action arising during Fiscal 2019 and 57% before the end of Fiscal 2020. This should provide us with flexibility to close underperforming stores and the opportunity to renegotiate occupancy costs where applicable. To this end, we engaged a leading national third-party real estate consulting firm during the first quarter to assist us in lease restructuring and to accelerate and increase occupancy cost savings.

*Right-size our Cost Structure*

We intend to take a holistic approach in driving cost reductions. To help us in accomplishing this we have hired a third-party, non-merchandise procurement specialist to assist us in analyzing relationships and negotiating cost reductions. In addition, we intend to continue to aggressively negotiate rent reductions, optimize our marketing spend, review and reduce our corporate overhead and reduce our shipping and fulfillment expense.

**Performance Measures**

Management evaluates our financial results based on the following key measures of performance:

*Comparable sales*

Comparable sales is a measure that highlights the sales performance of our store channel and eCommerce channel by measuring the changes in sales over the comparable, prior-year period of equivalent length.

Our comparable sales calculation includes merchandise sales for:

- Stores operating for at least 13 full months;
- Stores relocated within the same center; and
- eCommerce sales.

Our comparable sales calculation excludes:

- Stores converted to the MPW format for 13 full months post conversion.

We believe our eCommerce operations are interdependent with our brick-and-mortar store sales and, as such, we believe that reporting combined store and eCommerce comparable sales is a more appropriate presentation. Our customers are able to browse merchandise in one channel and consummate a transaction in a different channel. At the same time, our customers have the option to return merchandise to a store or our third-party distribution center, regardless of the original channel used for purchase.

Comparable sales measures can vary across the retail industry. As a result, our comparable sales calculation is not necessarily comparable to similarly titled measures reported by other companies.

*Other performance metrics*

To supplement our comparable sales performance measure, we also monitor changes in net sales, net sales per store, net sales per gross square foot, gross profit, gross margin rate, operating income, cash, inventory and liquidity.

## Second Quarter Fiscal 2019 Results of Operations

The following table presents selected consolidated financial data for the second quarter of Fiscal 2019 compared to the second quarter of Fiscal 2018:

	Thirteen Weeks Ended		Net Change		Percent of Net Sales	
	August 3, 2019	August 4, 2018	Amount	Percent	August 3, 2019	August 4, 2018
<i>(dollars in thousands)</i>						
Net sales	\$ 83,443	\$ 87,418	\$ (3,975)	(4.5)%	100.0 %	100.0 %
Merchandise, buying and occupancy costs	58,969	62,546	(3,577)	(5.7)%	70.7 %	71.5 %
Gross profit	24,474	24,872	(398)	(1.6)%	29.3 %	28.5 %
Other operating expenses:						
Selling, general and administrative	27,754	29,675	(1,921)	(6.5)%	33.3 %	33.9 %
Depreciation and amortization	2,199	2,518	(319)	(12.7)%	2.6 %	2.9 %
Impairment of store assets	311	—	311	—%	0.4 %	—%
Total other operating expenses	30,264	32,193	(1,929)	(6.0)%	36.3 %	36.8 %
Operating loss	(5,790)	(7,321)	1,531	(20.9)%	(6.9)%	(8.4)%
Interest expense, net	(111)	(42)	(69)	164.3 %	(0.1)%	—%
Loss before income taxes	(5,901)	(7,363)	1,462	(19.9)%	(7.1)%	(8.4)%
Income tax provision	40	63	(23)	(36.5)%	—%	0.1 %
Net loss	\$ (5,941)	\$ (7,426)	\$ 1,485	(20.0)%	(7.1)%	(8.5)%

Rate trends as a percentage of net sales	Thirteen Weeks Ended	
	August 3, 2019	August 4, 2018
Gross margin	29.3 %	28.5 %
Selling, general, and administrative	33.3 %	33.9 %
Depreciation and amortization	2.6 %	2.9 %
Operating loss	(6.9)%	(8.4)%

