CHRISTOPHER & BANKS CORP
Form 10-Q
December 05, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 1, 2014

or

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

For the transition period from to

Commission File No. 001-31390

CHRISTOPHER & BANKS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06 - 1195422 (I.R.S. Employer Identification No.)
2400 Xenium Lane North, Plymouth, Minnesota (Address of principal executive offices)	55441 (Zip Code)

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

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES NO

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

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

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

As of November 28, 2014 there were 36,929,420 shares of the registrant's common stock outstanding.

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CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	November 1, 2014 (Unaudited)	February 1, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,349	$ 41,074
Short-term investments	13,366	12,982
Accounts receivable	6,300	2,428
Merchandise inventories	58,806	44,877
Prepaid expenses and other current assets	8,944	7,408
Income taxes receivable	956	310
Total current assets	113,721	109,079
Property, equipment and improvements, net	42,985	36,458
Other assets:		
Long-term investments	4,978	3,143
Other assets	373	298
Total assets	$ 162,057	$ 148,978
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,242	$ 23,198
Accrued salaries, wages and related expenses	5,369	6,322
Accrued liabilities and other current liabilities	21,726	23,748
Total current liabilities	46,337	53,268
Non-current liabilities:		
Deferred lease incentives	6,959	4,773
Deferred rent obligations	3,973	2,860
Other non-current liabilities	1,341	1,140
Total non-current liabilities	12,273	8,773
Commitments	—	—
Stockholders' equity:		
Preferred stock — $0.01 par value, 1,000 shares authorized, none outstanding	—	—
Common stock — $0.01 par value, 74,000 shares authorized, 46,721 and 46,214 shares issued, and 36,930 and 36,423 shares outstanding at	466	461

November 1, 2014 and February 1, 2014, respectively				
Additional paid-in capital		123,977		122,416
Retained earnings		91,730		76,768
Common stock held in treasury, 9,791 shares at cost at November 1, 2014 and February 1, 2014		(112,711)		(112,711)
Accumulated other comprehensive (loss) income		(15)		3
Total stockholders' equity		103,447		86,937
Total liabilities and stockholders' equity	$	162,057	$	148,978

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

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CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Net sales	$ 110,610	$ 118,077	$ 320,609	$ 330,829
Costs and expenses:	—			
Merchandise, buying and occupancy	66,873	73,126	201,333	213,891
Selling, general and administrative	31,477	33,231	94,965	97,477
Depreciation and amortization	2,916	3,107	8,781	9,927
Impairment of store assets	—	—	144	140
Total costs and expenses	101,266	109,464	305,223	321,435
Operating income	9,344	8,613	15,386	9,394
Other expense	(46)	(46)	(150)	(146)
Income before income taxes	9,298	8,567	15,236	9,248
Income tax provision (benefit)	315	(45)	274	272
Net income	$ 8,983	$ 8,612	$ 14,962	$ 8,976
Basic income per share:				
Net income	$ 0.24	$ 0.24	$ 0.41	$ 0.25
Basic shares outstanding	36,805	36,244	36,685	36,234
Diluted income per share:				
Net income	$ 0.24	$ 0.23	$ 0.40	$ 0.24
Diluted shares outstanding	37,714	37,031	37,669	37,092

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

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CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Net income	$ 8,983	$ 8,612	$ 14,962	$ 8,976
Other comprehensive loss, net of tax:				
Unrealized holding losses on securities arising during the period, net of taxes of $0 for the thirteen week periods ending November 1, 2014 and November 2, 2013, respectively, and net of taxes of $0 for the thirty-nine week periods ending November 1, 2014 and November 2, 2013, respectively	(5)	10	(17)	(3)
Reclassification adjustment for gains included in net income, net of taxes of $0 and $0, respectively	—	(1)	—	(1)
Total other comprehensive (loss) income	(5)	9	(17)	(4)
Comprehensive income	$ 8,978	$ 8,621	14,945	8,972

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

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CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Thirty-Nine Weeks Ended November 1, 2014		November 2, 2013	
Cash flows from operating activities:				
Net income	$	14,962	$	8,976
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		8,781		9,927
Impairment of store assets		144		140
Amortization of discount on investments		58		39
Amortization of financing costs		52		55
Deferred lease-related liabilities		2,699		(1,266)
Stock-based compensation expense		2,035		1,973
Loss on disposal of assets		51		7
Changes in operating assets and liabilities:				
Increase in accounts receivable		(3,872)		(1,067)
Increase in merchandise inventories		(13,929)		(6,546)
Increase in prepaid expenses and other assets		(1,564)		(1,509)
(Increase) decrease in income taxes receivable		(646)		48
Decrease in accounts payable		(4,140)		(3,787)
(Decrease) increase in accrued liabilities		(2,534)		5,740
		360		(51)

