

# CHRISTOPHER & BANKS CORPORATION

## AUDIT COMMITTEE CHARTER

(Revised and Adopted by Resolution of the Board of Directors on February 23, 2011)

### I. Statement of Purpose

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of Christopher & Banks Corporation (the “Company”). The purpose of the Committee is to:

(A) Provide assistance to the Board in fulfilling its responsibility to the stockholders, potential stockholders and the investment community with respect to the Board’s oversight of:

- (1) The quality and integrity of the Company’s financial statements;
- (2) The Company’s compliance with the legal and regulatory requirements as described below;
- (3) The independent auditors’ qualifications and independence; and
- (4) The performance of the Company’s internal audit function and its independent auditors.

(B) Prepare the report that the Securities and Exchange Commission (“SEC”) rules require to be included in the Company’s annual proxy statement.

### II. Organization

**A. *Membership.*** The Committee shall be comprised of three or more members of the Board, each of whom meets the independence requirements of the New York Stock Exchange and of the Securities and Exchange Act of 1934 and the rules and regulations of the SEC. All members of the Committee shall be “financially literate”, and at least one member of the Committee shall have “accounting or related financial management expertise”, as such qualifications are interpreted by the Board in its business judgment. At least one member of the Committee shall be an “audit committee financial expert” as defined by the SEC, with such determination made by the Board. Each member of the Committee shall be appointed by the Board and shall serve until his or her successor is duly appointed or until the earlier of his or her death, resignation or removal by the Board.

### **B. *Meetings.***

(1) Frequency. The Committee shall meet at least four times during each fiscal year of the Company, or as more frequently as the Committee deems, in its reasonable judgment, to be appropriate.

- (2) Agenda and Notice. The Chair of the Committee or the Board, with the assistance of executive management, shall establish the meeting dates and send proper notice of each Committee meeting to each member prior to each meeting, and the Chair of the Committee, with the assistance of the Company's executive management, shall establish the meeting agenda. The Chair or any member of the Committee may call a special meeting of the Committee upon 48 hours prior notice or shorter notice if all Committee members attend the meeting or all members not present waive the 48 hour meeting notice.
- (3) Holding Meetings. Committee meetings may be held in person or telephonically. Action also may be taken by written consent in accordance with Delaware corporate law and the Company's By-Laws.
- (4) Chair. The Board shall designate a Chair of the Committee.
- (5) Quorum; Action by Committee. A quorum at any Committee meeting shall consist of a majority of the Committee members. All recommendations of the Committee shall be made by a majority of its members at a meeting duly called and held, except as specifically provided herein (or where only a majority of the Committee members are present, by unanimous vote). Any decision or recommendation of the Committee reduced to writing and signed by all of the members of the Committee shall be as effective as if it had been made at a meeting duly called and held.
- (6) Minutes. Minutes for all meetings of the Committee shall be prepared in order to document the Committee's discharge of its responsibilities.
- (7) Meetings in Executive Session. The Committee shall meet separately and periodically with (i) members of executive management, (ii) the Company's employees and/or any third party service provider who are responsible for the Company's internal audit function, and (iii) the independent auditors, to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately.

### **III. Resources and Authority**

The Committee may consult with the Company's legal counsel at such times as the Committee deems appropriate. The Committee shall have the authority to engage separate independent counsel or accountants or other advisors to assist it in the performance of its duties or the conduct of any investigation the Committee has undertaken. The Committee shall receive appropriate funding from the Company, as determined by the Committee, for payment of (1) compensation to the Company's independent auditors, (2) compensation to advisors or counsel retained pursuant to the authority set forth in this paragraph and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out the Committee's duties.

While the Committee has the duties and responsibilities set forth in this Charter, the role of the Committee is to provide oversight as described in Section I(A). The Committee is not

responsible for planning or conducting the audit of the Company's financial statements and related attestation of the Company's internal controls or determining whether the Company's financial statements are complete and accurate or in accordance with applicable accounting rules and securities laws. Such activities are the responsibility of management and the Company's independent auditors.

Each member of the Committee shall be entitled to rely on (A) the integrity of those persons and organizations within and outside of the Company from which it receives information, (B) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which knowledge shall be promptly reported to the Board), and (C) representations made by management as to any audit and non-audit services provided by the independent auditors to the Company.

#### **IV. Responsibilities**

The Committee shall have the responsibilities described below in carrying out its stated purposes. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes outlined in Section I of this Charter.

##### ***Document/Reports Review***

**A. *Financial Statements and MD&A.*** The Committee shall review and discuss with management and the independent auditors, prior to public dissemination, the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations". The Committee and the independent auditors shall discuss the matters required to be discussed by Statement of Auditing Standards No. 61, as amended (AU Section 380), and other professional auditing standards.

**B. *Earnings Press Releases and Guidance.*** The Committee shall review and discuss with management and the independent auditors the financial results communicated in the Company's earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information), as well as any other material financial information and earnings guidance provided to the general public.

**C. *Internal Controls Disclosures.*** The Committee shall receive and review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's Form 10-K and Form 10-Q about (1) any significant deficiencies in the design or operation of internal controls or material weakness therein, (2) any fraud involving management or other associates who have a significant role in the Company's internal controls and (3) any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

**D. *Internal Controls Reports.*** The Committee shall review and discuss with management (including the Company's employees and/or any third party service provider who are responsible for the Company's internal audit function) and the independent auditors of the Company the

independent auditors' reports regarding the Company's internal control over financial reporting prior to the filing of the Company's Annual Report on Form 10-K.