### Second Quarter Fiscal 2019 Summary

- Net sales declined 4.5% compared to the same period last year due to declines in average unit retail, units per transaction, and average number of stores. These declines were partially offset by an increase in the number of transactions.
- Comparable sales decreased 4.1% following a 0.8% increase in the same period last year.
- eCommerce sales decreased 1.3% following a 16.4% increase in the same period last year.
- Gross margin rate improved 88 basis points compared to last year's second quarter primarily due to increased merchandise margin, partially offset by higher shipping costs related to our ship from store initiative.
- SG&A expense was \$1.9 million, or 6.5%, less than last year's second quarter due to lower expenses for compensation, medical benefits, professional services and eCommerce, and the sale of a claim regarding credit card interchange fees.
- Net loss totaled \$5.9 million, or a \$(0.16) loss per share, compared to a net loss for the prior year's second quarter of \$7.4 million, or a \$(0.20) loss per share.
- As of August 3, 2019, we held \$2.2 million of cash and cash equivalents, compared to \$2.6 million as of May 4, 2019. Bank borrowings were \$3.5 million as of the end of the second quarter versus \$3.0 million at the end of the first quarter.

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*Net Sales*

The components of the 4.5% net sales decrease in the second quarter Fiscal 2019 compared to the second quarter of Fiscal 2018 were as follows:

<b>Sales driver change components</b>	<b>Thirteen Weeks Ended</b>
	<b>August 3, 2019</b>
Number of transactions	2.1 %
Units per transaction	(2.9)%
Average unit retail	(3.5)%
Other sales	(0.2)%
<b>Total sales driver change</b>	<b>(4.5)%</b>

<b>Comparable sales</b>	<b>Thirteen Weeks Ended</b>
	<b>August 3, 2019</b>
Comparable sales	(4.1)%

Net sales decreased primarily due to a 3.5% decrease in average unit retail and a 2.9% decline in units per transaction. These decreases were partially offset by a 2.1% increase in the number of transactions.

To supplement our comparable sales measure, we also monitor changes in other store sales metrics as illustrated in the table below:

<b>Store metrics</b>	<b>Thirteen Weeks Ended</b>
	<b>August 3, 2019</b>
Net sales per store % change	(4.2)%
Net sales per square foot % change	(5.0)%

Net sales per store and net sales per square foot for the second quarter of Fiscal 2019 each declined primarily from the 3.5% reduction in average dollar spend per transaction and a 2.9% reduction in units per transaction, partially offset by a 2.1% increase in the number of transactions from the second quarter of the prior year.

Store count, openings, closings, and square footage for our stores were as follows:

<b>Stores by Format</b>	<b>Store Count</b>						<b>Square Footage <sup>(1)</sup></b>	
	<b>May 4,</b>		<b>MPW</b>		<b>August 3,</b>	<b>Avg Store</b>	<b>August 3,</b>	<b>May 4,</b>
	<b>2019</b>	<b>Open</b>	<b>Close</b>	<b>Conversions</b>	<b>2019</b>	<b>Count</b>	<b>2019</b>	<b>2019</b>
MPW	313	1	(3)	(1)	310	311	1,227	1,234
Outlet	81	—	(1)	—	80	80	321	325
Christopher and Banks	33	1	—	—	34	34	112	109
C.J. Banks	30	1	—	—	31	31	111	109
<b>Total Stores</b>	<b>457</b>	<b>3</b>	<b>(4)</b>	<b>(1)</b>	<b>455</b>	<b>456</b>	<b>1,771</b>	<b>1,777</b>

(1) Square footage presented in thousands

Average store count in the second quarter of Fiscal 2019 was 456 stores compared to an average store count of 462 stores in the second quarter of Fiscal 2018, a decrease of 1.3%. Average square footage in the second quarter of Fiscal 2019 decreased 0.5% compared to the second quarter of Fiscal 2018.

*Gross Profit*

Gross margin rate improved 88 basis points compared to the same period last year primarily due to increased merchandise margin, partially offset by higher shipping costs related to our ship from store initiative.

