

CHARMING SHOPPES INC  
Form DEF 14A  
May 12, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**CHARMING SHOPPES, INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(4) Date Filed:

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**CHARMING SHOPPES, INC.**

**3750 STATE ROAD**

**BENSALEM, PENNSYLVANIA 19020**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**June 24, 2010**

We are pleased to give you this notice of our 2010 Annual Meeting of Shareholders:

Time and Date: 10:00 a.m. on Thursday, June 24, 2010 (eastern time)

Place: **Lane Bryant Offices of Charming Shoppes, Inc.**

**3344 Morse Crossing Road**

**Columbus, OH 43219-3092**

- Items of Business:
1. To elect the eight (8) Director nominees identified in the accompanying Proxy Statement for a one-year term.
  2. To approve the 2010 Stock Award and Incentive Plan.
  3. To hold an advisory vote to approve the compensation of the Charming Shoppes named executive officers set forth in the Summary Compensation Table of the Proxy Statement and accompanying narrative disclosure.
  4. To ratify the appointment of Ernst & Young LLP as independent auditors of Charming Shoppes to serve for fiscal 2010.
  5. To transact such other business as may properly come before the Meeting or at any adjournment thereof.

Record Date: You are entitled to attend and vote at the Meeting if you were a holder of record of Common Stock at the close of business on April 26, 2010.

Company Reports: Our Annual Report on Form 10-K for our fiscal year ended January 30, 2010 is included with these materials. Financial and other information concerning Charming Shoppes is included in our Annual Report.

Proxy Materials: A Proxy Statement and Proxy Card are also included. If proxy materials are received by mail, a pre-paid postage-paid return envelope is enclosed.

Proxy Voting: Your vote is important. Please read the Proxy Statement carefully and submit your proxy by mailing the enclosed Proxy Card or voting on the Internet or by telephone (as described below) as soon as possible.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting**

**to be held on June 24, 2010.**

As permitted by rules adopted by the Securities and Exchange Commission ( SEC ), the Company is making its Proxy Statement and its Annual Report on Form 10-K available electronically via the Internet. As also permitted by the SEC rules, we are mailing to our beneficial holders of our shares, a Notice of Internet Availability of Proxy Materials (the Notice ) containing instructions on how to electronically access this Proxy Statement and our Annual Report on Form 10-K on the Internet and how to vote. In general, shareholders who receive the Notice will not receive a paper copy of the proxy materials in the mail. The Notice and the accompanying question and answer supplement contain instructions on how to request a paper copy of the proxy materials, including this Proxy Statement, our Annual Report on Form 10-K and Proxy Card.

Please note that we may also send to our registered holders of our shares, a paper copy of these proxy materials by mail. We will begin mailing the Notice to our beneficial holders on or about May 12, 2010. We will begin to mail paper copies of this Proxy Statement, our Annual Report on Form 10-K and form of Proxy Card to our registered holders on or about the same time we mail the Notice.

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The Proxy Statement and our fiscal 2009 Annual Report on Form 10-K to Shareholders are also available at [www.charmingshoppes.com/proxy2010](http://www.charmingshoppes.com/proxy2010).

By Order of the Board of Directors

Colin D. Stern

Secretary

May 12, 2010

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**CHARMING SHOPPES, INC.**

**3750 State Road**

**Bensalem, Pennsylvania 19020**

**PROXY STATEMENT**

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Charming Shoppes, Inc., a Pennsylvania corporation, of proxies to be voted at our 2010 Annual Meeting of Shareholders and at any adjournment of the meeting.

You are invited to attend our Annual Meeting of Shareholders (the Meeting) on June 24, 2010, beginning at 10:00 a.m. (eastern time). The Meeting will be held at Lane Bryant's offices, 3344 Morse Crossing Road, Columbus, Ohio 43219-3092.

As permitted by rules adopted by the Securities and Exchange Commission (SEC), on or about May 12, 2010, we mailed to our beneficial holders of our shares entitled to vote at the Meeting a Notice of Internet Availability of Proxy Materials (the Notice) containing the instructions on how to electronically access on the Internet this Proxy Statement and our Annual Report on Form 10-K for our fiscal year ended January 30, 2010 (fiscal 2009) and how to vote. As used in this Proxy Statement the terms fiscal 2008 and fiscal 2007 refer to our fiscal years ended January 31, 2009 and February 2, 2008, respectively. The term fiscal 2010 refers to our fiscal year which will end on January 29, 2011. In general, shareholders who receive the Notice will not receive a paper copy of the proxy materials in the mail. If you would like to receive a paper copy of our proxy materials, please follow the instructions included in the Notice and the accompanying question and answer supplement. In addition, the Notice and the accompanying question and answer supplement contain instructions on how shareholders may request to receive proxy materials in paper form by mail or electronically by e-mail on an ongoing basis.

Please note that we may also send to our registered holders of our shares, entitled to vote at the Meeting, our proxy materials by mail. This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders, Proxy Card and our Annual Report on Form 10-K for our fiscal year ended January 30, 2010 are being mailed to these shareholders on or about May 12, 2010. The Proxy Statement and our fiscal 2009 Annual Report on Form 10-K are also available at [www.charmingshoppes.com/proxy2010](http://www.charmingshoppes.com/proxy2010).

**ABOUT THE MEETING**

***What is the purpose of the Meeting?***

At the Meeting, our shareholders will be asked to consider and act upon the following matters:

Election of the eight (8) Director nominees named in this Proxy Statement for a one-year term;

Approval of the 2010 Stock Award and Incentive Plan;

An advisory vote to approve the compensation of the Charming Shoppes named executive officers set forth in the Summary Compensation Table and the accompanying narrative disclosure;

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Ratification of the appointment of Ernst & Young LLP as our independent auditors for fiscal 2010; and

Such other business as may properly come before the Meeting or at any adjournment thereof.

### ***Who is entitled to attend and vote at the Meeting?***

Only shareholders of record on April 26, 2010, the record date for the Meeting, are entitled to receive notice of and attend and vote at the Meeting.

### ***What are the voting rights of shareholders?***

Each share of Common Stock is entitled to one vote. There is no cumulative voting.

***Why did I receive a notice in the mail regarding the Internet availability of the proxy materials?***

The SEC permits companies to furnish their proxy materials over the Internet. As a result, we are mailing to most of our shareholders the Notice instead of a paper copy of the proxy materials. All shareholders will be able to access the proxy materials online and may also request a paper copy of the proxy materials. Shareholders that receive the Notice will not be mailed a paper copy of the proxy materials unless they request a copy. Instructions on how to access the proxy materials over the Internet and on how to request a paper copy of the proxy materials may be found on the Notice. In addition, the Notice and the accompanying question and answer supplement contain instructions on how shareholders may request to receive proxy materials in paper form by mail or electronically by e-mail on an ongoing basis. These instructions are also set out below. A shareholder receiving the Notice will be able to vote (i) via the Internet, (ii) by telephone by accessing the proxy materials online and following the instructions or by requesting a paper copy of the proxy materials, or (iii) by mail if the shareholder requested a paper copy of the proxy materials.

***Why didn't I receive a notice about the Internet availability of the proxy materials?***

We are providing some of our shareholders with paper copies of the proxy materials instead of the Notice. Shareholders who receive the proxy materials by mail will only be able to vote by mailing the Proxy Card enclosed with the Proxy Statement. If you want to receive an e-mail copy of our proxy materials, you must request one, as described below.

***If I only received a Notice of Internet Availability of Proxy Materials, how do I obtain a paper or e-mail copy of the proxy materials?***

If you want to receive a paper or e-mail copy of our proxy materials, you must request one. There is no charge to you for this. Please make your request on or before June 10, 2010 to facilitate timely delivery. If you received only the Notice, you may request a copy of the proxy materials for this Meeting and all future meetings:

by Internet at [www.proxyvote.com](http://www.proxyvote.com);

by telephone at 1-800-579-1639; or

by e-mail at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

If requesting proxy materials by e-mail, please send a blank e-mail with your 12-Digit Control Number (located on the Notice) in the subject line.

***How do shareholders vote?***

Shareholders of record on the record date may vote at the Meeting in person or by proxy.

**Voting by Internet or telephone.** If you received the Notice, the website for Internet voting is in the Notice. Please follow the instructions contained in the Notice. Internet voting is available 24 hours a day, seven days a week through 11:59 p.m. (eastern time), on Wednesday, June 23, 2010. A shareholder may also vote by telephone by accessing the proxy materials online and following the instructions or by requesting a paper copy of the proxy materials. Alternatively, if you requested a paper copy of the proxy materials, you may also vote by mail by marking the Proxy Card enclosed with the paper copy, dating and signing it, and returning it in the postage-paid envelope provided.

**Voting by mail.** If you received a paper copy of the proxy materials, you may vote only by mail by marking the Proxy Card enclosed with this Proxy Statement, dating and signing it, and returning it in the postage-paid envelope provided. If you received the Notice and wish to vote by mail, you must request a paper copy of the materials as discussed above.

Shareholders who hold their shares through a broker (in street name) must vote their shares in the manner prescribed by their broker.



***If a shareholder gives a proxy, how are the shares voted?***

Proxies received by us before the Meeting will be voted at the Meeting in accordance with your instructions. If you sign and return the enclosed Proxy Card or vote via the Internet or telephone, as applicable, but do not give voting instructions, your shares will be voted by the Proxy Committee of the Board of Directors (the Proxy Committee) on each matter in accordance with the recommendation of the Board of Directors or, if no recommendation is made by the Board of Directors, in the discretion of the Proxy Committee. Thus, for example, if you do not give instructions, and a nominee for Director withdraws before the election (which is not now anticipated), your shares will be voted by the Proxy Committee for any substitute nominee as may be nominated by the Board of Directors. The Proxy Committee consists of Alan Rosskamm, our Chairman of the Board of Directors, and Michael Goldstein, a Director and Chair of our Compensation Committee.

Under the rules that govern brokers and nominees who have record ownership of shares that are held in street name for account holders (who are the beneficial owners of the shares), brokers and nominees have the discretion, under the rules governing them, to vote such shares on routine matters. If a broker or nominee has not received voting instructions from an account holder and does not have discretionary authority to vote shares on a particular item because it is not a routine matter under the applicable rules, a broker non-vote occurs. Uncontested director elections had previously been treated as a routine matter under the rules that govern brokers, however, following recent amendments to these rules, uncontested director elections are now considered non-routine. Accordingly, if an account holder does not instruct the broker or nominee on how to vote in the uncontested director election (Proposal No. 1), a broker non-vote will occur. Consistent with the prior rules, approval of the 2010 Stock Award and Incentive Plan (Proposal No. 2) is a non-routine matter. Brokers and nominees will continue to have the discretion to vote any uninstructed shares on the advisory vote on compensation of the named executive officers (Proposal No. 3) and the ratification of Charming Shoppes independent registered public accounting firm (Proposal No. 4).

It is possible that matters other than those described above may be brought before shareholders at the Meeting. If we were not aware of the matter a reasonable time before the mailing of this Proxy Statement and the Notice, the Proxy Committee will vote your shares on the matter as recommended by the Board of Directors, or, if no recommendation is given, the Proxy Committee will vote your shares in their discretion. In any event, the Proxy Committee will comply with the rules of the SEC when exercising proxies on a discretionary basis.

***How are proxies changed or revoked?***

You may change any vote by proxy or revoke a proxy before it is exercised by (i) executing a proxy bearing a later date (1) by mail if you received the proxy materials by mail or (2) online or by telephone, if you received the Notice, (ii) filing with the Secretary of Charming Shoppes a notice of revocation or (iii) attending the Meeting and voting in person. Attendance at the Meeting will not by itself revoke your proxy.

***How many shares are outstanding and what constitutes a quorum?***

At the close of business on April 26, 2010, the record date for the Meeting, 115,862,682 shares of Common Stock were outstanding. Shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast must be present at the Meeting in person or by proxy to constitute a quorum for the transaction of business. Withheld votes and shares voted as abstentions or subject to broker non-votes will count for purposes of determining whether a quorum is present.

***What vote is required to approve each item?***

**Election of Directors:** The eight (8) nominees for election as Directors who receive the greatest number of votes will be elected as Directors. Under our Articles of Incorporation, cumulative voting is not permitted.

**2010 Stock Award and Incentive Plan:** Approval of the 2010 Stock Award and Incentive Plan requires the affirmative vote of a majority of the votes cast on the matter.

**Advisory Approval of the Compensation of the Named Executive Officers:** Approval of the compensation of the Charming Shoppes named executive officers set forth in the Summary Compensation Table and the accompanying narrative disclosure is not binding on the Company. However, we value the opinion of our shareholders on all corporate governance matters, including executive compensation, and believe it is appropriate to ask that you approve the compensation on an advisory basis. Our Board of Directors will consider the results of this advisory vote in making future compensation decisions for our executives. Approval of the non-binding resolution requires the affirmative vote of a majority of the votes cast on the matter.

**Ratification of the Appointment of Independent Auditor:** Although we are not required to submit the appointment of our independent auditors to a vote of shareholders, we believe that it is appropriate to ask that you ratify their appointment. Ratification of the appointment of Ernst & Young LLP as our independent auditors requires the affirmative vote of a majority of the votes cast on the matter.

**Other:** Approval of any other matter that comes before the Meeting will require the affirmative vote of a majority of the votes cast on the matter.

Withheld votes, abstentions and broker non-votes will not be taken into account and will have no effect on the outcome of the election of Directors, because only the number of votes cast for each nominee is relevant, nor will withheld votes, abstentions or broker non-votes be taken into account or have any effect on the approval of other matters that may come before the Meeting because abstentions, withheld votes and broker non-votes are not equivalent to a negative vote.

***What are the Board of Directors recommendations?***

The Board of Directors unanimously recommends that you vote as follows:

**FOR** the eight (8) persons nominated by the Board as Directors for a one-year term.

**FOR** the approval of the 2010 Stock Award and Incentive Plan.

**FOR** the approval of the compensation of the Charming Shoppes named executive officers set forth in the Summary Compensation Table and the accompanying narrative disclosure, on a non-binding basis.

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent auditors for fiscal 2010.

If you received our proxy materials by mail, you may vote using the Proxy Card enclosed with this Proxy Statement. If you received the Notice, you may vote via the Internet or telephone by following the instructions included on the Notice.

***Other Information***

We have enclosed our Annual Report on Form 10-K for fiscal 2009. No material contained in the Annual Report is to be considered a part of the proxy solicitation materials.

Our mailing address is Charming Shoppes, Inc., 3750 State Road, Bensalem, Pennsylvania 19020. Our corporate website address is [www.charmingshoppes.com](http://www.charmingshoppes.com). The contents of our website are not incorporated by reference into this Proxy Statement.

**DIRECTORS STANDING FOR ELECTION**

At our 2008 Annual Meeting of Shareholders, our shareholders approved amendments to the Company's Articles of Incorporation and By-laws to declassify our Board of Directors. Consequently, each Director elected at the 2010 Annual Meeting of Shareholders serves a one-year term until the 2011 Annual Meeting of Shareholders and until a successor has been selected or qualified or until his or her earlier death, resignation or removal.

Alan Rosskamm, a Director since 1992, was elected Non-Executive Chairman of the Board on June 26, 2008. On July 8, 2008, Dorrit J. Bern resigned from her position as President and Chief Executive Officer of Charming Shoppes and as a Director. Mr. Rosskamm was appointed Interim Chief Executive Officer of Charming Shoppes on July 10, 2008 and a search committee of the Board was constituted to recruit a permanent Chief Executive Officer.

On April 2, 2009, James P. Fogarty was appointed as President and Chief Executive Officer and was also elected by the Board as a Director of the Company to serve until the Meeting. In connection with Mr. Fogarty's appointment, Mr. Rosskamm resigned as Interim Chief Executive Officer. Messrs. Rosskamm and Fogarty are among our nominees for election as Directors at the Meeting.

On April 9, 2010, the Board elected Bruce J. Klatsky as a member of the Board, effective May 6, 2010, to serve until the Meeting and until his successor has been elected and shall have been qualified. Mr. Klatsky is also among our nominees for election as Director at the Meeting.

Yvonne M. Curl and M. Jeannine Strandjord have decided not to stand for reelection. The Board is extremely grateful for their excellent service on behalf of the Company and its shareholders.

