UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 27, 2010

or

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

For the transition period from to .

Commission File Number 001-3139

CHRISTOPHER & BANKS CORPORATION

(Exact name of registrant as specified in its charter)

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

(763) 551-5000

(Registrant s telephone number, including area code)

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 x NO o

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 o NO o

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

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

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

As of December 24, 2010, 35,652,036 shares of the registrant s common stock were outstanding.

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CHRISTOPHER & BANKS CORPORATION

QUARTERLY REPORT ON FORM 10-Q

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PART I FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

CHRISTOPHER & BANKS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET

(In thousands)

(Unaudited)

	November 27, 2010	February 27, 2010	November 28, 2009
ASSETS			
Current assets:			
Cash and cash equivalents	$ 30,578	$ 37,073	$ 43,518
Short-term investments	53,482	62,251	48,968
Accounts receivable	6,123	4,245	5,841
Merchandise inventories	45,973	38,496	41,824
Prepaid expenses	2,960	1,642	2,476
Income taxes receivable	3,918	394	
Current deferred tax asset		3,509	3,965
Other current assets		2,000	2,628
Total current assets	143,034	149,610	149,220
Property, equipment and improvements, net	83,955	96,109	104,709
Long-term investments	18,200	13,622	9,669
Deferred tax asset		7,631	7,809
Other assets	314	325	325
Total assets	$ 245,503	$ 267,297	$ 271,732
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 7,803	$ 13,654	$ 6,491
Accrued salaries, wages and related expenses	6,485	8,472	7,795
Other accrued liabilities	20,040	19,164	21,568
Total current liabilities	34,328	41,290	35,854
Non-current liabilities:			
Deferred lease incentives	16,518	19,578	20,755
Other	11,319	12,699	13,338
Total non-current liabilities	27,837	32,277	34,093
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, 45,438, 45,735 and 45,781 shares issued and 35,647, 35,944 and 35,990 shares outstanding at November 27, 2010, February 27, 2010 and November 28, 2009, respectively		454		457	458
Additional paid-in capital		115,095		113,584	113,139
Retained earnings		180,521		192,361	200,864
Common stock held in treasury, 9,791 shares at cost at November 27, 2010, February 27, 2010 and November 28, 2009, respectively		(112,711)		(112,711)	(112,712)
Accumulated other comprehensive income		(21)		39	36
Total stockholders equity		183,338		193,730	201,785
Total liabilities and stockholders equity	$	245,503	$	267,297	$ 271,732

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

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CHRISTOPHER & BANKS CORPORATION

CONDENSED CONSOLIDATED INCOME STATEMENT

(In thousands, except per share data)

(Unaudited)

	Three Months Ended November 27, 2010		Three Months Ended November 28, 2009	
Net sales	$	120,947	$	132,000
Costs and expenses:				
Merchandise, buying and occupancy		77,549		78,205
Selling, general and administrative		37,585		37,535
Depreciation and amortization		6,010		6,469
Total costs and expenses		121,144		122,209
Operating income (loss)		(197)		9,791
Other income		120		107
Income (loss) before income taxes		(77)		9,898
Income tax provision		9,149		2,926
Net income (loss)	$	(9,226)	$	6,972
Basic earnings (loss) per share:				
Net income (loss)	$	(0.26)	$	0.20
Basic shares outstanding		35,379		35,178
Diluted earnings (loss) per share:				
Net income (loss)	$	(0.26)	$	0.19
Diluted shares outstanding		35,379		35,351
Dividends per share	$	0.06	$	0.06

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

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CHRISTOPHER & BANKS CORPORATION

CONDENSED CONSOLIDATED INCOME STATEMENT

(In thousands, except per share data)

(Unaudited)

	Nine Months Ended November 27, 2010	Nine Months Ended November 28, 2009
Net sales	$ 348,521	$ 353,549
Costs and expenses:		
Merchandise, buying and occupancy	215,941	219,816
Selling, general and administrative	107,579	105,898
Depreciation and amortization	18,974	19,066
Total costs and expenses	342,494	344,780
Operating income	6,027	8,769
Other income	363	451
Income before income taxes	6,390	9,220
Income tax provision	11,813	2,694
Net income (loss)	$ (5,423)	$ 6,526
Basic earnings (loss) per share:		
Net income (loss)	$ (0.15)	$ 0.18
Basic shares outstanding	35,360	35,135
Diluted earnings (loss) per share:		
Net income (loss)	$ (0.15)	$ 0.18
Diluted shares outstanding	35,360	35,175
Dividends per share	$ 0.18	$ 0.18