*Selling, General, and Administrative (“SG&A”) Expenses*

SG&A expense decreased by \$1.9 million due to lower expenses for compensation, medical benefits, professional services and eCommerce, and the sale of a claim regarding credit card interchange fees. As a percent of net sales, SG&A decreased approximately 0.6%.

*Depreciation and Amortization*

Depreciation and amortization expense decreased primarily due to the sale-leaseback of the corporate facility in April 2018, a decrease in average store count and lower depreciation due to impairment charges on store-related fixed assets taken in the third and fourth quarters of Fiscal 2018, as well as in the second quarter of Fiscal 2019.

*Operating Loss*

Our operating loss decreased \$1.5 million in the second quarter of Fiscal 2019 compared to the second quarter of Fiscal 2018 primarily due to the \$1.9 million decrease in SG&A expenses and the \$0.3 million decrease in depreciation expense, partially offset by the \$0.3 million impairment charge and the \$0.4 million decrease in gross profit.

*Interest expense, net*

The increase in net interest expense was due to a higher level of average borrowings from our Credit Facility during the second quarter of Fiscal 2019 compared to the comparable quarter of Fiscal 2018.

*Income Tax Provision*

Income tax expense recorded for the thirteen weeks ended August 3, 2019 was \$40 thousand compared to income tax expense of \$63 thousand for the same period of Fiscal 2018. Our effective tax rate was (0.7)% for the thirteen weeks ended August 3, 2019 compared to (0.9)% in the same period last year.

*Net earnings*

Our net loss decrease in the second quarter of Fiscal 2019 compared to our net loss in the second quarter of 2018 was primarily due to the decrease in SG&A and depreciation expenses, partially offset by the impairment charge and decrease in gross profit.

**First Half Fiscal 2019 Result of Operations**

The following table presents selected consolidated financial data for the first half of Fiscal 2019 compared to the first half of Fiscal 2018:

	Twenty-six Weeks Ended		Net Change		Percent of Net Sales	
	August 3, 2019	August 4, 2018	Amount	Percent	August 3, 2019	August 4, 2018
<i>(dollars in thousands)</i>						
Net sales	\$ 166,663	\$ 173,319	\$ (6,656)	(3.9)%	100.0 %	100.0 %
Merchandise, buying and occupancy costs	116,575	121,103	(4,528)	(3.7)%	69.9 %	69.9 %
Gross profit	50,088	52,216	(2,128)	(4.1)%	30.1 %	30.1 %
Other operating expenses:						
Selling, general and administrative	56,942	59,422	(2,480)	(4.2)%	34.2 %	34.3 %
Depreciation and amortization	4,581	5,334	(753)	(14.1)%	2.7 %	3.1 %
Impairment of store assets	311	—	311	— %	0.2 %	— %
Total other operating expenses	61,834	64,756	(2,922)	(4.5)%	37.1 %	37.4 %
Operating loss	(11,746)	(12,540)	794	(6.3)%	(7.0)%	(7.2)%
Interest expense, net	(267)	(99)	(168)	169.7 %	(0.2)%	(0.1)%
Loss before income taxes	(12,013)	(12,639)	626	(5.0)%	(7.2)%	(7.3)%
Income tax provision	80	106	(26)	(24.5)%	— %	0.1 %
Net loss	\$ (12,093)	\$ (12,745)	\$ 652	(5.1)%	(7.3)%	(7.4)%

Rate trends as a percentage of net sales	Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018
Gross margin	30.1 %	30.1 %
Selling, general, and administrative	34.2 %	34.3 %
Depreciation and amortization	2.7 %	3.1 %
Operating loss	(7.0)%	(7.2)%