The number of Directors is currently set at ten (10). In accordance with our By-laws and in connection with the retirement of Ms. Curl and Ms. Strandjord, our Board of Directors has specified that as of the date of the Meeting, the number of Directors will be set at eight (8). Each Director elected at the Meeting will serve for a one-year term until his or her successor shall have been duly selected and qualified. The Board has nominated the people listed below to serve as Directors.

*THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE **FOR THE BOARD'S** NOMINEES FOR ELECTION AS DIRECTORS.*

**BIOGRAPHIES OF DIRECTORS AND NOMINEES FOR DIRECTOR**

In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a Director, the Board also believes that all of our Director nominees have a reputation for integrity and honesty and adhere to high ethical standards. Each nominee has also demonstrated business acumen and an ability to exercise sound judgment and each has significant experience on other boards and board committees and/or as senior executives with large public companies. In particular, we value board members with experience in operations, finance, accounting and marketing, merchandising and sales and those with considerable educational backgrounds.

Other than James P. Fogarty, our President and Chief Executive Officer, each of the following Directors and nominees for Director is independent under the NASDAQ Global Select Market listing requirements and the standards set forth in our Principles of Corporate Governance. In addition, Yvonne M. Curl and M. Jeannine Strandjord, who served as Directors in fiscal 2009 but are not standing for reelection, are also independent under the applicable requirements and standards. Upon Mr. Rosskamm's resignation as our Interim Chief Executive Officer, the Board undertook a review of Mr. Rosskamm's independence and determined he was independent under these standards. For more information about our determination of independence, see **CORPORATE GOVERNANCE AT CHARMING SHOPPES** *Board of Directors*.

**ARNAUD AJDLER**

Director Since 2008

Mr. Ajdler, 34, is a Senior Managing Director of Crescendo Partners, a value-oriented investment firm based in New York. He is also an adjunct professor at Columbia University Business School where he teaches a course in value investing. Mr. Ajdler currently serves on the boards of directors of the following public companies: (1) Destination Maternity Corporation, since March 2008, currently chairman of the Compensation Committee, and a member of the Nominating and Corporate Governance Committee; and (2) O Charley's Inc., since March 2008, currently a member of the Compensation and Human Resources Committee. He has also served on the boards of directors of the following other public companies within the last five years: (1) The Topps Company, from August 2006 until the sale of the Company in October 2007, member of the Audit Committee; (2) Hill International, Inc., from June 2006 until June 2009, member of the Governance and Nominating Committee; and (3) Rhapsody Acquisition Corp., from its inception in June 2006 until July 2008. From June 2004 until June 2006, Mr. Ajdler also served as Chief Financial Officer, a Director and the Secretary of Arpeggio Acquisition Corporation, an acquisition company. Arpeggio completed its business combination with Hill International Inc. in June 2006. Mr. Ajdler previously worked as a management consultant for the consulting company Mercer Management Consulting from 2000 until 2001. Mr. Ajdler received a B.S. in engineering from the Free University of Brussels, Belgium, an S.M. in Aeronautics from the Massachusetts Institute of Technology and an MBA from the Harvard Business School. In considering Mr. Ajdler for Director of the Company, the Board considered his strong business, financial and mergers and acquisitions background as well as his perspective obtained from serving on other public company boards of directors. Mr. Ajdler also brings to the Board the perspective of a major shareholder in our Company.

**MICHAEL C. APPEL**

Director Since 2008

Mr. Appel, 60, has been a Director at AlixPartners LLP (AlixPartners), a global consulting agency that provides turnaround and crisis management, as well as enterprise improvement consulting services to boards of directors, management, creditors and shareholders, since 2010. From 2001 until 2010, Mr. Appel was a Managing Director at Quest Turnaround Advisors where he headed the Retail and Consumer Goods Practice. Representative clients included Skip's Clothing and Kasper A.S.L., Ltd. (Kasper), a leading manufacturer of women's apparel under the Kasper and Anne Klein brands. From 2002 until 2004, he served as financial advisor to the creditors committee in the Kasper Chapter 11 bankruptcy proceeding, for which he was recognized with the Turnaround Management Association's Turnaround of the Year Award for 2004. From 2002 until 2003, he served as Chief Restructuring Officer and later as Interim Chief Executive Officer at HCI Direct, Inc. a leading U.S. direct marketer of women's hosiery. Mr. Appel has served as the Interim Chief Executive

Officer for specialty retailers such as Caswell-Massey Inc. in 1992, Ciro, Inc. in 1994, Laura Ashley N.A. in 1998, Levene's and Palmer's (a home furnishings retailer in New Zealand) in 1997 and Wilkes Bashford from March 2009 until the company was sold on November 30, 2009 in a Section 363 sale in connection with the company's Chapter 11 proceeding. Mr. Appel began his career at retailer Bloomingdale's in 1973, where he served in a variety of different merchandising positions and rose to serve as Divisional Merchandise Manager of Childrenswear until his departure in 1982. From 1983 until 1986, he was Vice President of Merchandising at retailer Fortunoff, and from 1986 until 1990, he was Executive Vice President and President of Hoffritz for Cutlery, an 80-store national specialty chain. He graduated from Brandeis University, Phi Beta Kappa, and received an MBA with Distinction from the Harvard Business School. Mr. Appel is a member of the board of directors of the LIM Fashion Education Foundation, and currently serves on our Compensation Committee and Corporate Governance and Nominating Committee. In considering Mr. Appel for Director of the Company, the Board considered his considerable experience managing and working with retail companies, especially companies facing internal and external challenges.

**RICHARD W. BENNET, III**

Director Since 2008

Mr. Bennet, 57, was the Vice Chairman of The May Department Stores Company from 2000 until 2002. Before his appointment as Vice Chairman, Mr. Bennet served in various executive management positions at other retailers including President and Chief Executive Officer of Kaufmann's and Famous Barr from 1997 until 1999 and from 1995 until 1996, respectively. Before holding these executive leadership positions, Mr. Bennet held a number of senior merchandising positions, such as General Merchandise Manager, at retailers such as Filene's, from 1993 until 1994, Famous Barr, from 1987 until 1992, and May D & F in 1986. Mr. Bennet also served as President and Chief Executive Officer of Direct Holdings Worldwide, an international direct marketing business with a variety of holdings including Time Life Entertainment, from 2005 until 2007. Currently Mr. Bennet is Co-Chief Executive Officer of CCA Global Partners, a cooperative of independent retail stores providing buying services and infrastructure to 3,600 locations with revenues of over \$10,000,000,000, where he has worked since 2008. Mr. Bennet has also served on the board of directors of drugstore.com, inc., a leading online drug store and information site for health, beauty, personal care and pharmacy products, since 2007. Mr. Bennet has an MBA from Washington University, St. Louis. He has not served on the board of any other public company within the last five years. In considering Mr. Bennet for Director of the Company, the Board considered his extensive experience in the various executive management positions he has held in the retail sector and especially in apparel merchandising.

**JAMES P. FOGARTY**

Director Since 2009

Mr. Fogarty, 41, is our President and Chief Executive Officer. Before his appointment as President and Chief Executive Officer of the Company, Mr. Fogarty was a Managing Director of Alvarez & Marsal (A&M), an independent global professional services firm from August 1994 until his appointment in April 2009. He was also a member of A&M's Executive Committee for North America Restructuring. During his tenure at A&M, Mr. Fogarty most recently served as President and Chief Operating Officer of Lehman Brothers Holdings (subsequent to its Chapter 11 bankruptcy filing) from September 2008 until he joined us. From September 2005 through February 2008, he was President and Chief Executive Officer of American Italian Pasta Company, the largest producer of dry pasta in North America. He served as the Chief Financial Officer at Levi Strauss & Co., a brand-name apparel marketer, from 2003 until 2005. From December 2001 through September 2003, he served as Senior Vice President and Chief Financial Officer of The Warnaco Group, a then \$1,500,000,000 global apparel maker, which emerged from bankruptcy in early 2003 after completing a successful turnaround during his tenure. In considering Mr. Fogarty for Director of the Company, the Board considered his excellent credentials and past experience in retail as well as his current position with the Company.

**MICHAEL GOLDSTEIN**

Director Since 2008

Mr. Goldstein, 68 was employed by Ernst & Young LLP (and its predecessor firms) from 1963 to 1979, including six years as an audit partner. Mr. Goldstein served as Chairman of the Toys 'R Us Children's Fund

from 2001 until 2006 and was Chairman of Toys R Us, Inc. from 1998 to 2001, Chief Executive Officer from August 1999 until January 2000, Vice Chairman and Chief Executive Officer from 1994 to 1998 and Chief Financial Officer from 1983 until 1994. Mr. Goldstein currently serves on the boards of directors of the following public companies: (1) 4 Kids Entertainment, Inc., since 2003, currently chairman of the Audit Committee and member of the Compensation Committee and Nominating and Governance Committee; (2) Martha Stewart Omnimedia, Inc., since 2004, currently Lead Director and member of the Audit Committee and the Compensation Committee; (3) Medco Health Solutions, Inc., since 2003, currently Lead Director, chairman of the Corporate Governance and Nominating Committee, and member of the Audit Committee and the Mergers and Acquisitions Committee; and (4) Pacific Sunwear of California, Inc., since 2004, currently chairman of the Audit Committee. Mr. Goldstein is also a director of various private companies and not-for-profit charitable organizations. He has also served on the boards of the following other public companies within the last five years: Bear Stearns & Co. from 2007 until 2008; Finlay Enterprises, Inc. from 1999 until 2006; and United Retail Group from 1999 until 2007. Mr. Goldstein has served as a Director of the Company since 2008 and is currently the Chairman of the Compensation Committee and a member of the Corporate Governance and Nominating Committee. In considering Mr. Goldstein for Director of the Company, the Board considered his experience and governance leadership roles on the boards of various other public companies, as well as his extensive background in finance, both as an audit partner and then as a finance executive and chief executive officer at a large public corporation.

**KATHERINE M. HUDSON**

Director Since 2000

Ms. Hudson, 63, is the retired Chairman of the board of directors, President and Chief Executive Officer of Brady Corporation ( Brady ), a global manufacturer of identification solutions and specialty industrial products. Ms. Hudson became President and CEO of Brady in 1994 after spending twenty-four years with Eastman Kodak Company an imaging technology products provider. Her career at Eastman Kodak Company included positions in systems analysis, supply chain, finance, corporate communications, investor relations, information technology and litigation operations. Her general management experience spanned both commercial and consumer product lines. Her last position at Eastman Kodak Company was as the Vice President and General Manager of Professional, Printing and Publishing Imaging, a business unit with \$2,300,000,000 in revenues. Recruited to lead Brady, Ms. Hudson launched efforts to globalize the company, expanding its presence from eight countries to twenty-two. From 1994 until her retirement in 2003, Brady's revenues doubled and its market capitalization tripled. Ms. Hudson has also served on the boards of directors of the following public companies within the last five years: (1) CNH Global, from 2004 until 2006, and previously served as Non-Executive Chairman; and (2) Ericsson, from 2006 until 2008. In addition to the Board of Directors of Charming Shoppes, Ms. Hudson has served on the board of directors of International Flavors and Fragrances, Inc. since 2008. In the past, Ms. Hudson has served on the Audit Committees of Case Corporation and CNH Global, the Compensation Committee of Apple Computer Corporation and all three committees of the Company, at various times. As Chief Information Officer at Eastman Kodak Company, she was honored by Information Week as the Chief Information Officer of the Year in 1991 and by CIO Magazine as one of the twenty-five most influential people in shaping the computer industry in 1992. In considering Ms. Hudson for Director of the Company, the Board considered her executive experience and governance leadership roles on other boards, as well as her extensive background in innovation, process organization and information technology.

**BRUCE J. KLATSKY**

Director Since May 2010

Mr. Klatsky, 61, was the Chief Executive Officer of Phillips-Van Heusen Corporation ( PVH ), an apparel and retail company whose brands include Calvin Klein, Geoffrey Bean, IZOD, Van Heusen, and G.H. Bass & Co., from 1992 until 2005 and served as the Chairman of the board of directors of PVH from 1994 until 2007. As Chief Executive Officer of PVH, Mr. Klatsky oversaw the operations and strategic direction of this multi-division NYSE-listed company with annual sales and royalties of approximately \$2,000,000,000, including licensing revenues attributable to a multi-billion dollar global brand licensing business. Under Mr. Klatsky's leadership, PVH's market capitalization grew from approximately \$300,000,000 to more than

\$3,500,000,000. Mr. Klatsky joined PVH in 1971 as a merchandising trainee and subsequently held various management positions before being named President of PVH in 1987. After leaving his executive position at PVH, Mr. Klatsky co-founded LNK Partners, a private equity firm focused on investing in consumer and retail businesses such as Ariat and Au Bon Pain. Mr. Klatsky has served on the board of directors of Gazal Ltd., one of the largest publicly traded retail and apparel companies in Australia, since 2009, and currently serves as the Chairman. He also serves on the board of directors for a number of private and not-for-profit organizations and served on President Clinton's White House Apparel Task Force, which addressed working conditions around the globe, and as an advisor on U.S. trade policy to the administrations of Presidents Reagan and Bush. Mr. Klatsky received his B.S., cum laude, from Case Western Reserve University and attended the Georgetown University Law Center in 1970 and 1971. In considering Mr. Klatsky for Director of the Company, the Board considered his extensive executive and management experience at a global retail company as well as his experience on other boards of directors.

**ALAN ROSSKAMM**

Director Since 1992

Mr. Rosskamm, 60, has served as the Chief Executive Officer of Breakthrough Charter Schools since November 1, 2009. Breakthrough Charter Schools is a non-profit charter management organization created to support the operation of four high performing public charter schools in Cleveland, Ohio. He served as our Interim Chief Executive Officer from July 10, 2008 until April 2, 2009. He was appointed as our Non-Executive Chairman of the Board on June 26, 2008. Mr. Rosskamm was the Chief Executive Officer of Jo-Ann Stores, Inc. ( Jo-Ann ), from October 1985 until August 2006, and Chairman of its board of directors from July 1992 until August 2006. Under his leadership, Jo-Ann became the nation's leading retailer of fabrics and sewing supplies and one of the nation's largest retailers of craft and floral products, operating 800 stores in 47 states. He continues as a member of Jo-Ann's board of directors, where he has served since 1985. Since 2007, Mr. Rosskamm has been a director of PetSense, Inc., a start-up retailer with 32 pet stores serving smaller U.S. markets. He has not served on the board of any other public company within the last five years. In considering Mr. Rosskamm for Director of the Company, the Board considered his executive experience and governance leadership roles on other boards, as well as his extensive background in retail.

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## CORPORATE GOVERNANCE AT CHARMING SHOPPES

Our business is managed under the direction of our Board of Directors, in accordance with the Pennsylvania Business Corporation Law and our By-laws. Members of the Board of Directors are kept informed of our business through discussions with our Chief Executive Officer, and other officers, by reviewing materials provided to them and by participating in regular and special meetings of the Board of Directors and its committees. In addition, to promote open discussion among our non-employee Directors, our independent Directors regularly meet in executive sessions without the participation of management Directors. Our Directors are encouraged to, and do, attend continuing education programs on corporate governance practices from time to time.

### Board of Directors

Our Board of Directors has a long-standing commitment to sound and effective corporate governance practices. The foundation for our corporate governance is the Board's policy that a substantial majority of the members of the Board of Directors should be independent. Our Principles of Corporate Governance Statement is available on our corporate website ([www.charmingshoppes.com](http://www.charmingshoppes.com)). We have reviewed internally and with our Board of Directors the provisions of the Sarbanes-Oxley Act of 2002, the related rules of the SEC and current NASDAQ Marketplace Rules and NASDAQ Global Select Market listing requirements and the applicable Chicago Stock Exchange listing requirements regarding corporate governance policies and procedures. Our corporate governance documents comply with all applicable requirements.