Increase (decrease) in other liabilities				
Net cash provided by operating activities		2,457		12,679
Cash flows from investing activities:				
Purchases of property, equipment and improvements		(15,318)		(6,332)
Purchases of available-for-sale investments		(12,495)		(22,245)
Redemptions of available-for-sale investments		10,200		2,639
Net cash used in investing activities		(17,613)		(25,938)
Cash flows from financing activities:				
Shares redeemed for payroll taxes		(1,469)		(198)
Exercise of stock options		999		210
Payment of deferred financing costs		(99)		—
Net cash (used in) provided by financing activities		(569)		12
Net decrease in cash and cash equivalents		(15,725)		(13,247)
Cash and cash equivalents at beginning of period		41,074		40,739
Cash and cash equivalents at end of period	$	25,349	$	27,492
Supplemental cash flow information:				
Unpaid purchases of equipment and improvements	$	184	$	69
Shares surrendered for stock option cost	$	1,715	$	—

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

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CHRISTOPHER & BANKS CORPORATION AND SUBSIDIARIES

NOTES TO 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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted, pursuant to such rules and regulations. These unaudited condensed consolidated 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 1, 2014.

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, necessary to present fairly our financial position as of November 1, 2014, and February 1, 2014, our results of operations for the thirteen and thirty-nine week periods ended November 1, 2014 and November 2, 2013, and our cash flows for the thirty-nine week periods ended November 1, 2014, and November 2, 2013.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. None of the reclassifications had a material effect on the Company’s financial position, results of operations or cash flows in any period.

Recently issued accounting pronouncements

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40). The amendments in this ASU provide guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. An entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or are available to be issued, when applicable). ASU 2014-15 is effective for the Company beginning with the annual reporting for Fiscal 2016, and reports for interim and annual periods thereafter. Early adoption is permitted. The Company is evaluating the impact of adoption of this ASU, but does not expect the adoption to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition", as well as various other sections of the ASC, such as, but not limited to, ASC 340-20 Other Assets and Deferred Costs-Capitalized Advertising Costs. The core principle of ASU 2014-09 is that an entity should recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Company beginning with the annual reporting for Fiscal 2017, including interim periods within that year, and is to be applied either retrospectively to each prior reporting period presented or with the cumulative effect recognized at the date of initial adoption as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets on the balance sheet). Early adoption is not permitted. The Company is in the process of evaluating the impact of ASU 2014-09, including the choice of application method upon adoption, on its consolidated financial statements.

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NOTE 2 — Investments

Investments as of November 1, 2014, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale securities:				
Certificates of deposit	$ 4,760	$ —	$ (5)	$ 4,755
Commercial paper	5,789	1	(9)	5,781
Corporate bonds	2,427	3	—	2,430
U.S. Agency securities	400	—	—	400
Total short-term investments	13,376	4	(14)	13,366
Long-term investments:				
Available-for-sale securities:				
Municipal bonds	216	1	—	217
Corporate bonds	2,867	—	(6)	2,861
U.S. Agency securities	1,900	1	(1)	1,900
Total long-term investments	4,983	2	(7)	4,978
Total investments	$ 18,359	$ 6	$ (21)	$ 18,344

Investments as of February 1, 2014, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale securities:				
Certificates of deposit	$ 5,391	$ —	$ (4)	$ 5,387
Commercial paper	5,570	1	—	5,571
Corporate bonds	815	2	—	817
U.S. Agency securities	1,207	—	—	1,207
Total short-term investments	12,983	3	(4)	12,982

Long-term investments:				
Available-for-sale securities:				
Municipal bonds	222	2	—	224
Corporate bonds	1,652	2	—	1,654
U.S. Agency securities	1,265	—	—	1,265
Total long-term investments	3,139	4	—	3,143
Total investments	$ 16,122	$ 7	$ (4)	$ 16,125

The Company had $18.3 million of investments as of November 1, 2014. During the thirty-nine weeks ended November 1, 2014, there were approximately $12.5 million purchases of available-for-sale securities and approximately $10.2 million of maturities and sales of available-for-sale securities. During the thirty-nine weeks ended November 2, 2013, there were approximately $22.2 million purchases of available-for-sale securities and approximately $2.6 million of sales or maturities of available-for-sale securities. There were no other-than-temporary impairments of available-for-sale securities during the thirty-nine weeks ended November 1, 2014 and November 2, 2013, respectively.