**First Half Fiscal 2019 Summary**

- Net sales decreased 3.9% compared to the same period last year primarily due to declines in average unit retail, units per transaction and average number of stores. These declines were partially offset by increases in the number of transactions.
- Comparable sales decreased 3.9% following a 0.9% decrease in the same period last year.
- eCommerce sales increased 4.8% following a 9.1% increase in the same period last year.
- Gross margin percentage improved 7 basis points compared to the same period last year as increased merchandise margin was offset by higher shipping costs relating to our ship from store initiative.
- SG&A expense was \$2.5 million, or 4.2%, less than last year's first half due to lower expenses for corporate and store compensation, medical benefits, professional services and eCommerce, and the sale of a claim regarding credit card interchange fees in the second quarter. These expense decreases were partially offset by increases in insurance and recruiting and training expenses.
- Net loss for the first half totaled \$12.1 million, or \$(0.32) loss per share, compared to a net loss for the prior year's first half of \$12.7 million, or a \$(0.34) loss per share.
- As of August 3, 2019, we held \$2.2 million of cash and cash equivalents, compared to \$10.2 million as of February 2, 2019. Bank borrowings were \$3.5 million as of the end of the second quarter versus zero at February 2, 2019.

Net Sales

The components of the 3.9% net sales decrease in the first half of Fiscal 2019 compared to the first half of Fiscal 2018 were as follows:

	Twenty-six Weeks Ended August 3, 2019
<b>Sales driver change components</b>	
Number of transactions	0.7 %
Units per transaction	(0.5)%
Average unit retail	(4.3)%
Other sales	0.2 %
Total sales driver change	(3.9)%

	Twenty-six Weeks Ended August 3, 2019
<b>Comparable sales</b>	
Comparable sales	(3.9)%

Net sales decreased primarily due to a 4.3% decrease in average unit retail and a 0.5% decline in units per transaction. These decreases were partially offset by a 0.7% increase in the number of transactions.

To supplement our comparable sales measure, we also monitor changes in other store sales metrics as illustrated in the table below:

	Twenty-six Weeks Ended August 3, 2019
<b>Store metrics</b>	
Net sales per store % change	(5.2)%
Net sales per square foot % change	(5.9)%

Net sales per store and net sales per square foot for the first half of Fiscal 2019 each declined primarily from the 4.3% reduction of average dollar spend per transaction and 0.5% reduction in units per transaction, partially offset by a 0.7% increase in the number of transactions from the first half of the prior year.

Store count, openings, closings, and square footage for our stores were as follows:

Stores by Format	Store Count					Square Footage <sup>(1)</sup>		
	February 2, 2019	Open	Close	MPW Conversions	August 3, 2019	Avg Store Count	August 3, 2019	February 2, 2019
MPW	312	2	(3)	(1)	310	312	1,227	1,227
Outlet	80	1	(1)	—	80	81	321	321
Christopher and Banks	33	1	—	—	34	33	112	109
C.J. Banks	30	1	—	—	31	30	111	109
<b>Total Stores</b>	<b>455</b>	<b>5</b>	<b>(4)</b>	<b>(1)</b>	<b>455</b>	<b>456</b>	<b>1,771</b>	<b>1,766</b>

(1) Square footage presented in thousands

Average store count in the first half of Fiscal 2019 was 456 stores compared to an average store count of 462 stores in the first half of Fiscal 2018, a decrease of 1.3%. Average square footage in the first half of Fiscal 2019 decreased 0.5% compared to the first half of Fiscal 2018.

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*Gross Profit*

Gross margin percentage improved 7 basis points compared to the same period last year as increased merchandise margin was offset by higher shipping costs related to our ship from store initiative.

*Selling, General, and Administrative (“SG&A”) Expenses*

SG&A expense decreased by \$2.5 million due to lower expenses for corporate and store compensation, medical benefits, professional services and eCommerce, and the sale of a claim regarding credit card interchange fees in the second quarter. These expenses were partially offset by increases in insurance and recruiting and training expenses. As a percent of net sales, SG&A increased by approximately 0.5%.

*Depreciation and Amortization*

Depreciation and amortization expense decreased primarily due to the sale-leaseback of the corporate facility in April 2018, a 0.5% decrease in average store count and lower depreciation due to impairment charges on store-related fixed assets taken in the third and fourth quarters of Fiscal 2018, as well as in the second quarter of Fiscal 2019.