The number of Directors is currently set at ten (10). In accordance with our By-laws and in connection with the retirement of Ms. Curl and Ms. Strandjord, our Board of Directors has specified that as of the date of the Meeting, the number of Directors will be set at eight (8). Seven (7) of the eight (8) Director nominees are, as well as Ms. Curl and Ms. Strandjord, who are not standing for reelection, non-employees, and the Board of Directors has determined that each of these seven (7) Director nominees, including Mr. Rosskamm, following his resignation as Interim Chief Executive Officer, as well as Ms. Curl and Ms. Strandjord, have no relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director, and that each meets the objective requirements for independence under the NASDAQ Marketplace Rules. Therefore, the Board of Directors has determined that each of these seven (7) Director nominees is independent under the standards currently set forth in the NASDAQ Global Select Market listing requirements and the standards set forth in our Principles of Corporate Governance. The only Director who is not independent is James P. Fogarty, our President and Chief Executive Officer. See also *Audit Committee* below.

On May 5, 2008, the Board of Directors amended the Company's By-laws to separate the duties of Chairman of the Board and Chief Executive Officer and to require that the Chairman of the Board be independent. We separated the positions of Chairman of the Board and Chief Executive Officer at this time because the Board determined that this enhances the independence of the Board, increases the effectiveness of the Board's oversight of management (as the Chairman is not a member of management himself), deters conflicts of interest and conflicts of function that may arise when the Chief Executive Officer is also the Chairman, and permits our Chief Executive Officer to devote a greater amount of time and concentration to the management and development of the Company and our business. The Board serves a vital role in the oversight of management and we believe that the Board is most effective in this role when led by an independent Chairman. Upon Mr. Rosskamm's appointment to serve as the Company's Interim Chief Executive Officer, while the Board of Directors searched for a suitable replacement, the By-laws were amended to permit Mr. Rosskamm to serve in such position while remaining as Chairman, which the Board of Directors believes was appropriate given the temporary nature of this executive appointment. On April 2, 2009, the Company appointed James P. Fogarty as President and Chief Executive Officer and elected him as a Director of the Company. Mr. Rosskamm remains the Non-Executive Chairman of our Board of Directors.

Each Director is required to disclose to the Board of Directors any direct or indirect material interest he or she may have in a transaction with us before we enter into the transaction, and to refrain from participating in any Board of Directors decision regarding the transaction. In addition, each Director and nominee for election as Director delivers to the Company annually a questionnaire that includes, among other things, information relating to any transactions in which both the Director or nominee, or their family members, and the Company participates, and in which the Director or nominee, or such family member, has a material interest.

Our Board of Directors has adopted a written policy which requires that any transaction involving the Company in which one of our Directors, nominees for Director, executive officers, or greater than five percent shareholders, or their immediate family members, has a material interest be approved or ratified by the Corporate Governance and Nominating Committee if the amount involved is at least \$120,000. In determining whether to approve or ratify any such transaction, the disinterested members of the Corporate Governance and Nominating Committee must consider, in addition to other factors they deem appropriate, whether the transaction is on terms no less favorable to the Company than those available to an unaffiliated third party under the same or similar circumstances.

During fiscal 2009, our Board of Directors held sixteen meetings either in person or by conference telephone. Each member of the Board of Directors attended at least 75% of the total number of meetings of the Board of Directors and all committees on which he or she served. From time to time, the Board of Directors and Board Committees act by unanimous written consent.

#### **Lead Independent Director**

Until 2008, the positions of Chief Executive Officer and Chairman of the Board of Directors were combined, and the Board also had in place a Lead Independent Director, a position most recently filled by Katherine M. Hudson, to provide additional oversight. After the 2008 Annual Meeting of Shareholders, we amended our By-laws to separate the positions of Chairman of the Board of Directors and Chief Executive Officer and eliminated the role of Lead Independent Director.

#### **Role of Board of Directors in Risk Oversight**

Our Audit Committee and Compensation Committee are primarily responsible for overseeing the Company's risk management process on behalf of the full Board. Our Corporate Governance and Nominating Committee is primarily responsible for overseeing the Company's positions and practices regarding significant issues of corporate governance on behalf of the full Board. Our Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee report to the full Board and our Board works with these committees to manage risks relating to accounting matters, financial reporting and legal and regulatory compliance, employment practices, our compensation and benefits programs, and corporate governance matters, among others. See *Audit Committee* and *Compensation Committee* below.

While the Board oversees the Company's risk management, management is responsible for the day-to-day risk management process. Our Chief Executive Officer, who is also a Director and reports to the Board, advises the Board of specific risks facing the Company and works with the Board and, in particular, the Chairman to manage these risks, as necessary. We believe this division of responsibility is the most effective approach for addressing risks facing the Company and that our Board structure supports this approach.

#### **Stock Ownership Guidelines**

We have adopted Stock Ownership Guidelines that call for Directors, within five years of the adoption of guidelines on April 30, 2009 or within five years of their election to the Board of Directors, whichever is the later, to own at least 40,000 shares of the Company's Common Stock. Deferred stock, restricted stock units and restricted stock are eligible toward meeting this ownership guideline. All Directors who were required to comply with these guidelines by April 30, 2009 complied with the guidelines.

## Committees of the Board of Directors

Our Board of Directors has the following standing committees: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Administration Committee. On June 24, 2009, our Board of Directors dissolved the Finance Committee and its functions were assumed by the full Board. The charters of these Committees have been approved by our Board of Directors and (other than the Administration Committee which meets infrequently) are available on our corporate website ([www.charmingshoppes.com](http://www.charmingshoppes.com)). We will disclose any amendments to our committee charters on our website. Following the resignation of our former Chief Executive Officer on July 8, 2008, the Board appointed a CEO Search Committee to lead the search for a new Chief Executive Officer. The work of this committee has been completed and it has been disbanded.

The following table presents information regarding the membership of our standing Board Committees as of the date of this Proxy Statement:

### Current Board Committee Membership

	AUDIT COMMITTEE	COMPENSATION COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	ADMINISTRATION COMMITTEE
Arnaud Ajdler	+		+	+
Michael C. Appel		+	+	
Richard W. Bennet, III	+	+		
Yvonne M. Curl	+		+X	
James P. Fogarty				+
Michael Goldstein		+X	+	
Katherine M. Hudson*	+		+	+
Alan Rosskamm				+
M. Jeannine Strandjord	+X	+		
Number of Meetings in Fiscal 2009**	8	7	7	0

+ Member

X Chairperson

\* Ms. Hudson was the designated Lead Independent Director before the appointment of Alan Rosskamm as the Non-Executive Chairman of the Board effective June 26, 2008.

\*\* The committees from time to time act by unanimous written consent.

#### *Audit Committee*

The Charter of the Audit Committee is reviewed annually by the Board of Directors and was most recently amended by our Board in fiscal 2010. The Audit Committee's primary responsibility is to assist the Board of Directors in fulfilling its oversight responsibilities to our shareholders and other constituencies. In furtherance of those oversight responsibilities, the Audit Committee's primary duties are to (1) serve as an independent and objective party to monitor the quality, reliability and integrity of our accounting and financial reporting processes, including our internal control over financial reporting; (2) monitor our compliance with ethics policies and legal and regulatory requirements; (3) review and evaluate the qualifications, independence and performance of our independent auditors and internal auditors; (4) be directly responsible for the appointment, retention and compensation of the independent auditors, including pre-approving all audit and permissible non-audit services; (5) provide an open avenue of communication among and individually with the independent auditors, internal auditors, members of management and the Board of Directors and take appropriate actions resulting from these interactions; (6) review the scope of the audits to be conducted by the independent auditors and internal auditors



and meet to discuss the results of their respective audits; (7) review with management, the independent auditors and our internal auditors the selection and disclosure of critical accounting policies and practices, significant financial reporting issues and judgments and estimates made in connection with the preparation of the financial statements and changes in accounting policies and practices and the effect on the financial statements; (8) review with management and the independent auditors our audited annual and unaudited quarterly financial statements before filing them with the SEC; and (9) review with management, the internal auditors and independent auditors, management's assessment of internal control over financial reporting and the independent auditors' evaluation of the effectiveness of our internal control over financial reporting.

The Audit Committee is responsible for oversight of Company risks relating to accounting matters, financial reporting and legal and regulatory compliance. To satisfy these oversight responsibilities, the Committee separately meets regularly with the Company's chief accounting officer, director of internal audit (also known as Business Assurance and Advisory Services), General Counsel, our external auditors and management. The Committee chair regularly interacts with the director of Business Assurance and Advisory Services. The Committee also receives regular reports regarding issues such as the status and findings of audits being conducted by the internal and independent auditors, the status of material litigation, accounting changes that could affect the Company's financial statements and proposed audit adjustments.

The Board of Directors has determined that each member of the Audit Committee is independent, under the independence standards discussed above, and that each member meets the additional standards of independence applicable under the Sarbanes-Oxley Act of 2002 and related rules of the SEC and the NASDAQ Marketplace Rules and NASDAQ Global Select Market listing requirements. In addition, the Board of Directors has determined that Ms. Strandjord, currently the chairman of the Audit Committee, qualifies as an audit committee financial expert in accordance with the definition of audit committee financial expert set forth in Item 407(d)(5)(ii) of Regulation S-K, adopted by the SEC. Following Ms. Strandjord's retirement from our Board of Directors, the Board expects to qualify another Director as an audit committee financial expert before the Meeting.

#### *Compensation Committee*

The Charter of the Compensation Committee is reviewed annually by the Board of Directors and was most recently amended by our Board in fiscal 2010. Under the Charter, the Compensation Committee must be composed of at least three independent Directors. The Compensation Committee is responsible for overseeing our compensation strategy and for the oversight and administration of our compensation programs, including our stock incentive plans. The Compensation Committee reviews and approves performance targets, eligibility, participation and award levels for incentive compensation plans; approves and reports to the Board of Directors on the administration of compensation plans and the compensation of executives at specified salary levels; approves and makes recommendations to the independent members of the Board of Directors regarding the compensation of the Chief Executive Officer; and selects participants and determines when options and other stock-based awards should be granted, the number of shares to be subject to each option or award, and other terms of the option or award.

In addition, the Compensation Committee monitors aggregate share usage under our stock incentive plans and potential dilution resulting from the granting of options or awards. It also makes all other determinations involved in the administration of these stock incentive plans. The Board of Directors has determined that each member of the Compensation Committee is independent under the independence standards discussed above. In making executive compensation decisions, the Compensation Committee is advised by an independent compensation consultant, Pearl Meyer & Partners, Inc. ( "PM&P" ). PM&P provides the Compensation Committee with information regarding market trends and practices as they relate to matters for which the Committee is responsible. PM&P conducts analyses and provides information to support the Compensation Committee's decision-making with regard to specific matters as they arise. The only services that PM&P performs for the Company are for the Compensation Committee on executive compensation matters, and all such

services are provided at the direction of the Compensation Committee. The Compensation Committee is also responsible for the assessment of risks relating to employment policies and the Company's compensation and benefits programs, and works with the Board of Directors to manage such risks. To assist in satisfying these oversight responsibilities, the Compensation Committee confers with PM&P and meets regularly with management to understand the financial, human resources and shareholder implications of compensation decisions being made. The Compensation Committee has the right to terminate the services of the compensation consultant at any time. The Compensation Committee's Charter authorizes the Committee to delegate authority to a subcommittee, one or more members of the Compensation Committee or management.

The Compensation Committee retains PM&P directly, although in carrying out assignments, the Company's Executive Vice President of Human Resources, General Counsel and Chief Financial Officer and their staffs often work with PM&P to provide compensation and performance data regarding the executives and the Company. In addition, PM&P may, in their discretion, seek input and feedback from management regarding their consulting work product before presentation to the Compensation Committee in order to confirm information, clarify data questions or other similar issues.

The Compensation Committee often requests our Chief Financial Officer, Executive Vice President of Human Resources and General Counsel to be present at Committee meetings where executive compensation and Company and individual performance are discussed and evaluated. These executives provide insight, suggestions or recommendations regarding executive compensation (other than their own) if present during these meetings or at other times. The Compensation Committee also meets with the Chief Executive Officer to discuss his or her own compensation package and recommendations for other executives. Decisions regarding compensation for the Chief Executive Officer must be approved by a majority of the independent Directors meeting in an executive session. Decisions regarding the compensation levels of the other executive officers are made solely by the Compensation Committee by votes that generally take place during the executive session portion of the Compensation Committee meetings, when members of management are not present.

#### *Corporate Governance and Nominating Committee*

The Charter of the Corporate Governance and Nominating Committee is reviewed annually by the Board of Directors and was most recently amended by our Board in fiscal 2010. The Corporate Governance and Nominating Committee: (1) develops, reviews and recommends to the Board of Directors corporate governance policies and principles for Charming Shoppes; (2) makes recommendations to the Board of Directors regarding the size and composition of the Board of Directors; (3) recommends to the Board of Directors criteria regarding the personal qualifications required for Board of Directors membership and service on Board Committees; (4) establishes procedures for the nomination process and recommends candidates for election to the Board of Directors; (5) determines and recommends to the Board of Directors appropriate compensation for Directors; (6) evaluates the performance of the Board of Directors as a whole and prepares and supervises the Board's and the various Committees' performance self-evaluations on an annual basis; (7) evaluates Board practices and recommends appropriate changes to the Board of Directors; and (8) considers various other corporate governance issues, including those raised by shareholders and other constituents, and recommends appropriate responses to the Board of Directors. The Board of Directors has determined that each member of the Corporate Governance and Nominating Committee is independent under the independence standards discussed above. As discussed above, under **Board of Directors**, our Board of Directors has adopted a written policy which requires that any transaction involving the Company in which one of our Directors, nominees for Director, executive officers, or greater than five percent shareholders, or their immediate family members, has a material interest be approved or ratified by the Corporate Governance and Nominating Committee if the amount involved is at least \$120,000.

#### *Administration Committee*

The Administration Committee is authorized to exercise the authority of the Board of Directors on matters of a routine nature between meetings of the Board of Directors.

## Director Nominations

Nominations for election as Directors are determined by the Board of Directors after recommendation by the Corporate Governance and Nominating Committee.

The Corporate Governance and Nominating Committee considers candidates for Board membership suggested by its members, other Board members, management and shareholders. Such suggestions, together with appropriate biographical information, should be submitted to the Corporate Secretary of the Company at 3750 State Road, Bensalem, Pennsylvania 19020. Candidates who have been suggested by shareholders are evaluated by the Corporate Governance and Nominating Committee in the same manner as other candidates. In the past, the Corporate Governance and Nominating Committee has retained a third party executive recruitment firm to assist the Committee members in identifying and evaluating potential nominees for the Board of Directors.

While we have not established minimum requirements for nominees for the Board of Directors, when considering candidates for the Board of Directors, the Corporate Governance and Nominating Committee and the Board consider a broad range of factors, including the candidate's personal character, integrity, foresight, intelligence and judgment, as well as the mix of board experience, skills, perspectives and diversity that is most appropriate for Charming Shoppes. In considering nominees for the Board, the Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and the anticipated contributions an individual can make as a member of the Board. Although we do not have a formal diversity policy and do not have constituent or representative directors, diversity is one important factor, among many factors, in our nomination process. The Corporate Governance and Nominating Committee and Board of Directors considers a variety of factors including age, gender, race, executive and professional experience and perspectives of the candidate and how the candidate's qualifications will enhance the composition of the Board of Directors as a whole.

The Corporate Governance and Nominating Committee will consider whether to nominate any person nominated by a shareholder in accordance with our By-laws relating to shareholder nominations. Our By-laws establish advance notice procedures for Director nominations, other than by or at the direction of the Board of Directors or Board committee. These procedures generally provide that a notice submitted by a shareholder for a proposed Director nominee must be given in writing to the Corporate Secretary of Charming Shoppes by the date on which a shareholder proposal would be required to be submitted to us in order to be set forth in our Proxy Statement, in accordance with SEC rules. See also

### **PROPOSALS FOR 2011 ANNUAL MEETING.**

This notice generally must, among other things, (1) identify the name and address of the nominating shareholder and nominee and any arrangements or understandings among them and any other third person regarding the nomination; (2) contain representations concerning: (a) the Common Stock ownership of the nominating shareholder, any beneficial owner and certain associated persons, (b) the number of shares held by potential nominees and the nominating shareholder's intention to appear at the annual meeting and make the nomination, (c) any interest such persons have in the proposal, and (d) the extent to which the nominating shareholder, any beneficial owner and certain associated persons have hedged their positions in the Company; and (3) include all relevant information concerning the nominee and his or her relationship or transactions with Charming Shoppes that are required to be disclosed in the Proxy Statement pursuant to SEC rules. The notice of a proposed Director nominee by a shareholder should be submitted to the Corporate Secretary, Charming Shoppes, Inc., 3750 State Road, Bensalem, Pennsylvania 19020.