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Expected maturities of the Company's investments are as follows (in thousands):

	November 1, 2014
Due in one year or less	$ 13,366
Due after one year through five years	4,978
Total investments	$ 18,344

NOTE 3 — Merchandise Inventories and Sources of Supply

Merchandise inventories consisted of the following (in thousands):

	November 1, 2014	February 1, 2014
Merchandise - in store/e-commerce	$ 53,324	$ 35,324
Merchandise - in transit	5,482	9,553
Total merchandise inventories	$ 58,806	$ 44,877

The Company does not have long-term purchase commitments or arrangements with any of its suppliers or agents. During the thirty-nine weeks ended November 1, 2014 and November 2, 2013, one of our suppliers accounted for approximately 27.6% and 20% of our purchases, respectively. No other vendor supplied greater than 10% of the Company's merchandise purchases during the thirty-nine week periods ended November 1, 2014 and November 2, 2013.

NOTE 4 — Property, Equipment and Improvements, Net

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

Description	Estimated Useful Life	November 1, 2014	February 1, 2014
Land	—	$ 1,597	$ 1,597
Corporate office, distribution center and related building improvements	25 years	12,505	12,426
Store leasehold improvements	Shorter of the useful life or term of related lease, typically 10 years	55,795	52,591
Store furniture and fixtures	3 to 10 years	72,778	76,264
Corporate office and distribution center furniture, fixtures and equipment	7 years	4,560	5,069
Computer and point of sale hardware and software	3 to 5 years	37,305	34,808
Construction in progress	—	6,559	1,892
Total property, equipment and improvements, gross		191,099	184,647
Less accumulated depreciation and amortization		(148,114)	(148,189)
Total property, equipment and improvements, net		$ 42,985	$ 36,458

The Company reviews long-lived assets with definite lives at least annually, or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. As a result of an impairment analysis, which included the evaluation of individual under-performing stores and the assessment of the recoverability of the carrying value of the improvements and equipment related to each of the stores, the Company recorded approximately

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$0.1 million for long-lived asset impairments during each of the thirty-nine week periods ended November 1, 2014, and November 2, 2013.

The Company's assessment of the recoverability of the carrying value of its assets involves the projection of future cash flows, which requires the use of significant estimates and assumptions. Differences in circumstances or estimates could produce significantly different results.

NOTE 5 — Accrued Liabilities

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

	November 1, 2014	February 1, 2014
Gift card and store credit liabilities	$ 4,767	$ 8,078
Accrued Friendship Rewards Program loyalty liability	4,169	4,020
Accrued income, sales and other taxes payable	2,701	1,517
Accrued occupancy-related expenses	3,166	2,101
Sales return reserve	1,892	835
Other accrued liabilities	5,031	7,197
Total accrued liabilities and other current liabilities	$ 21,726	$ 23,748

NOTE 6 — Credit Facility

On September 8, 2014, the Company entered into an amendment (“the Amendment”) to its existing Credit Agreement (the "Credit Facility") with Wells Fargo Bank, National Association ("Wells Fargo") as Lender. The Amendment, among other changes, (i) extended the term of the Credit Facility to September 8, 2019; (ii) reduced the rates at which borrowings will generally accrue interest and reduced the commitment fee rate; (iii) modified the calculation of the borrowing base to provide for potential additional capacity; the borrowing base serves as a limit on the overall amount of revolving loans and letters of credit that may be outstanding at any one time under the Credit Facility; (iv) excluded from the limitation on store closings the consolidation of Christopher & Banks stores and CJ Banks stores into MPW stores; and (v) modified the definition of Payment Conditions. The Credit Facility provides the Company with revolving credit loans of up to $50.0 million in the aggregate, subject to a borrowing base formula based primarily on eligible credit card receivables, inventory and real estate, as such terms are defined in the Credit Facility, and up to $10.0 million of which may be drawn in the form of standby and documentary letters of credit.