*Operating Loss*

Our operating loss decreased 6.3% in the first half of Fiscal 2019 compared to the first half of Fiscal 2018 as the \$2.5 million decline in SG&A expense and \$0.8 million decline in depreciation expense was partially offset by the \$2.1 million decline in gross profit and the \$0.3 million asset impairment charge.

*Interest expense, net*

The increase in net interest expense was due to a higher level of average borrowings from our Credit Facility during the first half of Fiscal 2019 compared to the comparable half of Fiscal 2018.

*Income Tax Provision*

Income tax expense recorded for the twenty-six weeks ended August 3, 2019 was \$80 thousand compared to income tax expense of \$106 thousand for the same period of Fiscal 2018. Our effective tax rate was (0.7)% for the twenty-six weeks ended August 3, 2019 compared to (0.8)% in the same period last year.

*Net earnings*

Our net loss decrease in the first half of Fiscal 2019 compared to our net loss in the first half of Fiscal 2018 was primarily due to net sales and gross margin decreases, along with the store asset impairment charge, partially offset by lower SG&A and depreciation expenses.

**Fiscal 2019 Outlook**

Based on the strong top line results third quarter-to-date, the Company is maintaining its Fiscal 2019 guidance.

For the full year of Fiscal 2019, the Company expects:

- Net sales to be flat to up 2% as the result of expanded omni-channel capabilities, enhancements to the overall product assortment, and more impactful marketing promotions intended to drive customer file growth;
- Gross margin expansion of 100 to 200 basis points as a result of improved inventory management, including supply chain and omni-channel initiatives, greater disciplines around promotions and the continued reduction of occupancy costs; the gross margin guidance reflects the impact of recently announced tariffs;
- SG&A as a percentage of sales to decline 100 to 150 basis points due to ongoing cost reduction initiatives; and
- To end the fiscal year with positive cash and no outstanding borrowings under its Credit Facility.



## Liquidity and Capital Resources

### Cash flow and liquidity

#### Summary

We expect to operate our business and execute our strategic initiatives principally with funds generated from operations and from our Credit Facility, subject to compliance with a financial covenant and other terms of the Company's Credit Facility with Wells Fargo Bank N.A. ("Wells Fargo").

As of August 3, 2019, our bank borrowings totaled \$3.5 million, with \$21.8 million of availability under the Company's Credit Facility. Our cash and cash equivalents balance as of August 3, 2019 was \$2.2 million, compared to \$10.2 million as of February 2, 2019.

#### Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for the first half of Fiscal 2019 compared to the first half of 2018:

<i>(in thousands)</i>	Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018
Net cash used in operating activities	\$ (10,348)	\$ (11,386)
Net cash (used in) provided by investing activities	(996)	11,607
Net cash provided by (used in) financing activities	3,347	(184)
Net (decrease) increase in cash and cash equivalents	\$ (7,997)	\$ 37

#### Operating Activities

The \$1.0 million decrease in cash used in operating activities in the first half of Fiscal 2019 compared to the first half of Fiscal 2018 was primarily due to changes in working capital. The positive effect of these items was partially offset by changes in non-cash lease-related items. Working capital fluctuations are a reflection of seasonal patterns and a change in the timing of accounts payable and payroll accruals.

#### Investing Activities

Cash used in investing activities for the current period was \$1.0 million as compared to an increase of cash of \$11.6 million last year. The \$12.6 million change is primarily attributable to proceeds of \$13.3 million from the sale of the corporate facility as part of a sale-leaseback transaction in April 2018. Capital expenditures for the first half of Fiscal 2019 were approximately \$1.0 million, which primarily reflected investments in technology associated with our eCommerce initiatives and merchandising capabilities, and expenditures supporting new stores.

#### Financing Activities

The increase in cash provided by financing activities between Fiscal 2019 and 2018 was due to net borrowings of \$3.5 million on the Company's Credit Facility during the second quarter of Fiscal 2019 and was, partially offset by repurchases of the Company's common stock.

#### Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents and our Credit Facility are our most significant sources of liquidity. We believe that our sources of liquidity will be sufficient to sustain operations and to finance anticipated capital investments and strategic initiatives over the next twelve months. However, in the event our liquidity is not sufficient to meet our operating needs, we may be required to limit our spending. There can be no assurance that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our existing facilities or obtain additional financing, if necessary, on favorable terms.

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The Credit Facility with Wells Fargo was most recently amended and extended on August 3, 2018. The current expiration date is August 3, 2023. The Credit Facility amendment in 2018 supplemented the Company's existing \$50.0 million revolving Credit Facility by adding a new \$5.0 million revolving "first-in, last-out" ("FILO Facility") tranche, subject to the borrowing base restrictions applicable to the FILO Facility.

In addition to these changes, the amendment eliminates availability against the Company's real property, which was the subject of a sale-leaseback transaction during Fiscal 2018.

The capped borrowing base at August 3, 2019 was approximately \$39.8 million. As of August 3, 2019, the Company had open on-demand letters of credit of approximately \$11.1 million. Accordingly, after reducing the capped borrowing base for current borrowings of \$3.5 million, open letters of credit and the required minimum availability of the greater of \$3.0 million, or \$3.4 million (10.0% of the revolving loan cap), the net availability of revolving credit loans under the Credit Facility was approximately \$21.8 million at August 3, 2019.

See *Note 5 - Credit Facility* for additional details regarding our Credit Facility.

### **Exchange Listing**

As previously disclosed, the Company received notice from the New York Stock Exchange (the "NYSE") on April 17, 2019 that the Company was not in compliance with certain NYSE listing standards which require minimum market capitalization to be in excess of \$15.0 million over a 30-day consecutive trading period. The Company exercised its right to seek review of this determination by a Committee of the Board of Directors of the Exchange and a hearing before that Committee was scheduled for July 18, 2019. Following discussions with representatives of the NYSE, on July 17, 2019, the Company withdrew its appeal given its current market capitalization was below \$15.0 million. In connection therewith, trading in the Company's common stock on the NYSE was suspended following the close of the NYSE market on Wednesday, July 17, 2019. On July 18, 2019, the Company's common stock began trading on the OTC Markets Group under the symbol "CBKC". On July 17, 2019, the NYSE filed a Form 25 with the Securities & Exchange Commission to effect the formal delisting of the Company's common stock from the NYSE, which became effective July 29, 2019. The Form 25 filing did not cause the removal of any shares of the Company's common stock from registration under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company remains subject to the periodic reporting requirements of the Exchange Act. The Company believes that the delisting of its common stock from the NYSE, as well as the related process leading up to delisting, has had a negative impact on the Company's common stock market price as well as on the liquidity of its common stock.

### **Sourcing**

There have been no material changes to our ratio of imports to total merchandise purchases or concentration of supplier purchases in the thirteen and twenty-six week periods ended August 3, 2019 compared to the Fiscal 2018 year ended February 2, 2019.

### **Quarterly Results and 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, and shifts in the timing of certain holidays and shifts in the timing of promotional events.

### **Inflation**

We do not believe that inflation had a material effect on our results of operations for the twenty-six-week period ended August 3, 2019.

### **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 - Risk Factors of our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, which could cause actual results to differ materially from historical results or those anticipated.

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The words or phrases “will likely result,” “are expected to,” “estimate,” “project,” “believe,” “expect,” “should,” “anticipate,” “forecast,” “intend” and similar 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 Quarterly Report on Form 10-Q.

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 our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, as well as other factors, could affect our performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed in the quarterly report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For a discussion of our exposure to, and management of our market risks, see Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019. There have been no material changes to our exposure to, and management of our market risks in the thirteen and twenty-six week periods ended August 3, 2019.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

The Company carried out an evaluation as of the end of the period covered by this report (the “Evaluation Date”), under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rules 13(a)-15(e) and 15(d)-15(e) of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of August 3, 2019 the Company’s disclosure controls and procedures are effective at the reasonable assurance level.