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

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CHRISTOPHER & BANKS CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended November 27, 2010	Nine Months Ended November 28, 2009
Cash flows from operating activities:		
Net income (loss)	$ (5,423)	$ 6,526
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	18,974	19,066
Amortization of premium on investments	338	
Excess tax benefit on stock-based compensation	(300)	
Deferred income taxes	11,180	(3,718)
Stock-based compensation expense	1,513	1,382
Loss on disposal of furniture, fixtures and equipment	288	130
Gain on investments, net	(81)	(150)
Changes in operating assets and liabilities:		
Sales of trading securities	14,850	350
Increase in accounts receivable	(1,878)	(1,920)
Increase in merchandise inventories	(7,477)	(2,996)
Increase in prepaid expenses and other current assets	(1,318)	(516)
(Increase) decrease in income taxes receivable	(3,224)	18,747
(Increase) decrease in other assets	(30)	65
Decrease in accounts payable	(5,699)	(12,035)
Decrease in accrued liabilities	(1,600)	(2,719)
Decrease in deferred lease incentives	(3,060)	(2,752)
Decrease in other liabilities	(1,379)	(1,185)
Net cash provided by operating activities	15,674	18,275
Cash flows from investing activities:		
Purchases of property, equipment and improvements	(7,260)	(4,838)
Purchases of investments	(57,183)	(44,970)
Sales of investments	48,208	2,620
Net cash used in investing activities	(16,235)	(47,188)
Cash flows from financing activities:		
Exercise of stock options	183	
Excess tax benefit on stock-based compensation	300	
Dividends paid	(6,417)	(6,383)
Net cash used in financing activities	(5,934)	(6,383)
Net decrease in cash and cash equivalents	(6,495)	(35,296)
Cash and cash equivalents at beginning of period	37,073	78,814
Cash and cash equivalents at end of period	$ 30,578	$ 43,518

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

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CHRISTOPHER & BANKS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements included in this Form 10-Q have been prepared by Christopher & Banks Corporation and its subsidiaries (the Company) pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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 27, 2010.

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 of only normal adjustments, except as otherwise stated in these notes, necessary to present fairly the Company s financial position as of November 27, 2010, February 27, 2010 and November 28, 2009, and its results of operations and cash flows for the three and nine month periods ended November 27, 2010 and November 28, 2009.

Loyalty Program

During the first quarter of fiscal 2011, the Company launched its Friendship RewardsTM loyalty program. Under the program, customers accumulate points based on their purchase activity. Once a Friendship Rewards member achieves a certain point level, the member earns an award certificate that may be applied to the purchase of merchandise of equal or greater value. Points are accrued as unearned revenue and recorded as a reduction of net sales and a current liability as they are accumulated by members and certificates are earned. The liability is recorded net of estimated breakage based on redemption patterns and trends. Revenue and the related cost of sales are recognized upon redemption of the reward certificates, which expire approximately six weeks after issuance.

Recently Adopted Accounting Pronouncements

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

In January 2010, the FASB issued ASU 2010-06, New Guidance and Clarifications for Improving Disclosures about Fair Value Measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for transfers in and out of Level 1 and 2 fair value measurements, and the reasons for the transfers must be disclosed. In the reconciliation for Level 3 fair value measurements, separate disclosures are required for purchases, sales, issuances, and settlements on a gross basis. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for interim and annual reporting periods beginning after December 15, 2010. The Company adopted the disclosure requirements of ASU 2010-06 effective February 28, 2010. See Note 10, Fair Value Measurements, for the additional disclosures required under the guidance. The Company intends to adopt the remaining Level 3 disclosure requirements effective February 27, 2011. The Company is in the process of evaluating the additional disclosure requirements and does not expect that the additional requirements will have a significant impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

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

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NOTE 2 INVESTMENTS

Investments consisted of the following (in thousands):

	November 27, 2010			
Description	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Estimated Fair Value**
Short-term investments:				
Available-for-sale securities:				
Variable rate demand obligations	$ 32,835	$	$	$ 32,835
Municipal bonds	20,638	12	3	20,647
U.S. agency securities				
Trading securities:				
Auction rate securities				
Total short-term investments	53,473	12	3	53,482
Long-term investments:				
Available-for-sale securities:				
Municipal bonds	18,244	45	89	18,200
U.S. agency securities				
Total long-term investments	18,244	45	89	18,200
Total investments	$ 71,717	$ 57	$ 92	$ 71,682