The full text of the relevant By-law provisions, which includes the full list of the information that must be submitted to nominate a director, may be obtained upon written request directed to our Corporate Secretary.

**Communications with Directors**

The Board of Directors has established a process for shareholders and other interested parties to communicate directly with the Directors individually or as a group. Any shareholder or other interested party who desires to contact one or more of Charming Shoppes' Directors may send a letter to the following address:

Board of Directors (or name of individual Director)

c/o Corporate Secretary

Charming Shoppes, Inc.

3750 State Road

Bensalem, PA 19020

All such communications will be forwarded to the appropriate Director or Directors specified in such communications as soon as practicable.

**Annual Meeting**

It has been the longstanding practice of Charming Shoppes for all Directors to attend the annual meeting of shareholders. All Directors then in office were present at our last annual meeting.

**Standards of Business Conduct**

Charming Shoppes has had a written code of conduct for many years. Our Standards of Business Conduct apply to Charming Shoppes' Directors and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. The Standards include guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the Standards. The Standards of Business Conduct is available on Charming Shoppes' website at [www.charmingshoppes.com](http://www.charmingshoppes.com). Charming Shoppes intends to post any amendments to or waivers of its Standards of Business Conduct (to the extent applicable to Charming Shoppes' Chief Executive Officer, Chief Financial Officer or Principal Accounting Officer) on our website and also to disclose the waivers on a Form 8-K within the prescribed time period.

## COMPENSATION OF DIRECTORS

We use a combination of cash and stock-based compensation to attract and retain qualified candidates to serve as non-employee Directors on our Board of Directors. We set compensation for non-employee Directors at a level that reflects the significant amount of time and high skill level required of Directors in performing their duties to the Company and to our shareholders. The table below summarizes the compensation paid or earned by the Company's current and former non-employee Directors during fiscal 2009, which ended on January 30, 2010. For a discussion of the compensation, stock awards and any deferred compensation of our Chairman of the Board (and our former Interim Chief Executive Officer), Alan Rosskamm, refer to **COMPENSATION OF EXECUTIVE OFFICERS** *Summary Compensation Table*.

### DIRECTOR COMPENSATION

#### FISCAL 2009

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
Arnaud Ajdler	75,500	135,000	210,500
Michael C. Appel	72,500	135,000	207,500
Richard W. Bennet, III	73,250	135,000	208,250
Yvonne M. Curl <sup>(2)</sup>	76,000	135,000	211,000
Pamela Davies <sup>(3)</sup>	34,000	135,000	169,000
Michael Goldstein	85,000	135,000	220,000
Charles T. Hopkins <sup>(3)</sup>	40,500	135,000	175,500
Katherine M. Hudson	66,500	135,000	201,500
M. Jeannine Strandjord <sup>(2)</sup>	74,750	135,000	209,750

(1) The amounts reported in the Stock Awards column represent the grant date fair value of the cash settled restricted stock units ( CRSUs ) granted to each Director during fiscal 2009 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation. For information regarding significant factors, assumptions and methodologies used in our computations, see Note 1, Summary of Significant Accounting Policies: Stock-based Compensation, to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2010. The amounts reflected include only Time-Based Awards. In fiscal 2009, each non-employee Director received a grant of 37,604 CRSUs. As of January 30, 2010, each Director had 37,604 CRSUs that remained subject to a risk of forfeiture. Except for Mr. Bennet, Ms. Curl, Ms. Hudson and Ms. Strandjord, all of the other Directors elected to defer these CRSUs upon vesting. Upon deferral, the CRSUs may be settled in stock.

(2) Ms. Curl and Ms. Strandjord are not standing for reelection at the Meeting.

(3) Dr. Davies and Mr. Hopkins served as Directors through the 2009 Annual Meeting of Shareholders and did not stand for reelection at that meeting.

#### **Cash Compensation Paid to Board Members**

Non-employee Directors receive compensation for their services. The pay level and structure of our Board compensation program was developed in consultation with the Committee's independent compensation consultants, Pearl Meyer & Partners ( PM&P ). An annual cash retainer of \$50,000 is paid to each non-employee Director for Board service, other than our Non-Executive Chairman of the Board who receives an annual cash retainer of \$100,000. Each non-employee Director who serves as a chair of a standing committee also receives an annual cash retainer to recognize the additional work required of the chair function. The retainer

for the Chair of the Audit Committee is \$10,000 annually. The retainer for the other chairs of a standing committee is \$5,000. Each non-employee Director also receives a meeting fee of \$1,500 per Board meeting attended and \$750 per Board update telephonic meeting attended. No committee meeting fees are payable to Committee members except for members of the CEO Search Committee. A special CEO Search Committee was established effective July 1, 2008 to recruit a permanent chief executive officer for the Company. The retainers for the Chair of the CEO Search Committee and for each member of that Committee were \$4,000 per month and \$2,500 per month, respectively. The CEO Search Committee was disbanded on April 2, 2009 when James P. Fogarty became our President and Chief Executive Officer and was elected as a Director. Non-employee Directors are reimbursed for certain business expenses, including their travel expenses in connection with Board and committee meeting attendance and their attendance at Director education programs.

**Share Plan for Non-Employee Directors**

Under our 2003 Non-Employee Directors Compensation Plan, each non-employee Director receives an automatic annual grant of CRSUs equal to \$135,000 divided by the closing price of the Company's stock on the date of each annual meeting of shareholders. 37,604 CRSUs granted to each Director following our 2009 Annual Meeting of Shareholders were payable in cash (payable in shares if deferred). On May 7, 2008, our compensation plan was amended so as to provide for RSUs payable in cash in view of the limited number of shares of Common Stock available for issuance under our 2003 Non-Employee Directors Compensation Plan. These CRSUs vest on June 1 of the year following grant, subject to earlier vesting in the case of death, disability, or a change in control. In addition, if a non-employee Director has a mandatory retirement or a voluntary termination, CRSUs will vest on a pro rata basis, proportionate to the part of the year during which the non-employee Director served, with the remainder of the CRSUs forfeited unless otherwise determined by the Board of Directors. Unvested CRSUs will be forfeited if a non-employee Director is removed from service.

Our non-employee Director compensation program is summarized in the table below:

Pay Element	Amount
Non-Executive Chairman of the Board	\$100,000 per year
Cash for Board Service	
Cash Retainer	\$50,000 per year (paid to all Directors other than the Non-Executive Chairman)
Per Meeting Fee	\$1,500 per meeting (\$750 for update telephonic meetings)
Equity for Board Service	
Restricted Stock Units	\$135,000 RSU value per year
Cash for Committee Service (except for CEO Search Committee)	
Committee Chair Annual Retainer	\$10,000 per year for Audit Committee (additional); \$5,000 per year for other Committees (additional)
Committee Members	\$0
Per Meeting Fee	\$0
Cash for CEO Search Committee Service	
Committee Chair Monthly Retainer	\$4,000
Committee Member Monthly Retainer	\$2,500

***Deferral of Cash Fees***

A non-employee Director may elect to defer any cash fee into deferred shares of Common Stock or a cash-denominated deferred compensation amount. Fees are converted into deferred shares at 100% of the fair market value of shares of Common Stock on the date of conversion. Investment alternatives for cash-denominated deferred compensation balances are mutual funds which are the same as those available to management in the Company's Variable Deferred Compensation Plan for Executives, described below under the caption ***Nonqualified Deferred Compensation for Fiscal 2009***. Mr. Rosskamm deferred a portion of his cash fees for Board service for fiscal 2009 under this plan.

***Employee Directors***

Mr. Rosskamm ceased to receive compensation for his services as a Director, Chairman of the Board or as a member of any Committee of the Board of Directors when he was appointed as our Interim Chief Executive Officer. Following the appointment of James P. Fogarty as President, Chief Executive Officer and Director on April 2, 2009, Mr. Rosskamm resigned as Interim Chief Executive Officer, but remains as the Company's Non-Executive Chairman of the Board. In fiscal 2009, he was eligible to receive compensation for his service as a Director. Mr. Fogarty does not receive any compensation for his services as a Director.

## COMPENSATION OF EXECUTIVE OFFICERS

### Compensation Discussion and Analysis

#### *Introduction*

The Compensation Committee of the Board of Directors (the *Committee*) administers our compensation programs. Working with management and its own outside compensation consultant, the Committee has developed a compensation and benefits strategy designed to reward the performance, behaviors and culture that we believe will drive long-term success. For a discussion of the Committee's roles, responsibilities and a discussion of the role of executive officers in setting compensation, see **CORPORATE GOVERNANCE AT CHARMING SHOPPES *Compensation Committee***.

As used in this Proxy Statement the terms *fiscal 2009*, *fiscal 2008*, and *fiscal 2007* refer to our fiscal years ended January 30, 2010, January 31, 2009, and February 2, 2008, respectively. The term *fiscal 2010* refers to our fiscal year which will end on January 29, 2011.

For fiscal 2009, our named executive officers were:

James P. Fogarty President and Chief Executive Officer;

Alan Rosskamm Former Interim Chief Executive Officer;

Eric M. Specter Executive Vice President and Chief Financial Officer;

Joseph M. Baron Executive Vice President and Chief Operating Officer;

Jay H. Levitt President Fashion Bug; and

Brian P. Woolf President Lane Bryant.

#### *Recent Developments*

The following are highlights of some of the compensatory actions recently taken by the Company, which provide context for the Compensation Discussion and Analysis that follows:

We are providing our shareholders with the opportunity at our Meeting to vote on an advisory resolution, proposed by us, to ratify the compensation of the named executive officers set forth in the Summary Compensation Table and the accompanying narrative disclosure of material factors provided to understand the Summary Compensation Table. While the Committee will consider the results of the vote in making future compensation decisions, this vote will be non-binding and will not directly affect any compensation paid or awarded to any named executive officer. See **ADVISORY VOTE ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**.

On April 2, 2009, James P. Fogarty was appointed as the Company's President, Chief Executive Officer and Director, replacing Alan Rosskamm who had acted as Interim Chief Financial Officer from July 2008 through April 2009. A more detailed discussion of Mr. Fogarty's compensation is set forth below under ***Chief Executive Officer Compensation***.

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On March 8, 2010, the Company received notice from Joseph M. Baron of his retirement as Executive Vice President and Chief Operating Officer of the Company, which is expected to be effective in May, 2010. The Company is currently searching for Mr. Baron's successor.

The Board of Directors adopted a recoupment policy in fiscal 2010 which permits the Company to cancel or clawback annual incentive compensation if the basis upon which it was paid or awarded is later shown to be materially inaccurate.

In light of the ongoing global economic downturn and, in particular, the sustained decline in retail sales, the Company continued to implement cost-saving measures with regard to its compensation program including no base salary increases for the named executive officers during fiscal 2009.

No bonuses were paid under our annual incentive plan to the named executive officers with respect to fiscal 2007 or 2008. In recognition of the challenges faced by the Company, however, and as an incentive to induce them to join the Company, both Mr. Fogarty and Mr. Levitt were guaranteed certain bonuses as part of their employment arrangements with the Company even if target levels of performance were not achieved in fiscal 2009. In addition, Mr. Specter was awarded a discretionary bonus in fiscal 2010 for his efforts in facilitating the sale of the Company's credit card business and Mr. Rosskamm was awarded a discretionary bonus for his service to the Company while the Company searched for a permanent chief executive officer in fiscal 2009.

In fiscal 2009, the Committee awarded to eligible employees annual long-term incentive grants with significantly lower grant date fair values than the grants made to employees who were eligible in fiscal 2008. On average, the grants made in fiscal 2009 under the long-term incentive plan were approximately 50% lower than the value of those in fiscal 2008 (measured as of the grant dates).

On February 13, 2009, we suspended Company matching contributions to our deferred compensation plan (the Variable Deferred Compensation Plan, or VDCP) and our 401(k) Plan beginning April 2009 through December 31, 2009. These suspensions are expected to continue through fiscal 2010.

The Board of Directors discontinued the Charming Shoppes, Inc. Supplemental Executive Retirement Plan (SERP) as of December 31, 2008. The annual cost savings of this action was approximately \$1,000,000, and the total value of the accounts subject to participant elections was approximately \$4,100,000. All account balances under the SERP are being paid out to the participants. The discontinuance of the plan does not affect the Company's deferred compensation program, which is continuing.

The Company has amended its executive severance agreements with its named executive officers and other senior officers of the Company. Among other things, the amended agreements reduced the amount of severance that executives would receive in the event of a termination of employment within 24 months after a change in control, eliminated the Company's obligation to make gross up payments for excise taxes imposed on the executives under Section 4999 of the Internal Revenue Code of 1986, as amended (the Code), and provided for severance payments upon certain involuntary terminations of employment not in connection with a change in control. See *Severance and Change in Control Benefits*.

***Compensation Objectives, Design and Strategy***

The primary objectives of Charming Shoppes' executive compensation structure are to assure that our executive compensation and benefit programs:

are effective in driving performance to achieve financial goals and create shareholder value without encouraging inappropriate or excessive risk-taking;

reflect our unique, entrepreneurial and customer-focused orientation;

help us to attract and retain talented executives by providing competitive compensation opportunities as compared to retail industry organizations and other companies that represent the market for high caliber executive talent;

are cost-efficient and fair to employees, management and shareholders; and

are well-communicated and understood by program participants.

The Committee designed our compensation program, in consultation with the Committee's own outside compensation consultant, to reflect our entrepreneurial business strategy. This means that executives with business unit responsibility, such as our brand Presidents, are measured primarily upon the results of their units. At the corporate level, entrepreneurship means that executives are measured on our overall results and on other objective goals.

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Our compensation strategy is to place a major portion of targeted total compensation at risk in the form of annual and long-term incentive programs and to provide competitive compensation opportunities tied to

performance. This means that the Committee assesses the relative pay opportunities vis-à-vis relative performance and that for senior executives the majority of their target total compensation should be contingent upon their meeting the performance goals set for them by the Committee. As shown in the Summary Compensation Table, the base salaries of our named executive officers, other than Mr. Fogarty and Mr. Rosskamm, represented between 52% and 70% of actual total compensation for fiscal 2009 (calculated in accordance with the Securities and Exchange Commission rules governing that Table). For a discussion of Mr. Fogarty's and Mr. Rosskamm's compensation, see **Chief Executive Officer Compensation** and **Former Interim Chief Executive Officer Compensation**, respectively. In part, the salaries of Mr. Baron, Mr. Specter and Mr. Woolf represented a relatively higher percentage of their actual total compensation for fiscal 2009, as compared to Mr. Fogarty and Mr. Levitt, because these named executive officers did not receive an annual bonus under our annual incentive plan for the year. Additionally, the salaries represented a relatively higher percentage of the actual total compensation for fiscal 2009, as compared to fiscal 2008 and 2007, because long-term incentive grant values were significantly lower in an effort to manage share utilization.

We intend the combination of incentive compensation to balance short-term operational objectives, such as the achievement of annual operating earnings targets (income before taxes and excluding one time items) and long-term strategic goals, such as return on investment for shareholders. As a percentage of base salary, the target annual cash incentive opportunity for the Chief Executive Officer is 150% and 50% for all other named executive officers. Target long-term incentive opportunities vary from year to year, based on the Committee's assessment of market practices, share utilization strategies, and stock price performance. For fiscal 2009, target opportunities for our named executive officers, other than Mr. Rosskamm and Mr. Fogarty, ranged from approximately 26% to 60% of base salary. For a discussion of Mr. Fogarty and Mr. Rosskamm's target long-term incentive opportunities, see **Chief Executive Officer Compensation** and **Former Interim Chief Executive Officer Compensation**, respectively.

We also seek to promote a long-term commitment to Charming Shoppes. This means that while we believe compensation should have a strong link to annual performance, we also believe there is great value to the Company in retaining a team of tenured, seasoned executives. We have encouraged this long-term commitment through backloaded vesting of equity awards. Furthermore, we believe our executives should also have a long-term commitment to shareholders, which we encourage through stock ownership requirements for all members of the senior management team. Combinations of cash and equity compensation have been critical factors in attracting and retaining key employees and are intended to contribute to a high level of employee commitment to our business success. These components of compensation are discussed more fully below.