#### **Changes in Internal Controls**

There were no significant changes in our internal controls that could materially affect our disclosure controls and procedures subsequent to the Evaluation Date. Furthermore, there was no change in our internal control over financial reporting during the quarter ended August 3, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

### **ITEM 1. LEGAL PROCEEDINGS**

We are subject, from time to time, to various claims, lawsuits or actions that arise in the ordinary course of business. We accrue for loss contingencies associated with outstanding litigation or legal claims for which management has determined it is probable that a loss contingency exists and the amount of the loss can be reasonably estimated. If we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue a potential loss contingency.

On August 14, 2019, Mark Gottlieb, a Company stockholder, filed a purported class action proceeding against Jonathan Duskin; Seth Johnson; Keri Jones; Kent Kleeberger; William Sharpe, III; Joel Waller and Laura Weil (the "Named Directors"), B. Riley FBR, Inc. and B. Riley Financial Inc., in the Court of Chancery in the State of Delaware, on behalf of himself and all stockholders who held shares as of December 20, 2018. The lawsuit alleges that the Named Directors breached their duty of loyalty in connection with the Company's rejection in December of 2018, of an unsolicited bid to acquire the Company. The lawsuit further alleges that the B. Riley firms aided and abetted the asserted breach of the duty of loyalty by the Named Directors. The Company believes the Complaint is without merit. The Named Directors, and the Company on their behalf, together with the B. Riley firms, intend to defend the lawsuit vigorously.

The ultimate resolution of legal matters can be inherently uncertain and, for some matters, we may be unable to predict the ultimate outcome, determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome because of these uncertainties. We do not, however, currently believe that the resolution of any pending matter will have a material adverse effect on our financial position, results of operations or liquidity.

#### **ITEM 1A. RISK FACTORS**

In addition to the other information discussed in this report, the risk factors described in "Part I, Item 1A. Risk Factors" in our 2018 Annual Report on Form 10-K for the fiscal period ended February 2, 2019, should be considered as they could materially affect our business, financial condition or operating results. These are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also adversely affect our business, financial condition or operating results. In addition to the risks described in our 2018 Annual Report on Form 10-K, we also note the following:

*We do not meet the requirements for continued qualification for trading on the OTCQX Marketplace of the OTC Markets Group.*

Our current stock is currently traded on the OTCQX Marketplace of the OTC Markets Group. On July 24, 2019, we were notified that our market capitalization has stayed below \$5 million for more than 30 consecutive calendar days and thus no longer meets the requirements for continued qualification for the OTCQX per the "OTCQX Rules for U.S. Companies" (the "Rules"), section 3.2.b.2. To remain eligible for trading on the OTCQX U.S. tier under this section of the Rules, the Company must have (i) a minimum bid price of \$0.10 per share as of the close of business for at least one of every 30 consecutive calendar days; (ii) a market capitalization of at least \$5 million for at least one of every 30 consecutive calendar days; and (iii) at least two Market Makers publishing price quotations on OTC Link ATS within 90 days of the Company joining the OTCQX (the "Requirements"). The OTC Markets Group has given the Company a cure period of until January 20, 2020 to regain compliance with this section of the Rules. If the Company is unable to cure the deficiency within the timeframe provided, the Company will be moved to the OTC Pink Market.

On August 26, 2019, we were notified by the OTCQX that our bid price has closed below \$0.10 for more than 30 consecutive days and thus no longer meets the requirements for continued qualification under section 3.2.b.1 of the Rules. To remain eligible for trading on the OTCQX U.S. tier, the Company must meet the Requirements. The OTC Markets Group is giving the Company a cure period of until February 20, 2020 to regain compliance with this section of the Rules. If the Company is unable to cure the deficiency within the timeframe provided, the Company will be moved to the OTC Pink Market.

If the Company's stock were to begin trading on the OTC Pink Market it could, among other things: reduce the liquidity and possibly even the market price of our common stock; and result in limited availability for market quotations for our common stock.