	November 28, 2009			
Description	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Estimated Fair Value**
Short-term investments:				
Available-for-sale securities:				
Variable rate demand obligations	$ 19,450	$	$	$ 19,450
Municipal bonds	13,040	11	4	13,047
U.S. agency securities	199			199
Trading securities:				
Auction rate securities	16,272			16,272
Total short-term investments	48,961	11	4	48,968
Long-term investments:				
Available-for-sale securities:				
Municipal bonds	3,132	21	1	3,152
U.S. agency securities	6,485	32		6,517
Total long-term investments	9,617	53	1	9,669
Total investments	$ 58,578	$ 64	$ 5	$ 58,637

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Description	February 27, 2010 Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale securities:				
Variable rate demand obligations	$ 24,900	$	$	$ 24,900
Municipal commercial paper	1,000			1,000
Municipal bonds	22,999	28	11	23,016
U.S. agency securities	536	1	2	535
Trading securities:				
Auction rate securities	12,800			12,800
Total short-term investments	62,235	29	13	62,251
Long-term investments:				
Available-for-sale securities:				
Municipal bonds	6,572	37	2	6,607
U.S. agency securities	7,002	13		7,015
Total long-term investments	13,574	50	2	13,622
Total investments	$ 75,809	$ 79	$ 15	$ 75,873

The Company accounts for its investments in accordance with ASC 320-10, Investments Debt and Equity Securities and, accordingly, its investment securities have been characterized as either available-for-sale or trading. As of November 27, 2010, the Company s available-for-sale investment securities were comprised of variable rate demand obligations and municipal bonds. These securities were classified as available-for-sale as the Company did not enter into these investments for speculative purposes or intend to actively buy and sell the securities in order to generate profits on differences in price. The Company s primary investment objective is preservation of principal. During the first nine months of fiscal 2011, purchases of available-for-sale securities totaled approximately $57.2 million, while proceeds from the sale of available-for-sale securities were $48.2 million. Gross realized gains and losses on the sale of available-for-sale securities during the nine months ended November 27, 2010 were not material.

The Company s available-for-sale securities are reviewed for possible impairment at least once each fiscal quarter, or more frequently if circumstances arise which indicate that impairment may exist. When the fair value of the securities declines below the amortized cost basis, impairment is indicated and it must be determined whether it is other-than-temporary. Impairment is considered to be other-than-temporary if the Company (i) intends to sell the security, (ii) will more likely than not be forced to sell the security before recovering its cost, or (iii) does not expect to recover the securities amortized cost basis. If the decline in fair value is considered other-than-temporary, the cost basis of the security is adjusted to its fair market value and the realized loss is reported in earnings. Subsequent increases or decreases in fair value are reported in equity as other comprehensive income (loss). As of November 27, 2010, there were no other-than-temporary impairments of the Company s available-for-sale securities.

In November 2008, the Company entered into a settlement agreement with UBS Financial Services, Inc., a subsidiary of USB AG (UBS) related to the Company s investment in Auction Rate Securities (ARS) purchased through UBS. Under the terms of the settlement agreement, the Company received rights that enabled it to sell its ARS to UBS at par value at any time during the two year period beginning June 30, 2010. On June 30, 2010, the Company exercised its ARS rights and sold its remaining $7.1 million investment in ARS to UBS at par value. As of November 27, 2010, the Company had no investments in ARS. The Company had approximately $12.8 million and $16.3 million of trading securities as of February 27, 2010 and November 28, 2009, respectively, which consisted solely of $14.8 million and $19.1 million of ARS at cost, less fair value adjustments of approximately $2.0 million and $2.8 million, respectively. The fair value of the ARS was determined utilizing a discounted cash flow method based on market rates and an estimated period of time the ARS were expected to be held.