#### ***Role of the Compensation Committee***

The Committee provides overall guidance for our executive compensation policies and determines the amounts and elements of compensation for our executive officers. The Committee reviews, approves and modifies as necessary, our compensation and benefits philosophy and our executive compensation programs and administers our short and long-term incentive plans and other stock or stock-based incentive plans. In addition, the Committee is also responsible for the assessment of risks relating to the Company's employment policies and the Company's compensation and benefits programs. The Committee's function is more fully described in its charter which is available on our website at [www.charmingshoppes.com](http://www.charmingshoppes.com). See also **CORPORATE GOVERNANCE AT CHARMING SHOPPES Compensation Committee**.

#### ***Risk Assessment of Executive Pay***

In determining the structure of the Company's executive compensation program and the appropriate levels of incentive opportunities, the Committee considers whether the program rewards reasonable risk-taking and whether the incentive opportunities achieve the proper balance between the need to reward employees and the need to protect shareholder returns. For example, the Committee believes that base salaries, the guaranteed portion of total compensation, should be a sufficient percentage of total compensation to discourage excessive or inappropriate risk-taking. In fiscal 2009, base salaries of the Company's named executive officers, other than

Mr. Fogarty and Mr. Rosskamm, comprised between 52% and 70% of their total actual compensation, which the Committee felt was sufficient to balance the Company's objectives of rewarding performance and incentivizing appropriate risk. For a discussion of Mr. Fogarty and Mr. Rosskamm's base salaries, see *Chief Executive Officer Compensation* and *Former Interim Chief Executive Officer Compensation*, respectively. Incentive award targets and opportunities are reviewed annually, allowing the Committee to maintain an appropriate balance between risk and compensation as the Company's business evolves and changes. In addition, the Company's long-term incentive program seeks to focus executive officers on the long-term interests of the Company through awards that vest over a multi-year period. Finally, the Company's stock ownership guidelines encourage executive officers to focus on long-term shareholder returns see *Management Stock Ownership Guidelines*. The Committee believes that the combination of compensation elements in the overall program and the related Company policies provide executive officers with appropriate incentives to create long-term value for shareholders while taking thoughtful and prudent risks to grow the value of the Company.

Because our brand Presidents are primarily responsible for ensuring the profitability of our business units, a significant portion of their incentive compensation is tied to the achievement of brand-specific targets. However, as discussed more fully below, a portion of their incentive compensation is also tied to corporate-wide operating targets. Further, our brand Presidents are incentivized to create long-term value through grants of stock appreciation rights (SARs) with backloaded vesting. The Committee believes that the combination of brand-specific targets, corporate operating targets and the grants of SARs provide the appropriate balance between creating long-term value and prudent risk-taking.

#### *Policy on Recovery of Previously Paid Executive Compensation*

The Company has adopted a recoupment or clawback policy providing in certain circumstances for the recovery or forfeiture of annual incentive awards paid or to be paid to certain executives and employees. The policy applies to the officers of the Company and its subsidiaries who hold the office of Vice President or higher and any other officer or employee of the Company or its subsidiaries who is engaged in the preparation of the financial statements of the Company or a subsidiary or the implementation of performance metrics used to calculate incentive awards. If the Committee, in its sole discretion, determines that (1) the executive's or employee's annual incentive compensation was based on financial statements that are required to be materially restated, other than on account of a change in accounting positions or regulatory requirements; (2) the executive or employee received or would receive annual incentive compensation based on materially inaccurate financial statements of the Company or a division or brand; or (3) the executive or employee received or would receive annual incentive compensation based on materially inaccurate performance metric criteria, the Committee may require forfeiture or reimbursement of part or all of the annual incentive award if the annual incentive award paid or payable to the executive or employee exceeds the annual incentive compensation award that would have been paid or payable in the absence of error by more than 10%. If the Committee, in its sole discretion, determines that the executive or employee has committed an act of fraud, embezzlement or theft in connection with his or her employment with the Company, the Committee may require forfeiture or reimbursement of part or all of the annual incentive compensation award. Under the policy, the Company may seek to recover or recoup annual incentive awards that were paid up to two years before the date of the Committee's determination. The policy became effective on April 29, 2010 and applies to incentive awards granted under the Company's annual incentive program on or after January 31, 2010.

#### *Compensation and Benefits Structure*

This next section of this Compensation Discussion and Analysis describes each element of our compensation and benefits structure for our named executive officers, with focus on:

Pay level – determination of the appropriate pay opportunity;

Pay mix – determination of each element of compensation, its purpose and design, and its relationship to the overall pay program; and

Pay-for-performance – determination of the performance measures and goals used in the pay programs.

**Pay Level**

We determine pay levels for the named executive officers based on a number of factors, including each individual's roles and responsibilities within the Company, the individual's experience and expertise, the pay levels for peers within the Company, the pay levels in the marketplace for comparable positions and the performance of the individual, his/her business unit and the Company as a whole. In determining pay levels, the Committee considers all forms of compensation and benefits to review the total value delivered through all elements of pay. In fiscal 2009, this data served as a useful check on total compensation for each executive officer and relative compensation among the executive officers, but no one factor had a specific impact on the named executive officers' annual compensation. In its review of the compensation data in fiscal 2009, the Committee determined that the annual compensation amounts for our named executive officers remained consistent with the Committee's policies and expectations.

Notwithstanding the Company's overall pay positioning objectives, pay opportunities for specific individuals vary based on a number of factors. The Committee reviews competitive market information for all named executive officers each year as part of their annual review process. Actual total direct compensation in a given year will vary above or below the target compensation levels based primarily on the attainment of individual and corporate goals. In some instances the amount and structure of compensation results from negotiations with executives, which reflects the competitive market for quality managerial talent. To help attract and retain such talent, the Committee also seeks to provide a level of benefits in line with those of comparable publicly traded companies.

The Committee assesses competitive market compensation using a number of sources. A primary data source, although not the determinative factor, used in setting competitive market levels for the named executive officers is the information publicly disclosed by a peer group of 18 companies. The Committee closely analyzes the peer group data, but exercises its discretion in the weight it assigns to this data. An individual's pay is driven primarily by individual and Company performance and internal relativity rather than the peer group data. The peer group data is mostly used as a market check to ensure that individual pay remains within an appropriate range of the peer group. The ranges that the Committee uses are described throughout this Compensation Discussion and Analysis.

We revise this peer group from time to time, in consultation with our independent compensation consultant, primarily due to mergers and other changes to the companies on the list. Following our most recent review, we revised our peer group in fiscal 2009 because the Company was larger, in terms of revenue, than some of the original peer group companies. The Committee concluded that this difference between the peer group and the Company could distort compensation comparisons. The list of companies comprising the new peer group follows below. Each of these peer group companies is comparable to us in that they have similar business models, have sales between approximately 1/2x and 2x of our sales, are U.S. publicly traded, financially viable companies and, where possible, have both general retail and direct-to-consumer markets.

**Peer Companies used for Compensation Comparison**

**of Named Executive Officers**

Abercrombie & Fitch Co.	Foot Locker, Inc.
Aeropostale, Inc.	Genesco Inc.
American Eagle Outfitters, Inc.	J. Crew Group, Inc.
AnnTaylor Stores Corporation	The Men's Wearhouse, Inc.
Chico's FAS, Inc.	New York & Company, Inc.
Childrens Place Retail Stores, Inc.	Pacific Sunwear of California, Inc.
Collective Brands, Inc.	Stage Stores, Inc.
Dick's Sporting Goods, Inc.	The Talbots, Inc.
Dress Barn, Inc.	Urban Outfitters, Inc.

The publicly available information for the peer companies is supplemented with survey data that provides position-based compensation levels across broad industry segments. Except for our Chief Executive Officer who

is assessed solely on the basis of the peer group data, executives are also assessed relative to both general industry, and retail-specific surveys. In setting compensation for fiscal 2009, the Committee reviewed surveys from the Mercer Benchmark Database (retail and general industry segments), Watson Wyatt Survey Report on Top Management Compensation (general industry survey), ICR Apparel Industry Compensation Survey (retail survey) and several PM&P proprietary surveys.

The Committee does not select or have any influence over the companies that participated in these surveys. Further, the Committee only receives and considers the aggregate results of the surveys prepared. The Committee does not receive, and accordingly, does not consider the identities of the individual component companies that are included in the surveys. Rather, the Committee only considers statistical summaries of pay practices of the companies included in these databases.

The Committee intends that the total direct compensation opportunity of the executive group for the achievement of target performance should fall at the median for total direct compensation of executives performing similar functions in the competitive market. Market data used for market checks and discussed throughout this Proxy Statement are based on blended data of the peer group information and where available and appropriate for the position, survey data. In fiscal 2009 the target total direct compensation of the executive group fell below the median, primarily as a result of below market long-term incentive grants as compared to the peer group in an effort to manage overall share utilization.

**Pay Mix**

For fiscal 2009 our compensation program for our named executive officers consisted of the following principal elements:

Base Salary fixed pay that reflects an individual's role and responsibilities, experience, expertise, and individual performance;

Annual Incentive Bonus paid to reward attainment of annual business goals; and

Long-term Incentives paid to reward increases in shareholder value over longer terms and align the interests of executives with the interests of shareholders.

The Committee selected these elements because it believes that this compensation package, taken as a whole, will attract and retain executives, motivate them to achieve the business goals set by the Company and reward them and, in turn our shareholders, for achieving such goals. The rationale for the selection of each particular element is discussed below. In fiscal 2009, the Company's pay mix was significantly different from our peer group in that cash was a more substantial component of total compensation than equity. This difference is largely based on the conscious decision of the Committee to grant equity awards with a lower grant date value, which was approximately 50% lower than the value of those in fiscal 2008, in an effort to manage overall share utilization.

In addition to the factors considered in the discussion that follows, the Committee considered the following specific factors with respect to the named executive officers in setting compensation in fiscal 2009:

**Named Executive Officer**

**Key Factors**

Joseph M. Baron

tenure with the Company  
 position as Chief Operating Officer  
 role of responsibility in the operations of the Company and oversight of management

Eric M. Specter

tenure with the Company  
 position as Chief Financial Officer  
 role of responsibility and management of the Company's financial affairs



<i>Named Executive Officer</i>	<i>Key Factors</i>
Jay H. Levitt	position as President of Fashion Bug  role of responsibility in the long-term success of the Company  significant role in generating revenues for the Company
Brian P. Woolf	position as President of Lane Bryant  role of responsibility in the long-term success of the Company  significant role in generating revenues for the Company

In light of these factors and the factors discussed below, the Committee determined that compensation levels for fiscal 2009 were appropriate. For a discussion of Mr. Rosskamm's and Mr. Fogarty's compensation, see **Former Interim Chief Executive Officer Compensation** and **Chief Executive Officer Compensation**.

**Base Salaries**

Executive base salaries are designed to reflect our operating philosophy, culture and business direction. Each salary is determined by an annual assessment of a number of factors, including job responsibilities, the development of and execution of business strategy, labor market compensation data, individual performance relative to job requirements, our ability to attract and retain critical executives, and salaries paid for comparable positions within an identified compensation peer group. The Committee intends that base salaries for our executives, together with other principal components of compensation at target opportunity levels, will approximate the median of the competitive market. In fiscal 2009, salaries fell between the median and 75<sup>th</sup> percentile. The Committee periodically evaluates market base salaries for comparable positions among retailers and general industry. Nevertheless, no specific weighting is applied to the factors considered in setting the level of salary, and thus the process relies on the subjective exercise of the Committee's judgment. In reviewing base salaries for fiscal 2009, the Committee considered current roles and responsibilities with respect to Mr. Baron and Mr. Specter, and additionally considered, with respect to Mr. Levitt and Mr. Woolf, their employment arrangements which took into account competitive market pay in setting base salaries. For a discussion of our former Interim Chief Executive Officer's base salary and our current Chief Executive Officer's compensation, see **Former Interim Chief Executive Officer Compensation** and **Chief Executive Officer Compensation**. Notwithstanding the foregoing, in fiscal 2009, no increases in base salary were granted to the named executive officers due to the continued weakness in the economy and, in particular, in the retail industry and our performance.

**Annual Incentive Program**

The annual incentive plan is designed to reward annual operating performance. This is a broad management incentive program, covering the named executive officers, as well as approximately 270 other participants. The annual incentive plan was approved by shareholders in 2003 and the performance goals were re-approved in 2008 for the purpose of preserving tax deductions under Section 162(m) of the Code. This plan is administered by the Committee, which approves the awards and the performance goals. Therefore, awards earned under the plan that are considered performance-based are fully deductible by the Company as a compensation expense.

The plan provides for differing target incentive levels, each expressed as a percentage of base salary. Consistent with our overall compensation strategy, these annual incentive levels in combination with base salary and long-term incentives are intended to generate target total compensation (i.e., the sum of base salary plus a target annual incentive amount) that approximates the median of the competitive market. Each participant in the annual incentive plan is assigned to an incentive level based on his/her position. For example, the position of Chief Executive Officer is in Level 1, with a target of 150% of salary and the other named executive officer positions are in Level 2, with a target of 50% of salary. In light of the Chief Executive Officer's increased role and responsibility within the Company as compared to other named executive officers and available market

data, the Committee considers the differentiation between the Chief Executive Officer and the other executives appropriate. Due to the temporary nature of Mr. Rosskamm's appointment as Interim Chief Executive Officer, he did not participate in the annual incentive plan.

Actual awards under the annual incentive plan vary each year based upon actual performance relative to the goals set by the Committee at the beginning of the fiscal year (performance goals are discussed below in this Compensation Discussion and Analysis under the caption *Pay-for-Performance* and *Fiscal 2009 Compensation Actions*). The maximum that can be earned by a named executive officer under the annual incentive plan is 200% of the target award, for the achievement of maximum performance. Conversely, a partial bonus of 50% of target can be earned for performance that falls short of target, but is above threshold performance. No bonus is earned if performance falls below the threshold level. In fiscal 2009, performance fell below the threshold level, and as such, no bonuses were awarded to the named executive officers, other than bonuses of \$1,500,000 to Mr. Fogarty and \$250,000 to Mr. Levitt pursuant to their employment arrangements which guaranteed bonuses even if target levels were not met. The Committee, however, granted to Mr. Specter a discretionary bonus of \$125,000 in fiscal 2010. The Committee determined that the bonus was warranted for his efforts in facilitating the sale of our credit card business. Additionally, the Committee granted to Mr. Rosskamm a discretionary bonus of \$100,000 in fiscal 2009 for his service to the Company while the Company searched for a permanent chief executive officer.

### ***Long-Term Incentive Program***

Long-term incentives are used to balance the short-term focus of the annual incentive program by tying vesting to multi-year periods. Our 2004 Stock Award and Incentive Plan (the 2004 Plan), was approved by our shareholders at the 2004 Annual Meeting and the performance goals were approved at the 2009 Annual Meeting for the purpose of preserving tax deductions under Section 162(m) of the Code. Under the 2004 Plan, the Company can use a variety of long-term incentive vehicles, including stock options, SARs, restricted stock, restricted stock units (RSUs), performance shares, performance units and long-term cash incentives. The 2004 Plan is administered by the Committee. Awards under the 2004 Plan which are considered performance-based under Section 162(m) of the Code are fully deductible by the Company as a compensation expense.

In fiscal 2008, the Company relied primarily on a combination of Time-Based Awards and Performance Awards. In fiscal 2009, no time-based RSUs or restricted stock were granted to our named executive officers because the Committee felt that in light of the Company's financial performance and stock price, the time-based and performance-based components of the SARs granted provided a more appropriate mix of these components for fiscal 2009. The Committee believes that stock ownership by management and equity-based performance compensation arrangements are useful tools to align the interests of management with those of the Company's shareholders. When executives are shareholders themselves, the executives will realize a direct benefit by achieving the objective of increasing shareholder value.

As with the annual incentive plan structure, each participant also has a target number of Performance Awards that become 100% vested if target performance over a specified period is met. Partial vesting of 50% (or more) of the target number of Performance Awards can occur if performance exceeds a specified threshold level but is less than the target level; and a maximum of 200% of the target number of Performance Awards can be earned by our named executive officers if the specified period performance meets or exceeds maximum levels. Performance Awards earned based on the achievement of the performance goal will vest on the last day of the specified performance period, if the participant has remained employed by us through that time, subject to accelerated vesting in certain circumstances.