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*Changes in U.S. trade policies, including the imposition of tariffs on apparel or accessories and a potential resulting trade war, could have a material adverse impact on our business.*

Most of our merchandise is produced in foreign countries, primarily in China, making the price and availability of our merchandise susceptible to international trade risks and other international conditions. The imposition of tariffs, duties, border adjustment taxes or other trade restrictions by the United States could also result in the adoption of new or increased tariffs or other trade restrictions by other countries. Recently, the current U.S. administration and China have imposed significant tariffs on goods imported from the other's country, and more recently, the United States announced a plan to impose the additional tariffs on apparel and accessories. These recently announced tariffs as well as additional tariffs or trade restrictions that are implemented by the United States or other countries, could have a significant adverse impact on the cost of our goods, the prices at which we offer them for sale and our overall financial performance. The adoption and expansion of trade restrictions and tariffs, quotas and embargoes, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies, has the potential to adversely impact the cost of and demand for our products, our overall costs, our customers, our suppliers and the world economy, which in turn could have a material adverse effect on our business, operational results, financial position and cash flows.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table sets forth information concerning purchases of our common stock for the quarter ended August 3, 2019:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
5/5/19 - 6/1/19	2,126	\$ 0.25	—	\$ —
6/2/2019 - 7/6/2019	2,126	0.14	—	—
7/7/2019 - 8/3/2019	11,571	0.11	—	—
Total	15,823		—	—

<sup>(1)</sup> The shares of common stock in this column represent shares surrendered to us by stock plan participants in order to satisfy minimum withholding tax obligations related to the vesting of restricted stock awards.

The following table summarizes information in connection with purchases made by, or on behalf of, the Company or any affiliated purchaser of the Company, of shares of the Company's common stock during the 13-week period ended August 3, 2019.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
5/5/19 - 6/1/19	—	\$ —	—	\$ 1,818,583
6/2/2019 - 7/6/2019	—	—	—	1,818,583
7/7/2019 - 8/3/2019	141,752	0.11	141,752	1,802,932
Total	141,752		141,752	—

<sup>(1)</sup> On December 20, 2018, the Company announced that the Board of Directors authorized a stock repurchase program to purchase up to \$2.0 million of the Company's outstanding common stock during the period ending December 31, 2019. The shares may be repurchased from time to time through open market purchases, block transactions, privately negotiated transactions or derivative transactions in a manner consistent with applicable securities laws and regulations.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

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<b>Exhibit No.</b>	<b>Exhibit Description</b>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101*	Financial statements from the Quarterly Report on Form 10-Q of Christopher & Banks Corporation for the fiscal quarter ended August 3, 2019, formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Loss, (iv) the Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements

\* Filed with this report

**SIGNATURES**

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

CHRISTOPHER & BANKS CORPORATION

Dated: September 11, 2019

By: /s/ Keri L. Jones  
Keri L. Jones  
President, Chief Executive Officer  
(Principal Executive Officer)

Dated: September 11, 2019

By: /s/ Richard Bundy  
Richard Bundy  
Senior Vice President, Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Keri L. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Christopher & Banks Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 11, 2019

/s/ Keri L. Jones

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Keri L. Jones

*President, Chief Executive Officer*



**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Bundy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Christopher & Banks Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 11, 2019

/s/ Richard Bundy

Richard Bundy

*Senior Vice President, Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Keri L. Jones, President and Chief Executive Officer of Christopher & Banks Corporation (the "Company"), certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report of the Company on Form 10-Q for the period ended August 3, 2019 as filed with the United States Securities and Exchange Commission (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 11, 2019

By:           /s/ Keri L. Jones          

Keri L. Jones

*President, Chief Executive Officer*

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Bundy, Senior Vice President and Chief Financial Officer of Christopher & Banks Corporation (the "Company"), certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report of the Company on Form 10-Q for the period ended August 3, 2019 as filed with the United States Securities and Exchange Commission (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 11, 2019

By: /s/ Richard Bundy

Richard Bundy

*Senior Vice President, Chief Financial Officer*