### ***Independent Auditors Selection and Oversight***

**E. *Selection and Engagement of Independent Auditors.*** The Committee has the sole authority and direct responsibility for the appointment, compensation, retention and oversight of the Company's independent auditors (including the resolution of disagreements between management and the independent auditors regarding financial reporting), and the independent auditors shall report directly to the Committee. The Committee, in conjunction with the Board, shall determine whether the selection of independent auditors shall be submitted for ratification by the Company's stockholders.

**F. *Approval of Services by Independent Auditors.*** The Committee must review and, in its sole discretion, pre-approve the independent auditors' annual engagement letter and all audit, audit-related, tax and other permissible services proposed to be provided by the independent auditors in accordance with New York Stock Exchange and SEC rules. Pre-approval of permissible non-audit services may be pursuant to policies and procedures established by the Committee for the pre-approval for such services, provided that any such pre-approved non-audit services are reported to the full Committee at its next scheduled meeting. Prior to the establishment of such policies and procedures, approval of all services to be provided by the independent auditors shall be made by the Committee.

**G. *Qualification, Performance and Independence of the Independent Auditors.*** The Committee shall review, at least annually, the qualifications, performance and independence of the independent auditors and present its conclusions with respect to the independent auditors to the Board. In conducting its review and evaluation, the Committee should:

- (1) Obtain and review a report by the Company's independent auditors describing (a) the auditing firm's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues;
- (2) Obtain and review (a) a report from the independent auditors delineating all relationships between the Company and the independent auditors; and (b) the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Committee concerning independence, and actively engage in a dialogue with the auditors with respect to the independence of the auditors and take, or recommend that the full Board take, appropriate action to oversee the independence of the auditors;
- (3) Ensure the rotation of the lead audit partner as required by law or regulation;

- (4) Review and evaluate the performance and qualifications of the lead audit partner of the independent auditors on an annual basis;
- (5) Recommend to the Board clear policies for the Company's hiring of employees or former employees of the independent auditors; and
- (6) Provide and facilitate an open avenue of communications among the Company's independent auditors, the Board, senior management and the Company's finance department.

### ***Financial Reporting Process***

**H. *Integrity of Financial Reporting Process.*** In consultation with the independent auditors, management and the internal auditors or any third party service provider responsible for the Company's internal audit function, the Committee shall periodically review the integrity of the Company's financial reporting processes relied upon to prepare SEC or other regulatory filings. In that connection, the Committee should obtain and discuss with management and the independent auditors quarterly reports from management and the independent auditors regarding, to the extent applicable: (1) critical accounting policies and practices used by the Company; (2) analysis prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors; (3) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (4) significant issues relating to the adequacy of the Company's internal controls and specific audit policies or procedures adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting; and (5) any other material written communications between the independent auditors and the Company's management.

**I. *Effect of Regulatory and Accounting Initiatives.*** The Committee shall review periodically the effect of regulatory and accounting pronouncements, as well as off-balance sheet structures, on the financial statements of the Company.

**J. *Audit Problems, Difficulties and Disagreements.*** The Committee shall review with the independent auditors during the regular course of meetings or in a private session (1) any audit problems or other difficulties encountered by the auditor in the course of the audit process, including any restrictions on the scope of the independent auditors' activities or on access to the requested information, and any significant disagreements with management and (2) management's responses to such matters. The Committee shall resolve any disagreements between management and the independent auditors regarding financial reporting and should discuss with the independent auditors material issues on which the national office of the independent auditors was consulted.

## *Legal Compliance/General*

**K. *Legal and Regulatory Matters; Investigations.*** In connection with the Committee's review of the fiscal year-end results and financial reporting, the Committee is expected to inquire about and review with management any legal and regulatory matters that may have a material impact on the Company's financial statements or financial reporting practices. The Committee shall have the authority and funding to initiate and conduct investigations regarding matters within the scope of the Committee's responsibilities as it shall deem appropriate.

**L. *Risk Assessment and Risk Management.*** The Committee shall periodically discuss with management and the internal auditors the Company's guidelines and policies with respect to risk assessment and risk management, the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures and shall review, typically on an annual basis, the risk management status of the Company. Note: An enterprise-wide risk assessment and risk management are also topics that are periodically reviewed and discussed by the entire Board.

**M. *Submission of Complaints.*** The Committee shall establish procedures for (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (2) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

## *Reports*

**N. *Audit Committee Report.*** The Committee shall prepare an Audit Committee Report for inclusion in the Company's proxy statement for each annual meeting of stockholders pursuant to the rules governing such reports.

**O. *Reports to the Board.*** The Committee shall report regularly to the full Board on:

- (1) Any issues that arise with respect to the quality or integrity of the Company's financial statements, application of accounting principles, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function;
- (2) The matters addressed at all meetings of the Committee, including the Committee's conclusions following its annual review of the performance of the independent auditors; and
- (3) Such other matters as are relevant to the Committee's discharge of its responsibilities.

The Committee shall recommend action by the Board, as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee as designated by the Committee to make such report.

***Other Matters***

**P. *Related-Party Transactions.*** The Committee, with input from executive management, shall establish procedures for the approval of all related-party transactions involving executive officers and directors such that all such related-party transactions are approved by the Committee or another independent body of the Board.

**Q. *Performance Evaluation.*** The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members.

**R. *Annual Review of this Charter.*** The Committee is expected to, at least annually, review and reassess the adequacy of this Audit Committee Charter.

This Audit Committee Charter was revised and adopted by the Board of Directors of the Company on February 23, 2011.