The vesting of Performance Awards is based on different metrics and different performance periods depending on when the Performance Awards were granted.

The vesting of Performance Awards made to Mr. Specter and Mr. Baron before fiscal 2008 are based on the achievement of targets related to Free Cash Flow (FCF). Performance Awards made to

Mr. Specter and Mr. Baron in fiscal 2007, with a three-year performance period ended in fiscal 2009, were based on the achievement of FCF goals. The threshold performance level was not met, and as such, all of the fiscal 2007 Performance Awards scheduled to vest in fiscal 2009 were forfeited.

In fiscal 2008, the Company granted Performance Awards to Mr. Specter and Mr. Baron with a two-year vesting schedule based on the achievement of EBITDA goals. The awards scheduled to vest in fiscal 2009 were forfeited as the EBITDA performance goals were not met.

In fiscal 2008, the Company also granted Performance Awards to Mr. Specter and Mr. Baron, which were initially intended to be granted based on relative Totals Shareholder Return ( TSR ) as compared to the Company's then-peer group. Consistent with the treatment of our former Chief Executive Officer pursuant to the terms of her employment agreement with the Company and in order to promote retention in the challenging economic climate, these grants were made at target level even though the Company did not achieve target relative TSR. The awards vest in two equal installments on the first and second anniversaries of the grant date, subject to the executive's continued employment with the Company.

In addition, in accordance with our employment arrangements with Mr. Levitt and Mr. Woolf entered into in fiscal 2008, we awarded SARs which will vest on the third, fourth and fifth anniversaries of the grant date.

#### *Fiscal 2009 Awards*

In fiscal 2009, we awarded SARs to our named executive officers (other than Mr. Fogarty, whose grants were made pursuant to the terms of his offer letter, and Mr. Rosskamm who did not participate in the long-term incentive program). Mr. Fogarty will be eligible to participate in the Long-Term Incentive Plan beginning in Spring 2011. In view of the very challenging economic climate, for fiscal 2009, the SARs were granted on a more accelerated vesting schedule than in prior years. Rather than vesting on the third, fourth and fifth anniversaries of the grant date, SARs granted in fiscal 2009 vest on the second, third and fourth anniversaries of the grant date. The Committee believes that the accelerated vesting schedule will incentivize performance in the challenging economic environment. The Committee also believes that the use of SARs was appropriate to reward executives for the Company's performance. Because the value of SARs is tied to the performance of our stock, our executives will only profit on the SARs if the price of our Common Stock increases over the relevant three-year period. The SARs granted to the named executive officers in fiscal 2009 vest as to 40% of the shares on the second anniversary of the date of grant and 30% of the shares on the third and fourth anniversaries of the date of grant, subject to the executive's continued employment with the Company.

In fiscal 2008, the Committee had intended to transition to TSR as the metric to use for the vesting and amount of Performance Awards in fiscal 2009. The Company defines TSR as the return on common shares (assuming reinvestment of cash dividends) and is calculated based on the increase (or decrease) in the value of a share of stock during the applicable performance period based on the average value of a share of stock over the 20 trading days at the beginning of the performance period as compared to the average value of a share of stock over the 20 trading days at the end of the performance period. A portion of each executive's long-term incentive grant was to be dependent on Charming Shoppes' TSR relative to peer companies over the previous three-year period or one-year period, as applicable. In addition, the vesting of each grant was to be dependent on the actual relative TSR over the relevant performance period. In view of the very challenging economic climate, SARs were granted on a more accelerated vesting schedule than in prior years and without reference to TSR in order to incentivize performance without subjecting executives to additional hurdles in realizing their compensation.

As with base salaries and annual incentive targets, target long-term incentive award levels are set to approximate the median of the competitive market. In fiscal 2009, long-term incentives as granted fell below the 25<sup>th</sup> percentile. This was primarily due to the market price of our Common Stock on the date of grant, which was significantly lower in fiscal 2009, and resulted in equity awards with values significantly smaller than in prior years. The Committee also assesses aggregate share usage and dilution levels in comparison to our 18 peer group

companies and general industry norms. Within these general grant guidelines, individual awards are made to reflect the performance of the executive and his or her contributions to the success of our initiatives to create shareholder value and other individualized considerations. The SARs granted were as follows: Joseph M. Baron, 165,000 SARs; Eric M. Specter, 250,000 SARs; Jay H. Levitt, 145,000 SARs; and Brian P. Woolf, 175,000 SARs.

In accordance with our employment arrangement with Mr. Fogarty, we awarded a total of 2,000,000 time-based and performance-based SARs to him on April 2, 2009. The time-based SARs vest in four equal installments on the first, second, third and fourth anniversaries of the grant date, subject only to his continued employment with the Company. The performance-based SARs vest in four equal installments on the last trading day of each of the Company's next four fiscal years beginning in fiscal 2009, subject to his continued employment with the Company and the closing price of the Company's Common Stock equaling or exceeding 120% of the base amount for five consecutive days. This condition was satisfied in fiscal 2009. Vesting of the performance-based SARs will be accelerated on the day on which the Company's Common Stock equals or exceeds a certain target stock price. For example, vesting was limited to 177,222 performance-based SARs in fiscal 2009, and will be limited to 250,626 performance-based SARs in fiscal 2010. However, vesting in any fiscal year cannot exceed 275,000 SARs plus the number of SARs (if any) that did not vest in a previous fiscal year. In addition, the number of shares of the Company's Common Stock with respect to which the SARs become exercisable will be decreased as necessary so that the aggregate spread (fair market value of the Company's Common Stock on the vesting date over the base amount) in a particular fiscal year does not exceed certain specified amounts. See *Chief Executive Officer Compensation*.

While both retention and long-term performance are important objectives of the long-term incentive program, we believe that the at risk component of the long-term incentive program should be higher for the more senior executives. Consistent with this policy, all Performance Awards scheduled to vest in fiscal 2009 were forfeited due to failure to achieve target levels.

#### *Pay-for-Performance*

In fiscal 2009, we used several vehicles designed to create a strong link between pay and performance:

The annual incentive program rewards participants for the achievement of short-term, operational goals. As mentioned above, the annual incentive plan serves to reward not only overall Company performance, but also individual, departmental and business unit performance. In general, as discussed below, the performance metrics for Mr. Fogarty, Mr. Baron and Mr. Specter were based on corporate operating goals while the performance metrics for Mr. Woolf and Mr. Levitt were based on business unit performance (80%) and corporate operating goals (20%). Mr. Rosskamm was not a participant in our annual incentive plan. In connection with their employment arrangements, the Company guaranteed Mr. Fogarty an annual incentive payment of \$1,500,000 and Mr. Levitt a guaranteed incentive payment of \$250,000 for fiscal 2009 to the extent target levels were not achieved.

We believe it is important for all participants to have a significant portion of their annual incentive compensation tied to overall Company performance and where relevant, departmental and business unit performance. We believe that corporate operating earnings (income before taxes and excluding one time items) are a primary indicator of financial performance. Therefore, for fiscal 2009, the annual incentive awards for our named executive officers were determined solely upon the achievement of pre-established corporate operating earnings and business unit operating results. The target corporate operating earnings and business unit operating results were established early in fiscal 2009 based on our financial plan.

In fiscal 2009, we did not achieve the corporate operating earnings and business unit operating results goals set for the year with respect to the named executive officers and, as a result, no bonuses under our annual incentive plan were paid to them. Guaranteed bonuses were paid to Mr. Fogarty and Mr. Levitt in accordance with their employment arrangements. Mr. Specter was paid a discretionary bonus in fiscal 2010 for his efforts in facilitating the sale of the Company's credit card business.

The vesting and amount of performance shares granted before fiscal 2008 were tied to FCF performance over a three-year performance period. In general, we define FCF as our net cash provided by operating activities minus capital expenditures (subject to certain exceptions and qualifications). The Committee believes that FCF is an appropriate long-term performance measure because it is a clear indicator of the Company's overall financial performance. The three-year performance period represents a sufficiently long time horizon to measure the results of strategic investments while still being short enough for the Company to set reasonably informed goals. The FCF threshold was not achieved for the fiscal 2007-2009 three-year performance period.

In fiscal 2008, the Committee also granted to its then named executive officers, other than our former Chief Executive Officer and Mr. Rosskamm, performance-based SARs based on achievement of EBITDA goals with an accelerated vesting schedule. The threshold performance level was not met in fiscal 2009, and as such, all performance-based SARs based on achievement of EBITDA were forfeited.

In fiscal 2009, we awarded SARs to our named executive officers (other than Alan Rosskamm). Because the value of SARs is tied to the performance of our stock, our named executive officers will only profit on the grants if shareholder value increases.

We also awarded performance-based SARs to Mr. Fogarty, which vest in four equal annual installments on the first, second, third and fourth anniversaries of the grant date, subject to the Company's stock price reaching a minimum performance goal. The performance-based SARs may also be accelerated if the fair market value of the Company's Common Stock reaches certain target stock prices.

To balance performance-based awards, to retain executives and so as not to encourage inappropriate risk, a portion of the annual long-term incentive grants in the form of SARs made to executives in fiscal 2008 remains dependent solely on time-based vesting. While the vesting of the Time-Based Awards is not directly tied to performance, the ultimate value of the award at vesting is contingent upon the long-term performance of the stock price over the vesting period.

Performance measures for both the annual incentive plan and the Performance Awards, including awards based on achievement of FCF and EBITDA, have threshold requirements, below which no awards are earned or paid. The maximum amount that can be earned with respect to either is 200% of the target award opportunity. The Committee reviews and approves these performance levels. In setting the threshold, target and maximum performance levels, the Committee considers a number of factors, including the Company's historical performance, the current budget and long-term forecasts, peer company performance, and general economic trends and conditions. The Committee intends target performance levels to represent challenging and not easily attainable goals, consistent with the median target pay levels for the competitive market. Threshold performance levels are meant to represent challenging, but achievable goals. Incentive payout levels for threshold performance are designed to provide a level of total direct compensation that is below median competitive levels. Maximum performance levels are intended to represent superior performance. Likewise, the incentive payouts for the achievement of maximum performance are designed to reward our executives at overall compensation levels approximating the 75<sup>th</sup> percentile. We set the threshold and maximum performance levels and payout levels early in a given performance period taking into account the current business conditions we anticipate and our budgets for the year, with a view that the payouts associated with threshold and maximum performance levels should serve as incentives that will not become irrelevant due to business setbacks or unusually strong performance partway through the year. In addition, we intend that the threshold and maximum payout levels will represent a fair allocation of the positive business results achieved in a given year between our shareholders and our employees.

Annual incentive and Performance Awards are intended to qualify as performance-based under Section 162(m) of the Code. As such, the Committee may not exercise discretion to make upward adjustments to the awards earned by the named executive officers. The Committee may, in its discretion, make downward adjustments to the awards earned (i.e., it may authorize an actual payout that is less than the award earned based





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As noted above, none of the performance shares scheduled to vest in fiscal 2009 were earned because threshold FCF for the fiscal 2007-2009 performance period and the threshold EBITDA for fiscal 2008-2009 performance period were not achieved.













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Mr. Rosskamm ceased receiving compensation in his capacity as a Director upon his appointment as Interim Chief Executive Officer. The table also includes all fees received by Mr. Rosskamm in fiscal 2008 and 2009 in his capacity as a Director, but does not include amounts for prior periods. Mr. Fogarty was appointed President and Chief Executive Officer on April 2, 2009. The amounts paid to Mr. Fogarty included in the table reflect his pro rated salary between April 2, 2009 and January 30, 2010.

- (2) We have a 52-53 week fiscal year ending the Saturday nearest January 31. Fiscal 2009, 2008 and 2007 were 52 week fiscal years.
- (3) The amounts reported in the Bonus column represent one-time guaranteed bonuses payable to Messrs. Fogarty and Levitt as part of their employment arrangements. Mr. Rosskamm received a bonus in recognition of his service as Interim Chief Executive Officer and Mr. Specter received a bonus in recognition of his significant efforts in facilitating the sale of the Company's credit card business.
- (4) The amounts reported in the Stock Awards column represent the aggregate grant date fair values of stock awards granted in the applicable fiscal year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation. In accordance with revised SEC rules, the amounts reflected in this column for fiscal 2008 and fiscal 2007 were restated from previous proxy disclosures. For information regarding significant factors, assumptions and methodologies used in our computations, see Note 1, Summary of Significant Accounting Policies: Stock-based Compensation, to our consolidated financial statements included in our Annual Reports on Form 10-K for the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008. The amounts reflected include both time-based stock awards and performance-based stock awards. In fiscal 2009, Mr. Rosskamm received a grant of 37,604 CRSUs



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- (12) The amount for fiscal 2009 with respect to Mr. Specter includes the following: interest of \$6,800 on the SERP attributable to Mr. Specter (comprises interest at 3.5% per year. See footnote (7) above). Also included are perquisites and personal benefits consisting of an automobile allowance and the reimbursement of the cost of medical services.
- (13) The amount for fiscal 2009 with respect to Mr. Baron includes the following: interest of \$26,164 on the SERP attributable to Mr. Baron (comprises interest at 3.5% per year. See footnote (7) above); and premiums of \$5,295 paid by us for additional life insurance for the benefit of Mr. Baron. Also included are perquisites and personal benefits consisting of an automobile allowance and the reimbursement of the cost of medical and financial planning services.
- (14) The amount for fiscal 2009 with respect to Mr. Levitt includes the following: perquisites and personal benefits consisting of an automobile allowance, the reimbursement of the cost of medical services, relocation expenses and premiums paid by us for additional life insurance for the benefit of Mr. Levitt.
- (15) The amount for fiscal 2009 with respect to Mr. Woolf includes the following: perquisites and personal benefits consisting of an automobile allowance, the reimbursement of the cost of medical services, \$51,111 attributable to relocation expenses and premiums paid by us for additional life insurance for the benefit of Mr. Woolf.



In addition, we have entered into severance agreements with Messrs. Fogarty, Specter, Baron, Levitt and Woolf. These agreements provide for certain payments to be made to the executive if he is terminated in connection with a change in control of Charming Shoppes or if he otherwise is involuntarily terminated without cause, as described more fully under ***Potential Payments Upon Termination or Change in Control***. These severance agreements also obligate each executive not to disclose or use our confidential or proprietary information during and after his employment with Charming Shoppes, not to compete with the Company nor to attempt to induce any of our employees to terminate employment, and not to interfere in a similar manner with our business during the time in which the executive is receiving payments and not to disparage the Company, its officers and employees.





Under the 2003 Plan, the Compensation Committee generally can specify the circumstances in which awards will be paid or forfeited in the event of a change in control, termination of employment by Charming Shoppes or other events. However, the 2003 Plan provides that, in the event of death, disability or retirement, the participant will receive a pro rated incentive award, proportionate to the part of the performance period worked by the participant, based on actual performance, unless otherwise determined by the Compensation Committee.

Restricted stock, RSUs and SARs granted under the 2004 Plan are subject to a risk of forfeiture upon termination of employment in certain circumstances until they become vested. These awards generally would become vested on an accelerated basis upon a change in control of Charming Shoppes. Restricted stock and RSUs are credited with dividend equivalents equal to dividends, if any, paid on our Common Stock. In some cases these dividends would be deemed reinvested in additional shares of restricted stock or RSUs, but in all cases dividend equivalents, whether in the form of deferred cash or additional stock awards, remain subject to the same risk of forfeiture as the underlying restricted stock or RSUs. Vesting and dividend equivalent terms of Performance Shares are similar, with the additional requirement that performance goals be met as a condition of earning the Performance Shares. Absent unusual circumstances, vested RSUs and Performance Shares are expected to be settled solely by delivery of shares of our Common Stock. We have not paid any dividends since 1995.



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- (1) The numbers shown in column (a) represent the number of time-based SARs granted to the named executive officers under the terms of the Company's 2004 Stock Award and Incentive Plan and pursuant to Mr. Fogarty's employment arrangement with the Company.
- (2) The numbers shown in column (b) represent the number of unvested performance-based SARs granted to Mr. Fogarty as part of his employment arrangement with the Company. The performance-based SARs were granted to Mr. Fogarty pursuant to an inducement grant within the meaning of NASDAQ Marketplace Rule 5635(c)(4) and NASDAQ interpretations thereunder.
- (3) The numbers shown in column (e) represent the number of time-based CRSUs granted to Mr. Roskamm in his capacity as a Director and time-based RSUs granted to the other named executive officers under the terms of the Company's 2004 Stock Award and Incentive Plan.