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While the Company s investments are freely tradable, expected maturities are as follows (in thousands):

		November 27, 2010
Due in one year or less	$	53,482
Due after one year through three years		16,726
Due after three years		1,474
Total investment securities	$	71,682

The Company held $32.8 million of Variable Rate Demand Obligations (VRDOs) as of November 27, 2010. These investments maintain a constant par value, have variable rates of return tied to short-term interest rates which reset weekly, and may be tendered for sale upon notice to the trustee. Although the Company s VRDOs are issued and rated as long-term securities, with maturities ranging from 2013 through 2049, they are priced and traded as short-term investments as each VRDO contains a put feature, which is supported by highly rated financial institutions. The Company classified its VRDOs as short-term investments maturing in one year or less as it expects to realize the proceeds from its VRDOs within that time period. Actual maturities may differ from expected maturities because the issuers of the securities may have the right to prepay the obligations without prepayment penalties.

NOTE 3 MERCHANDISE INVENTORIES AND SOURCES OF SUPPLY

Merchandise inventories consisted of the following (in thousands):

Description		**November 27, 2010**		**February 27, 2010**		**November 28, 2009**
Merchandise - in store/e-Commerce	$	43,668	$	36,522	$	40,115
Merchandise - in transit		2,305		1,974		1,709
	$	45,973	$	38,496	$	41,824

The Company does not have long-term purchase commitments or arrangements with any of its suppliers or agents. During the three and nine month periods ended November 27, 2010 and November 28, 2009, three of the Company s vendors each supplied the Company with greater than 10% of its merchandise inventory purchases. For the third quarter of fiscal 2011, these three vendors supplied approximately 23%, 18% and 16% of the Company s merchandise purchases, compared to 25%, 20% and 16% in the third quarter of fiscal 2010. For the nine month period ended November 27, 2010, these vendors supplied approximately 27%, 11% and 17% of the Company s merchandise purchases, compared to 25%, 12% and 16% during the first nine months of fiscal 2010.

Although the Company has strong relationships with these vendors, there can be no assurance that these relationships can be maintained in the future or that the vendors will continue to supply merchandise to the Company. If there should be any significant disruption in the supply of merchandise from these vendors, management believes that it will be able to shift production to other suppliers so as to continue to secure the required volume of product. Nevertheless, it is possible that any significant disruption in supply could have a material adverse impact on the Company s financial position or results of operations.

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NOTE 4 PROPERTY, EQUIPMENT AND IMPROVEMENTS, NET

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

Description	Estimated Useful Life	November 27, 2010	February 27, 2010	November 28, 2009
Land		$ 1,597	$ 1,597	$ 1,597
Corporate office, distribution center and related building improvements	25 years	12,080	12,027	12,012
Store leasehold improvements	Term of related lease, typically 10 years	91,498	93,894	94,602
Store furniture and fixtures	Three to 10 years	110,844	112,815	113,189
Point of sale hardware and software	Five years	9,606	15,056	14,959
Computer hardware and software	Three to five years	23,987	24,176	21,168
Corporate office and distribution center furniture, fixtures and equipment	Seven years	5,387	5,315	3,822
Construction in progress		3,048	73	3,839
		258,047	264,953	265,188
Less accumulated depreciation and amortization		174,092	168,844	160,479
Net property, equipment and improvements		$ 83,955	$ 96,109	$ 104,709

The Company reviews long-lived assets with definite lives for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company recorded no impairments of long-lived assets in the nine month period ended November 27, 2010. The general economic uncertainty affecting the retail industry makes it reasonably possible, however, that long-lived asset impairments may be identified and recorded in future periods.

NOTE 5 ACCRUED LIABILITIES

Other accrued liabilities consisted of the following (in thousands):

Description	November 27, 2010	February 27, 2010	November 28, 2009
Gift card and store credit liabilities	$ 6,545	$ 10,884	$ 7,117
Accrued merchandise inventory receipts not yet invoiced	2,020	1,539	2,959
Accrued Friendship Rewards loyalty liability	2,910		
Accrued income, sales and other taxes payable	3,299	2,081	6,177
Accrued workers compensation liability	242	600	867
Accrued occupancy-related expenses	1,234	665	1,238
Other	3,790	3,395	3,210

	$	20,040	$	19,164	$	21,568

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NOTE 6 CREDIT FACILITY

The Company maintains an Amended and Restated Revolving Credit Facility (the Credit Facility) with Wells Fargo Bank, National Association (Wells Fargo) which expires on June 30, 2011. The Credit Facility provides the Company with revolving credit loans and letters of credit of up to $50 million, in the aggregate, subject to a borrowing base formula based on inventory levels.