The Company recorded approximately $0.1 million of deferred financing costs in the third quarter of fiscal 2014 in connection with the Amendment. The deferred financing costs have been combined with the balance of the deferred financing costs remaining from the Credit Facility dated July 12, 2012, and all are recorded within other assets on the consolidated balance sheet and are being amortized as interest expense over the related term of the Amendment.

Borrowings under the Credit Facility will generally accrue interest at a rate ranging from 1.50% to 1.75% over the London Interbank Offered Rate ("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 term is defined in the Credit Facility. Letters of credit fees range from 1.00% to 1.75%, depending upon the Average Daily Availability for the Fiscal Quarter immediately preceding each Adjustment Date.

The Credit Facility contains certain affirmative and negative covenants. The affirmative covenants include certain reporting requirements, maintenance of properties, payment of taxes and insurance, compliance with laws, environmental compliance and other provisions customary in such agreements. Negative covenants limit or restrict, among other things, secured and unsecured indebtedness, fundamental changes in the business, investments, liens and encumbrances, transactions with affiliates and other matters customarily restricted in such agreements. 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

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dividends to the Company's shareholders if certain financial conditions are met. The Company was in compliance with all covenants and other financial provisions as of November 1, 2014.

The Credit Facility contains events of default that include failure to pay principal or interest when due, failure to comply with the covenants set forth in the Credit Facility, bankruptcy events, cross-defaults and the occurrence of a change of control, subject to the grace periods, qualifications and thresholds as specified in the Credit Facility. If an event of default under the Credit Facility occurs and is continuing, the loan commitments may be terminated and the principal amount outstanding, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

The Company's obligations under the Credit Facility are secured by the assets of the Company and its subsidiaries pursuant to a Security Agreement, dated July 12, 2012 (the "Security Agreement"). Pursuant to the Security Agreement, the Company pledged substantially all of its assets as collateral security for the loans to be made pursuant to the Credit Facility, including accounts owed to the Company, bank accounts, inventory, other tangible and intangible personal property, real estate (including corporate office/distribution center), intellectual property (including patents and trademarks), and stock or other evidences of ownership of 100% of all of the Company's subsidiaries.

The Company had no revolving credit loan borrowings under the Credit Facility during each of the thirty-nine week periods ended November 1, 2014, or November 2, 2013. Historically, the Company's credit facility has been utilized only to open letters of credit. The total borrowing base at November 1, 2014, was approximately $50.0 million. As of November 1, 2014, the Company had open on-demand letters of credit of approximately $1.0 million. Accordingly, after reducing the borrowing base for the open letters of credit and the required minimum availability of the greater of $3.0 million, or 10.0% of the borrowing base, the net availability of revolving credit loans under the Credit Facility was approximately $44.0 million at November 1, 2014.

NOTE 7 — Income Taxes

The Company's liability for unrecognized tax benefits associated with uncertain tax positions is recorded within other non-current liabilities. As of November 1, 2014, and February 1, 2014, the Company's liability for unrecognized tax benefits was approximately $1.0 million and $0.8 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of November 1, 2014, and February 1, 2014, was $0.7 million and $0.5 million, respectively. The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax. At November 1, 2014, and February 1, 2014, approximately $0.2 million and $0.1 million, respectively, was accrued for the potential payment of interest and penalties.

The Company and its subsidiaries are subject to U.S. federal income taxes and the income tax obligations of various state and local jurisdictions. Fiscal 2011 is currently under examination by the Internal Revenue Service ("IRS"). The transition period, fiscal 2012 and fiscal 2013 remain subject to examination by the IRS. With few exceptions, the Company is not subject to state income tax examination by tax authorities for taxable years prior to fiscal 2009. As of November 1, 2014, the Company had no other ongoing audits and does not expect the liability for unrecognized tax benefits to significantly increase or decrease in the next twelve months.

As of November 1, 2014, the Company had a full valuation allowance against its net deferred tax assets. Deferred income tax assets represent potential future income tax benefits. Realization of these assets is ultimately dependent upon future taxable income. The Company has incurred a net cumulative loss as measured by the results of the current year and the prior two years. ASC 740 “Income Taxes,” requires that deferred tax assets be reduced by a valuation allowance if, based on all available evidence, it is considered more likely than not that some or all of the recorded deferred tax assets will not be realized in a future period. Forming a conclusion that a valuation allowance is not needed is difficult when negative evidence such as cumulative losses exists. As a result of management's evaluation, there was insufficient positive evidence to overcome the negative evidence related to the Company's cumulative losses. Accordingly, the Company has continued to maintain a full valuation allowance against its net deferred tax assets since the third quarter of the fiscal year ended February 26, 2011; recording the valuation allowance does not have any impact on cash and does not prevent the Company from using the deferred tax assets in future periods when profits are realized.