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Vesting is subject to acceleration in some cases in connection with termination of employment or a change in control. See ***Potential Payments Upon Termination or Change in Control*** below.

- (b) The 922,778 shares are performance-based SARs that vest in four equal installments on the last trading day of each of the Company's next four fiscal years, subject to Mr. Fogarty's continued employment with Charming Shoppes and the closing price of Charming Shoppes Common Stock equaling or exceeding 120% of the base amount for five consecutive days during the respective fiscal year. This condition was satisfied in fiscal 2009. Vesting of the performance-based SARs will be accelerated on the day on which Charming Shoppes' Common Stock equals or exceeds a certain target stock price (\$2.40 in

fiscal 2009, \$3.50 in fiscal 2010, \$5.00 in the fiscal year ending January 28, 2012, and \$7.50 in the fiscal year ending February 2, 2013). The target was achieved in fiscal 2009 and was already achieved in fiscal 2010. However, vesting in any fiscal year cannot exceed 275,000 SARs plus the number of SARs (if any) that did not vest in a previous fiscal year. In addition, the number of shares of Common Stock with respect to which the SARs become exercisable will be decreased as necessary so that the aggregate spread (fair market value of Charming Shoppes Common Stock on the vesting date over the base amount) in a particular fiscal year does not exceed certain specified amounts (\$159,500 in fiscal 2009, \$1,000,000 in fiscal 2010, \$1,750,000 in the fiscal year ending January 28, 2012, \$10,340,500 in the fiscal year ending February 2, 2013, \$3,666,667 in the fiscal year ending February 1, 2014, and \$3,500,000 in the next two fiscal years). Vesting was limited to 177,222 performance-based SARs in fiscal 2009, and will be limited to 250,626 performance-based SARs in fiscal 2010 with 122,152 performance-based SARs carried forward to fiscal 2011. The remaining 900,000 SARs are time-based. The time-based SARs vest in four equal annual installments on the first, second, third and fourth anniversaries of the grant date.

- (c) These are time-based shares that vest as to 33% of the award on each of the third and fourth anniversaries of the date of grant and as to the remaining 34% of the award on the fifth anniversary of the date of grant subject to the named executive officer's continued employment with Charming Shoppes through the relevant anniversary dates.
- (d) These are time-based SARs that vest as to 40% of the award on second anniversary of the date of grant and 30% of the award on each of the third and fourth anniversaries of the date of grant subject to the named executive officer's continued employment with Charming Shoppes through the relevant anniversary dates.
- (e) These are time-based shares that vest as to 50% of the award on the first anniversary of the date of grant and 50% of the award on the second anniversary of the date of grant subject to the named executive officer's continued employment with Charming Shoppes through the relevant anniversary date.
- (f) These are CRSUs granted to Mr. Rosskamm as part of his compensation as a Director. See *Share Plan for Non-Employee Directors*.
- (g) These are time-based SARs that vest as to 50% of the award on the first anniversary of the date of grant and 50% of the award on the second anniversary of the date of grant subject to the named executive officer's continued employment with Charming Shoppes through the relevant anniversary date.
- (h) These are time-based SARs that vest as to 33% of the award on each of the third and fourth anniversaries of the date of grant and as to the remaining 34% of the award on the fifth anniversary of the date of grant subject to the named executive officer's continued employment with Charming Shoppes through the relevant anniversary dates.

**Option Exercises and Stock Vested During Fiscal 2009**

The following table shows all stock awards which vested during fiscal 2009 and the value realized upon vesting with respect to the named executive officers during fiscal 2009. No stock options were exercised by the named executive officers in fiscal 2009.

**OPTION EXERCISES AND STOCK VESTED DURING FISCAL 2009**

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
James P. Fogarty		
Alan Rosskamm	29,412 <sup>(2)</sup>	116,766
Eric M. Specter	39,930	50,714
Joseph M. Baron	44,441	60,010
Jay H. Levitt		
Brian P. Woolf		

- (1) Reflects the market value of our Common Stock on the vesting date (as reported on the NASDAQ Stock Market), multiplied by the number of shares that vested. For this purpose, value is realized whether or not the named executive officer sold the shares that became vested.
- (2) These 3,000 RSUs and 26,412 CRSUs with an aggregate value of \$135,000 on the grant date were granted to Mr. Rosskamm as part of his Director compensation which vested on June 1, 2009 and were deferred by Mr. Rosskamm.



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(11) Represents \$756,943 attributable to the VDCP and \$769,334 attributable to the SERP.

### ***Variable Deferred Compensation Plan***

We provide a variable deferred compensation plan (the "VDCP") to key executives and certain other officers and employees. Under the VDCP, participants may contribute up to 77% of their base compensation and 90% of bonus compensation to their choice of a retirement distribution account and/or an in-service distribution account while he or she is employed by the Company. In addition, participants may contribute all or part of the shares of stock they would otherwise receive upon the lapse of restrictions applicable to restricted stock and restricted stock unit awards under one or more equity plans. Until the matching Company contributions were suspended effective April 2009, this plan included a matching Company contribution of 50% of the participant's contribution with respect to up to 3% of the participant's compensation (up to 6% of total compensation for

















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- \* Includes unvested restricted stock units but excludes any vested portions of such awards, which have in effect been fully earned by participants and excludes purchase rights under our Employee Stock Purchase Plan.
  
- \*\* Upon shareholder approval of the 2010 Plan, 2,250,718 shares remaining available under the 2004 Plan would be transferred directly to the 2010 Plan (and are included in the share amount in this row).
  
- \*\*\* Outstanding shares (the denominator in this calculation) include all Common Stock outstanding at April 26, 2010 and does not include issuance of unissued shares reserved for outstanding awards or future awards under the existing plans and the proposed 2010 Plan.



best practices.

Internal Revenue Code Section 162(m) limits the deductions a publicly held company can claim for compensation in excess of \$1,000,000 in a given year that is paid to the chief executive officer and the three other most highly compensated executive officers serving on the last day of the fiscal year (other than the chief







conditions of such awards, including the consideration to be paid to exercise awards in the nature of purchase rights, the periods during which awards will be outstanding, and any forfeiture conditions and restrictions on awards. In addition, the Committee is authorized to grant shares as a bonus free of restrictions, or to grant shares or other awards in lieu of obligations under other plans or compensatory arrangements, subject to such terms as the Committee may specify.

**Performance-Based Awards.** The Committee may grant performance awards, which may be awards of a specified cash amount or may be share-based awards. Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria, as a condition of awards being granted or becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period of any length specified by the Committee. If so determined by the Committee, in order to avoid the limitations on tax deductibility under Section 162(m), the business criteria used by the Committee in establishing performance goals applicable to performance awards to the named executive officers will be selected from among the following:

net sales or revenues;

earnings measures, including earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items;

net income or net income per common share (basic or diluted);

return measures, including return on assets (gross or net), return on investment, return on capital, or return on equity;

cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital;

interest expense after taxes;

net economic profit (operating earnings minus a charge for capital) or economic value created;

operating margin or profit margin;

shareholder value creation measures, including stock price or total shareholder return;

dividend payout levels, including as a percentage of net income;

expense targets, working capital targets, or operating efficiency; and

strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion goals, cost targets, total market capitalization, agency ratings of financial strength, completion of capital and borrowing transactions, business retention, new product development, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures.

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The Committee retains discretion to set the level of performance for a given business criteria that will result in the earning of a specified amount under a performance award. These goals may be set with fixed, quantitative targets, targets relative to our past performance, targets compared to the performance of other companies, such as a published or special index or a group of companies selected by the Committee for comparison, or in such other way as the Committee may determine. The Committee may specify that these performance measures will be determined before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, or other financial and general and administrative expenses for the performance period.







service. Approval of the 2010 Plan by shareholders will enable us to grant to Directors RSUs that are settleable solely in shares and not in cash. For the fiscal 2010 grants, such RSUs will vest on June 1 of the year following grant, subject to earlier vesting in the case of death, disability, or a change in control. In addition, if a non-employee Director has a mandatory retirement or a voluntary termination, such RSUs will vest on a pro rata basis, proportionate to the part of the year during which the non-employee Director served, with the remainder of the RSUs forfeited unless otherwise determined by the Board. Unvested RSUs will be forfeited if a non-employee Director is removed from service.

The following table provides pro forma information estimating the number of RSUs that would be automatically granted to non-employee Directors on the date of the 2010 Annual Meeting of Shareholders if shareholders approve the 2010 Plan. The actual number of such RSUs that would be granted cannot be determined, because it will depend on the closing price of Charming Shoppes Common Stock on the meeting date. For purposes of the table, the number of RSUs that would be granted is calculated based on an assumed closing price per share of \$5.98, which was the closing price per share of our Common Stock on April 26, 2010:

**New Plan Benefits Table**

2010 Stock Award and Incentive Plan

<b>Name and Position</b>	<b>Grants to be Effective at the Date of the 2010 Annual Meeting Total RSUs Automatically Granted</b>
Non-Executive Director Group	180,600

If shareholders decline to approve the 2010 Plan, no awards will be granted under the 2010 Plan, but awards may continue to be granted under the 2004 Plan and under the Directors Plan, subject to the limits on available shares under those Plans.

*THE BOARD OF DIRECTORS CONSIDERS THE APPROVAL OF THE 2010 PLAN TO BE IN THE BEST INTERESTS OF CHARMING SHOPPES AND ITS SHAREHOLDERS AND THEREFORE RECOMMENDS THAT YOU VOTE **FOR** APPROVAL OF THE 2010 PLAN AT THE MEETING.*





Directors determined it would include an annual advisory vote on executive compensation in this Proxy Statement because it believes that holding this vote will give the Company's shareholders a valuable opportunity to provide feedback on the Company's executive compensation program.

With this proposal, the Board of Directors gives the shareholders of the Company the opportunity to vote on the following advisory resolution:

RESOLVED, that the shareholders hereby approve the compensation of the named executive officers set forth in the Summary Compensation Table (SCT) and the accompanying narrative disclosure of material factors provided to understand the SCT following the table.

The SCT appears on page 38 of this Proxy Statement.

While the resolution is non-binding and will not be construed as overruling any decision by the Board of Directors or create or imply any fiduciary duty by the Board, the Board and the Compensation Committee value the opinions the Company's shareholders express in their votes, and will consider the outcome of the vote when making future decisions regarding the compensation of our named executive officers. This advisory vote is voluntary on our part and if legislation or regulations are subsequently adopted regarding advisory votes on executive compensation, we will, as necessary, reevaluate the nature and need for this proposal in future years.

Under Section 1757(a) of the Pennsylvania Business Corporation Law, the approval of the resolution requires the affirmative vote of a majority of the votes cast on the matter.

*THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE **FOR** THE APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS SET FORTH IN THE SCT AND ACCOMPANYING NARRATIVE DISCLOSURE OF MATERIAL FACTORS PROVIDED TO UNDERSTAND THE SCT.*

**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee of Charming Shoppes Board of Directors (collectively, the Committee ) has submitted the following report for inclusion in this Proxy Statement:

Our Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on our Committee's review of and the discussions with management with respect to the Compensation Discussion and Analysis, our Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in Charming Shoppes Annual Report on Form 10-K for the fiscal year ended January 30, 2010 for filing with the SEC.

The foregoing report is provided by the following Directors, who constitute the Compensation Committee:

Michael Goldstein (Chairperson)

Michael C. Appel

Richard W. Bennet, III

M. Jeannine Strandjord



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- (v) Includes 9,497 shares which Mr. Rosskamm could acquire upon exercise of 41,152 SARs exercisable within 60 days assuming an exercise price at April 26, 2010 based on the closing market price per share (\$5.98) at that date and the base price of the SARs (\$4.60 per share). The actual number of shares that would be acquired upon exercise of SARs will vary based on the market price of our Common Stock at the time of exercise.

(2) With respect to executive officers:

- (i) Includes 66,000 shares as to which Mr. Specter holds options exercisable within 60 days.
- (ii) Includes restricted stock units subject to risk of forfeiture and/or restrictions on transfer and no present voting rights in the following amounts: Mr. Baron, 65,017 shares; Mr. Specter, 83,839 shares; Mr. Levitt, 17,331 shares; and Mr. Woolf, 23,094 shares.



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- (10) The source of this information is a Schedule 13G/A filed with the Securities and Exchange Commission on February 2, 2010 and reporting beneficial ownership as of December 31, 2009. According to the Schedule 13G/A filed by Royce & Associates, LLC ( Royce ), Royce had sole voting and sole dispositive power over 7,836,094 shares of Common Stock. Royce s address is 745 Fifth Avenue, New York, NY 10151.
- (11) Includes 216,658 shares as to which current Directors and executive officers hold options exercisable within 60 days, 470,406 shares which current Directors and executive officers could acquire upon exercise of outstanding SARs exercisable within 60 days, 318,440 deferred shares, 276,864 shares of restricted stock units which are subject to risk of forfeiture and/or restrictions on transfer, and 5,000 shares as to which a Director shares voting and dispositive power (see also Notes 1 and 2 above). Includes also shares beneficially owned by Crescendo Partners II, L.P. and attributable to Directors, as described in Notes 3 and 7 above.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2009, Michael Goldstein, M. Jeannine Strandjord, Michael C. Appel, Richard W. Bennet, III, and Pamela Davies served as members of the Compensation Committee, Dr. Davies left the Committee on June 24, 2009. No member of the Compensation Committee is or was during fiscal 2009 an employee, or is or ever has been an officer, of Charming Shoppes or its subsidiaries. No executive officer of Charming Shoppes served as a director or a member of the compensation committee of another company, one of whose executive officers serves as a member of Charming Shoppes Board of Directors or Compensation Committee.





The Audit Committee has delegated to the Audit Committee Chairman the authority to evaluate and approve services and estimated fees of Ernst & Young LLP on behalf of the Audit Committee if a need arises for pre-approval between Audit Committee meetings. If the Chairman approves any such services and estimated fees, they are reported to the Audit Committee at the next scheduled meeting. Additionally, the Audit Committee receives reports at its meetings regarding the extent of services provided by Ernst & Young LLP in accordance with the pre-approval policy and the fees for services performed to date.





It is important that your shares be represented at the Meeting. If you are unable to be present in person, we respectfully request that you sign the enclosed Proxy Card and return it to us in the enclosed stamped and addressed envelope as promptly as possible.

**By Order of the Board of Directors**

COLIN D. STERN

Secretary

Bensalem, Pennsylvania

May 12, 2010

























dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee may, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, including the aggregate share limitation and full-value share limitation then applicable under the Plan, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5(b), (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Award in settlement of such Award (subject to Section 10(k)). The Committee shall provide for such equitable adjustments of outstanding awards in order to preserve the positive intrinsic value of such awards, unless in the circumstances the Participant would be able to realize such intrinsic value in the absence of an adjustment. In furtherance of the foregoing, a Participant shall have a legal right to an adjustment to an outstanding Award which constitutes share-based payment arrangement in the event of an equity restructuring, as such terms are defined under FASB ASC Topic 718, which adjustment shall preserve without enlarging the value of the Award to the Participant. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority or the making of a particular adjustment would cause Options, SARs, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as performance-based compensation under Code Section 162(m) and regulations thereunder to otherwise fail to so qualify.

(d) *Tax Provisions.*

(i) *Withholding.* The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld, except a greater amount of Stock may be withheld provided that any such withholding transaction that will result in additional accounting expense to the Company must be expressly authorized by the Committee.

(ii) *Required Consent to and Notification of Code Section 83(b) Election.* No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the effectiveness of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) *Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b)*. If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of ISOs under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten days thereof.