Loans under the Credit Facility bear interest at the prime rate minus 0.25%. As of November 27, 2010, the prime rate was 3.25%. The Credit Facility also provides the Company with the ability to borrow under the Credit Facility at an interest rate tied to the London Interbank Market Offered Rate (LIBOR). Advances under the LIBOR option would be tied to the one, three or six month LIBOR rate based on the length of time the corresponding advance is outstanding.

Interest under the Credit Facility is payable monthly in arrears. The Credit Facility carries a facility fee of 0.25%, based on the unused portion as defined in the agreement, a collateral monitoring fee and a guarantee service charge. Borrowings under the Credit Facility are collateralized by the Company s equipment, intangible assets, inventory, inventory letters of credit and letter of credit rights. The Company had no revolving credit loan borrowings under the Credit Facility during the first nine months of fiscal 2011 or fiscal 2010. Historically, the Credit Facility has been utilized by the Company only to open letters of credit to facilitate the import of merchandise. The borrowing base at November 27, 2010 was $28.4 million and the Company had open on-demand letters of credit in the amount of $1.3 million. Accordingly, the availability of revolving credit loans under the Credit Facility was $27.1 million at November 27, 2010.

The Credit Facility contains certain restrictive covenants, including restrictions on incurring additional indebtedness and limitations on certain types of investments, as well as requiring the maintenance of certain financial covenants. As of November 27, 2010, the most recent measurement date, the Company was in compliance with all financial covenants under the Credit Facility.

NOTE 7 STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the provisions of ASC 718-10, Stock Compensation. Under various plans, the Company may grant options to purchase common stock to employees and non-employee members of its Board of Directors at a price not less than 100% of the fair market value of the Company s common stock on the option grant date. In general, options granted to employees vest over three to five years and are exercisable up to ten years from the date of grant, and options granted to Directors vest over three years and are exercisable up to ten years from the grant date.

The Company may also grant shares of restricted stock to its employees and non-employee members of its Board of Directors. The grantee cannot transfer the shares before the respective shares vest. Shares of nonvested restricted stock are considered to be currently issued and outstanding. Restricted stock grants to employees have original vesting schedules of three to seven years, while restricted grants to Directors are fully vested on the date of grant.

The Company s restricted stock awards are generally subject to forfeiture if employment or service terminates prior to the lapse of the restrictions. In addition, certain of the Company s restricted stock awards have performance-based vesting provisions and are subject to forfeiture in whole or in part if these performance conditions are not achieved. The Company assesses, on an ongoing basis, the probability of whether the performance criteria will be achieved and, once it is deemed probable, the Company begins recognizing compensation expense over the relevant performance period. For those awards not subject to performance criteria, the Company expenses the cost of the restricted stock awards, which is determined to be the fair market value of the shares at the date of grant, on a straight-line basis over the vesting period. The fair market value of the Company s restricted stock is determined based on the closing price of the Company s common stock on the grant date.

Total pre-tax compensation expense (benefit) related to stock-based awards for the three months ended November 27, 2010 and November 28, 2009 was approximately ($0.1) million and $0.5 million, respectively. For the nine months ended November 27, 2010 and November 28, 2009, pre-tax stock-based compensation expense totaled approximately $1.5 million and $1.4, respectively.

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Methodology Assumptions

The Company uses the Black-Scholes option-pricing model to value the Company s stock options for grants to its employees and non-employee directors. Using this option-pricing model, the fair value of each stock option award is estimated on the date of grant and is expensed on a straight-line basis over the vesting period, as the stock options are subject to pro-rata vesting. The expected volatility assumption is based on the historical volatility of the Company s stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience and represents the period of time that awards are expected to be outstanding. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the expected term of the option granted.

The weighted average assumptions relating to the valuation of the Company s stock option grants for the three and nine month periods ended November 27, 2010 and November 28, 2009 were as follows:

	Three Months Ended		**Nine Months Ended**	
	November 27, 2010	**November 28, 2009**	**November 27, 2010**	**November 28, 2009**
Expected dividend yield	3.26%	3.35%	3.04%	4.83%
Expected volatility	71.10%	68.26%	70.25%	68.69%
Risk-free interest rate	1.20%	2.34%	2.24%	2.09%
Expected term in years	5.00	5.00	4.93	4.67

Stock-Based Compensation Activity

The following table presents a summary of the Company s stock option activity for the nine months ended November 27, 2010.

	Number of Shares	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (in thousands)**	**Weighted Average Fair Value**	**Weighted Average Remaining Contractual**