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As of November 1, 2014, the Company has federal and state net operating loss carryforwards which will reduce future taxable income. Approximately $24.9 million in net federal tax benefits are available from these loss carryforwards and an additional $0.6 million is available in net tax credit carryforwards. Included in the federal net operating loss is approximately $1.8 million of loss generated by deductions related to equity-based compensation, the tax effect of which will be recorded to additional paid in capital when utilized. The state loss carryforwards will result in net state tax benefits of approximately $2.3 million. The federal net operating loss carryovers will expire beginning in November 2031 and beyond. The state net operating loss carryforwards will expire beginning in November 2014 and beyond.

NOTE 8 — Earnings Per Share

The Company calculates earnings per share ("EPS") under the guidance in ASC 260-10, "Earnings per Share," which clarifies that unvested share-based payment awards that contain nonforfeitable rights to receive dividends or dividend equivalents (whether paid or unpaid) are considered participating securities, and thus, should be factored into the two-class method of computing EPS. Participating securities under this statement include the Company's unvested employee restricted stock awards with time-based vesting, which receive nonforfeitable dividend payments.

The calculation of EPS for common stock shown below excludes the income attributable to unvested employee restricted stock awards from the numerator and excludes the dilutive impact of these shares from the denominator.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Numerator (in thousands):				
Net income attributable to Christopher & Banks Corporation	$ 8,983	$ 8,612	$ 14,962	$ 8,976
Income allocated to participating securities	(27)	(40)	(45)	(31)
Net income available to common shareholders	$ 8,956	$ 8,572	$ 14,917	$ 8,945
Denominator (in thousands):				
Weighted average common shares outstanding - basic	36,805	36,244	36,685	36,234
Dilutive shares	909	787	984	858
Weighted average common and common equivalent shares outstanding - diluted	37,714	37,031	37,669	37,092
Net earnings per common share:				
Basic	$ 0.24	$ 0.24	$ 0.41	$ 0.25
Diluted	$ 0.24	$ 0.23	$ 0.40	$ 0.24

Total stock options of approximately 0.3 million were excluded from the shares used in the computation of diluted earnings per share for each of the thirteen and thirty-nine week periods ended November 1, 2014, as they were anti-dilutive. Total stock options of approximately 3.2 million were excluded from the shares used in the computation of diluted earnings per share for each of the thirteen and thirty-nine week periods ended November 2, 2013, as they were anti-dilutive.

NOTE 9 — Fair Value Measurements

Under ASC 820-10 "Fair Value Measurements and Disclosures," fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The Company utilizes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach) that relate to its

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financial assets and financial liabilities. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The levels of the hierarchy are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs include quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Assets that are Measured at Fair Value on a Recurring Basis:

The following tables provide information by level for the Company's available-for-sale securities that were measured at fair value on a recurring basis (in thousands):

As of November 1, 2014:		Fair Value Measurements Using Inputs Considered as		
	Fair Value	Level 1	Level 2	Level 3
Short-term investments:				
Certificates of deposit	$ 4,755	$ —	$ 4,755	$ —
Commercial paper	5,781	—	5,781	—
Corporate bonds	2,430	—	2,430	—
U.S. Agency securities	400	—	400	—
Total current assets	13,366	—	13,366	—
Long-term investments:				
Municipal bonds	217	—	217	—
Corporate bonds	2,861	—	2,861	—
U.S. Agency securities	1,900	—	1,900	—
Total non-current assets	4,978	—	4,978	—
Total assets	$ 18,344	$ —	$ 18,344	$ —

As of February 1, 2014:		Fair Value Measurements Using Inputs Considered as		
	Fair Value	Level 1	Level 2	Level 3
Short-term investments:				
Certificates of deposit	$ 5,387	$ —	$ 5,387	$ —

Commercial paper	5,571	—	5,571	—
Corporate bonds	817	—	817	—
U.S. Agency securities	1,207	—	1,207	—
Total current assets	12,982	—	12,982	—
Long-term investments:				
Municipal bonds	224	—	224	—
Corporate bonds	1,654	—	1,654	—
U.S. Agency securities	1,265	—	1,265	—
Total non-current assets	3,143	—	3,143	—
Total assets	$ 16,125	$ —	$ 16,125	$ —

The Company's available-for-sale securities were valued based on quoted prices for similar assets in active markets or quoted prices for identical or similar assets in markets in which there were fewer transactions. The Company had $18.3 million of investments as of November 1, 2014, and there were no transfers of assets between Level 1 and Level 2 of the fair value measurement hierarchy during the thirty-nine week periods ended November 1, 2014, and November 2, 2013.