(e) *Changes to the Plan and Awards*. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of the Nasdaq Stock Market or such other stock exchange on which the Stock may then be listed, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to shareholders for approval. The Committee is authorized to amend the Plan if its actions are within the scope of the Committee's authority under its charter, and subject to all other requirements that would apply if the amendment were approved by the Board. The Committee is authorized to amend outstanding Awards, except as limited by the Plan. The Board and Committee may not, however, amend outstanding Awards (including by means of an amendment to the Plan), without the consent of an affected Participant, if such amendment would materially and adversely affect the rights of such Participant under any outstanding Award (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty materially adverse to the Participant, and any discretion reserved by the Board or Committee with respect to an Award is not limited by this provision). Without the approval of shareholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a repricing. For this purpose, a repricing means: (1) amending the terms of an Option or SAR after it is granted to lower its exercise price or base price; (2) any other action that is treated as a repricing under generally accepted accounting principles; and (3) canceling an Option or SAR at a time when its strike price is equal to or greater than the fair market value of the underlying Stock, in exchange or substitution for another Option, SAR, Restricted Stock, other equity, or cash or other property, unless the cancellation and exchange or substitution occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. A cancellation and exchange or substitution described in clause (3) of the preceding sentence will be considered a repricing regardless of whether the Option, Restricted Stock or other equity is delivered simultaneously with the cancellation, regardless of whether it is treated as a repricing under generally accepted accounting principles, and regardless of whether it is voluntary on the part of the Participant. Adjustments to awards under Section 10(c) will not be deemed repricings, however. The Committee shall have no authority to waive or modify any Award term after the Award has been granted to the extent that the waived or modified term would be then mandatory for a new Award of the same type under the Plan.

(f) *Right of Setoff*. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law and subject to Section 11, deduct from and set off against any amounts the Company or its subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant. Such amounts as may be owed by the Participant to the Company, although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 10(f).

(g) *Unfunded Status of Awards; Creation of Trusts*. The Plan is intended to constitute an unfunded plan for incentive and deferred compensation (excluding awards of Restricted Stock). With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the unfunded status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) *Payments in the Event of Forfeitures; Fractional Shares.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether and when cash, other Awards or other property shall be issued or paid in lieu of such fractional shares, or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) *Compliance with Code Section 162(m).* It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 7 shall constitute qualified performance-based compensation within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of authorization or grant of an Award. Accordingly, the terms of Sections 7(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) *Certain Limitations Relating to Accounting Treatment of Awards.* Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 8, 10(c) and 10(e)) is limited to the extent necessary to ensure that any Award of a type that the Committee has intended to be share-based equity (and not a share-based liability) subject to fixed accounting with a measurement date at the date of grant under FASB ASC Topic 718 shall not be deemed a share-based liability (subject to variable accounting) solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding as a share-based liability (i.e., subject to such variable accounting).

(l) *Governing Law.* The validity, construction, and effect of the Plan, any rules and regulations under the Plan, and any agreement under the Plan shall be determined in accordance with the Pennsylvania Business Corporation Law, to the extent applicable, other laws (including those governing contracts) of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of laws, and applicable federal law.

(m) *Awards to Participants Outside the United States.* The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States or is subject to taxation by a non-U.S. jurisdiction in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, sound business practices and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of

such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 10(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) *Limitation on Rights Conferred under Plan.* No Participant shall have any of the rights or privileges of a shareholder of the Company under the Plan, including as a result of the grant of an Award or the creation of any trust and deposit of shares therein, except at such time as an Option or SAR may have been duly exercised or shares may be actually delivered in settlement of an Award; provided, however, that a Participant granted Restricted Stock shall have rights of a shareholder except to the extent that those rights are limited by the terms of the Plan and the agreement relating to the Restricted Stock. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate or in any particular office or position, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, or (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder. An Award shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any subsidiary or affiliate and shall not affect any benefits under any other benefit plan at any time in effect under which the availability or amount of benefits is related to the level of compensation (unless required by such other plan or arrangement with specific reference to Awards under this Plan, provided that cash Annual Incentive Awards will generally be deemed to be annual bonuses or annual incentives under such other plans or arrangements).

(o) *Severability; Entire Agreement.* If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) *Plan Effective Date and Termination.* The Plan shall become effective if, and at such time as, the shareholders of the Company have approved it by a majority of the votes cast at a duly held meeting of shareholders at which a quorum is present. Upon such approval of the Plan by the shareholders of the Company, no new awards shall be granted under the 2004 Stock Award and Incentive Plan, but any outstanding awards under such plan shall continue in accordance with their terms (and any authority of the Committee to amend those awards shall continue under such plan). Unless earlier terminated by action of the Board of Directors, the authority to make new grants under this Plan shall terminate on the date that is ten years after the latest date upon which shareholders of the Company have approved the Plan, with the Plan otherwise to remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

#### **11. Compliance with Code Section 409A.**

(a) *409A Awards and Deferrals.* Other provisions of the Plan notwithstanding, the terms of any 409A Award, including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Section 409A

shall be automatically modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The following rules will apply to 409A Awards:

(i) *Elections*. If a Participant is permitted to elect to defer compensation and in lieu thereof receive an Award, or is permitted to elect to defer any payment under an Award, such election will be permitted only at times and otherwise in compliance with Section 409A. Such election shall be made in accordance with Exhibit A to the 2004 Stock Award and Incentive Plan.

(ii) *Changes in Distribution Terms*. The Committee may, in its discretion, require or permit on an elective basis a change in the distribution terms applicable to 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Section 409A) in accordance with, and to the fullest extent permitted by, applicable guidance of the Internal Revenue Service under Code Section 409A.

(iii) *Exercise and Distribution*. Except as provided in Section 11(a)(iv) hereof, no 409A Award shall be exercisable (if the exercise would result in a distribution) or otherwise distributable to a Participant (or his or her beneficiary) except upon the occurrence of one of the following (or a date related to the occurrence of one of the following), which must be specified in a written document governing such 409A Award and otherwise meet the requirements of Treasury Regulation § 1.409A-3:

(A) Specified Time. A specified time or a fixed schedule;

(B) Separation from Service. The Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a specified employee under Treasury Regulation § 1.409A-1(i), settlement under this Section 11(a)(iii)(B) shall instead occur at the expiration of the six-month period following separation from service under Section 409A(a)(2)(B)(i). During such six-month delay period, no acceleration of settlement may occur, except (1) acceleration shall occur in the event of death of the Participant, (2), if the distribution date was specified as the earlier of separation from service or a fixed date and the fixed date falls within the delay period, the distribution shall be triggered by the fixed date, and (3) acceleration may be permitted otherwise if and to the extent permitted under Section 409A. In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period. With respect to any 409A Award, a reference in any agreement or other governing document to a termination of employment which triggers a distribution shall be deemed to mean a separation from service within the meaning of Treasury Regulation § 1.409A-1(h);

(C) Death. The death of the Participant. Unless a specific time otherwise is stated for payment of a 409A Award upon death, such payment shall occur in the calendar year in which falls the 30<sup>th</sup> day after death;

(D) Disability. The date the Participant has experienced a 409A Disability (as defined below); and

(E) 409A Change in Control. The occurrence of a 409A Change in Control (as defined below).

(iv) *No Acceleration*. The exercise or distribution of a 409A Award may not be accelerated prior to the time specified in accordance with Section 11(a)(iii) hereof, except in the case of one of the following events:

(A) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled.

(B) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(C) Conflicts of Interest. Such 409A Award may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4)(iii).

(D) Change. The Committee may exercise the discretionary right to accelerate the lapse of the substantial risk of forfeiture of any unvested compensation deemed to be a 409A Award upon a 409A Change in Control or to terminate the Plan upon or within 12 months after a 409A Change in Control, or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Award in any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4).

(v) *Definitions*. For purposes of this Section 11, the following terms shall be defined as set forth below:

(A) 409A Change in Control shall be deemed to have occurred if, in connection with any event defined as a change in control relating to a 409A Award under any applicable Company document, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, as defined in Treasury Regulation § 1.409A-3(i)(5).

(B) 409A Disability means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.

(C) Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).

(vi) *Time of Distribution*. In the case of any distribution of a 409A Award, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made within 60 days after the date at which the settlement of the Award is specified to occur. In the case of any distribution of a 409A Award during a specified period following a settlement date, the maximum period shall be 90 days, and the Participant shall have no influence (other than permitted deferral elections) on any determination as to the tax year in which the distribution will be made during any period in which a distribution may be made.

(vii) *Determination of Specified Employee*. For purposes of a distributions under Section 11(a)(iii)(B), status of a Participant as a specified employee shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.

(viii) *Non-Transferability*. The provisions of Section 10(b) notwithstanding, no 409A Award or right relating thereto shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

(ix) *Limitation on Setoffs*. If the Company has a right of setoff that could apply to a 409A Award, such right may only be exercised at the time the 409A Award would have been distributed to the Participant or

his or her Beneficiary, and may be exercised only as a setoff against an obligation that arose not more than 30 days before and within the same year as the distribution date if application of such setoff right against an earlier obligation would not be permitted under Code Section 409A.

(x) *409A Rules Do Not Constitute Waiver of Other Restrictions.* The rules applicable to 409A Awards under this Section 11(a) constitute further restrictions on terms of Awards set forth elsewhere in this Plan.

(b) *Separate Payments.* Unless otherwise specified in the applicable Award agreement, each vesting tranche of an Award shall be deemed to be a separate payment for purposes of Code Section 409A, and any portion of a vesting tranche that would vest on a pro rata basis in the event of a separation from service on December 31 of a given year and the portion that would or would not vest pro rata for the period from the beginning of a calendar year to the end of the Company's fiscal year, and the remaining portion of such vesting tranche that would not so vest, each shall be deemed to be a separate payment for purposes of Code Section 409A.

(c) *Distributions Upon Vesting.* In the case of any Non-409A Award providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than the 15<sup>th</sup> day of the third month after the end of the fiscal year in which the substantial risk of forfeiture lapsed, and if a determination is to be made promptly following the end of a performance year (as in the case of performance shares) then the determination of the level of achievement of performance and the distribution shall be made between the start of the subsequent fiscal year and the 15<sup>th</sup> day of the third month of such subsequent fiscal year. In all cases, the Participant shall have no influence (aside from any permitted deferral election) on any determination as to the tax year in which the distribution will be made.

(d) *Limitation on Adjustments.* Any adjustment under Section 10(c) shall be implemented in a way that complies with applicable requirements under Section 409A so that Non-409A Option/SARs do not, due to the adjustment, become 409A Awards, and otherwise so that no adverse consequences under Section 409A result to Participants.

(e) *Release or Other Termination Agreement.* If the Company requires a Participant to execute a release, non-competition, or other agreement as a condition to receipt of a payment upon or following a termination of employment, the Company will supply to the Participant a form of such release or other document not later than the date of the Participant's termination of employment, which must be returned within the minimum time period required by law and must not be revoked by the Participant within the applicable time period for revocation in order for the Participant to satisfy any such condition. If any amount payable during a fixed period following termination of employment is subject to such a requirement and the fixed period would begin in one tax year and end in the next tax year, the Company, in determining the time of payment of any such amount, will not be influenced by the timing of any action of the Participant including execution of such a release or other document and expiration of any revocation period. In particular, the Company will be entitled in its discretion to deposit any such payment in escrow during either year comprising such fixed period, so that such deposited amount is constructively received and taxable income to the Participant upon deposit but with distribution from such escrow remaining subject to the Participant's execution and non-revocation of such release or other document.

(f) *Special Disability Provision.* Unless otherwise provided in an applicable Award agreement or other governing document, in case of a disability of a Participant, (i) for any Award or portion thereof that constitutes a short-term deferral for purposes of Section 409A, the Company shall determine whether the Participant's circumstances are such that the Participant will not return to service, in which case such disability will be treated as a termination of employment for purposes of determining the time of payment of such Award or portion thereof then subject only to service-based vesting, and (ii) for any Award or portion thereof that constitutes a 409A Award, the Company shall determine whether there has occurred a separation from service as defined under Treasury Regulation § 1.409A-1(h) based on Participant's circumstances, in which case such disability will be treated as a separation from service for purposes of determining the time of payment of such Award or portion

thereof then subject only to service-based vesting. In each case, the Participant shall be accorded the benefit of vesting that would result in the case of disability in the absence of this provision, so that the operation of this provision, intended to comply with Section 409A, will not disadvantage the Participant. The Company's determinations hereunder will be made within 30 days after the disability arises or there occurs a material change in the Participant's condition that constitutes the disability. In the case of any short-term deferral, if (i) circumstances arise constituting a disability but not constituting a termination of employment, (ii) the Award would provide for vesting upon a termination due to disability, and (iii) the Award would not qualify as a short-term deferral if the Participant were then permitted to elect the time at which to terminate employment due to the disability, then only the Company will be entitled to act to terminate Participant's employment due to disability.

(g) *Limit on Authority to Amend.* The authority to adopt amendments under Section 10(e) does not include authority to take action by amendment that would have the effect of causing Awards to fail to meet applicable requirements of Section 409A.

(h) *Scope and Application of this Provision.* For purposes of this Section 11, references to a term or event (including any authority or right of the Company or a Participant) being permitted under Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

**PROXY CARD FOR**  
**ANNUAL MEETING OF SHAREHOLDERS OF**  
**CHARMING SHOPPES, INC.**

**Thursday, June 24, 2010**

**10:00 a.m. Eastern Time**

**Lane Bryant offices of Charming Shoppes, Inc.**

**3344 Morse Crossing Road**

**Columbus, OH 43219-3092**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, Proxy Statement, Proxy Card and the Company's Annual Report on Form 10-K

are available at [www.charmingshoppes.com/proxy2010](http://www.charmingshoppes.com/proxy2010)

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

— Please detach along perforated line and mail in the envelope provided. —

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE EIGHT NOMINEES FOR DIRECTOR AND FOR PROPOSALS 2, 3 AND 4.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

- |   |   | FOR | AGAINST | ABSTAIN |
|---|---|-----|---------|---------|
| 1. To elect the eight (8) Director nominees identified in the accompanying Proxy Statement for a one-year term.<br><b>NOMINEES:</b> | 2. To approve the 2010 Stock Award and Incentive Plan.  | ..  | ..      | ..      |
|   | 3. To approve the compensation of the Charming Shoppes named executive officers set forth in the Summary Compensation Table of the Proxy Statement and accompanying narrative disclosure. | ..  | ..      | ..      |

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- FOR ALL NOMINEES**
    - Arnaud Ajdler
    - Michael C. Appel
    - Richard W. Bennet, III
    - James P. Fogarty
    - Michael Goldstein
    - Katherine M. Hudson
    - Bruce J. Klatsky
    - Alan Rosskamm
    - 
    -
  - WITHHOLD AUTHORITY FOR ALL NOMINEES**
  - FOR ALL EXCEPT**
- (See instructions below)

4. To ratify the appointment of Ernst & Young LLP as independent auditors of Charming Shoppes to serve for fiscal 2010.

5. To transact such other business as may properly come before the Meeting or at any adjournment thereof.

**The Proxies are authorized to vote in their discretion upon such other matters as may properly come before the Meeting.**

The undersigned acknowledges receipt of the Notice of Annual Meeting of Shareholders and the Proxy Statement, and revokes all previously granted Proxies.

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder:	Date:	Signature of Shareholder:	Date:
<p><b>Note:</b> Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.</p>			
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**CHARMING SHOPPES, INC.**

**Proxy for the Annual Meeting of Shareholders**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

The undersigned hereby constitutes and appoints Alan Roskamm and Michael Goldstein, and each of them, Proxies of the undersigned, with full power of substitution, to vote and act as designated on the reverse side with respect to all shares of Common Stock of Charming Shoppes, Inc. (the Company) which the undersigned would be entitled to vote, as fully as the undersigned could vote and act if personally present, at the Annual Meeting of Shareholders of the Company to be held on Thursday, June 24, 2010 and at any adjournments thereof.

**UNLESS OTHERWISE INDICATED ON THE REVERSE SIDE, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE EIGHT NOMINEES FOR DIRECTOR, FOR THE APPROVAL OF THE 2010 STOCK AWARD AND INCENTIVE PLAN, FOR THE APPROVAL OF THE COMPENSATION OF THE CHARMING SHOPPES NAMED EXECUTIVE OFFICERS SET FORTH IN THE SUMMARY COMPENSATION TABLE, AND FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS OF CHARMING SHOPPES TO SERVE FOR THE 2010 FISCAL YEAR, AS SET FORTH IN THE PROXY STATEMENT.**

(Continued and to be signed on the reverse side)