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According to its policy, the Company recognizes transfers into levels and transfers out of levels on the date of the event or when a change in circumstances causes a transfer.

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

The following table summarizes certain information for non-financial assets as of November 1, 2014, and February 1, 2014 that are measured at fair value on a non-recurring basis in periods subsequent to an initial recognition period. Amounts are placed into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date (in thousands):

		Fair Value Measurements Using Inputs Considered as			
Description	Fair Value	Level 1	Level 2	Level 3	Realized Losses
Assets as of November 1, 2014					
Long-lived assets held and used	$ 40	$ —	$ —	$ 40	$ (144)
Assets as of February 1, 2014					
Long-lived assets held and used	$ 5	$ —	$ —	$ 5	$ (140)

The Company recorded approximately $0.1 million in impairment charges, included in earnings for the period, on long-lived assets held and used with a carrying value of approximately $0.2 million, resulting in a fair value of $40 thousand, for the thirty-nine week period ended November 1, 2014. During the thirty-nine weeks ended November 2, 2013, long-lived assets held and used with a carrying amount of approximately $0.1 million were written down to their fair value of $5 thousand, resulting in an impairment charge of approximately $0.1 million, which was included in earnings for the period.

The Company determines fair value using a discounted cash flow approach as discussed in Note 1, Nature of Business and Significant Accounting Policies in our Form 10-K for the year ended February 1, 2014. 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 makes it reasonably possible that additional long-lived asset impairments could be identified and recorded in future periods.

The fair value measurement of the long-lived assets encompasses the following significant unobservable inputs:

	Range	
Unobservable Inputs	Fiscal 2014	Fiscal 2013
Weighted Average Cost of Capital (WACC)	15.8%	15.8%
Annual sales growth	3% - 5%	3% - 9.8%

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NOTE 10 — Legal Proceedings

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

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NOTE 11 — Segment Reporting

In the table below, the Retail Operations reportable segment includes activity generated by our retail store locations (Christopher & Banks, C.J. Banks, Missy Petite Women ("MPW") and Outlet stores) as well as our eCommerce business. The “Corporate/Administrative” column, which primarily represents operating activity at the corporate office and distribution center facility, is presented to allow for reconciliation of segment-level net sales, operating income (loss) and total assets to consolidated net sales, operating income (loss) and total assets. Segment operating income (loss) includes only net sales, merchandise gross margin and direct store expenses with no allocation of corporate overhead.

During the thirty-nine week period ended November 1, 2014, the Company recorded approximately $0.1 million in charges related to the impairment of two stores, as compared to a net charge of approximately $0.1 million related to the impairment of one store for the thirty-nine weeks ended November 2, 2013. The impairment costs for each period are related to store-level asset impairment charges and are included in the operating income for the Retail Operations segment. No impairment charges were recorded during the thirteen week periods ended November 1, 2014, and November 2, 2013.

(in thousands)	Retail Operations	Corporate/ Administrative	Consolidated
Thirteen Weeks Ended November 1, 2014			
Net sales	$ 110,610	$ —	$ 110,610
Depreciation and amortization	2,218	697	2,916
Operating income (loss)	21,504	(12,160)	9,344
Thirteen Weeks Ended November 2, 2013			
Net sales	118,077	—	118,077
Depreciation and amortization	2,322	785	3,107
Operating income (loss)	23,184	(14,571)	8,613
Thirty-Nine Weeks Ended November 1, 2014			
Net sales	320,609	—	320,609
Depreciation and amortization	6,798	1,983	8,781
Operating income (loss)	55,232	(39,846)	15,386
Total assets	98,541	63,516	162,057
Thirty-Nine Weeks Ended November 2, 2013			
Net sales	330,829	—	330,829
Depreciation and amortization			