

CHARMING SHOPPES INC
Form PRER14A
March 27, 2008

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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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- No fee required.
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CHARMING SHOPPES, INC.

450 WINKS LANE
BENSALEM, PENNSYLVANIA 19020

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 8, 2008

We are pleased to give you this notice of our 2008 Annual Meeting of Shareholders:

Time and Date: 10:00 a.m. on Thursday, May 8, 2008 (eastern time)

Place:

- Items of Business:
1. To elect three Class C Directors.
 2. To re-approve the material terms of the performance goals under the 2003 Incentive Compensation Plan to preserve the deductibility of compensation payments in accordance with Section 162(m) of the Internal Revenue Code.
 3. To ratify the appointment of Ernst & Young LLP as independent auditors of Charming Shoppes to serve for the 2009 fiscal year.
 4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Record Date: You are entitled to attend and vote at the Annual Meeting if you were a holder of record of Common Stock at the close of business on March 28, 2008.

Company Reports: Our Annual Report on Form 10-K for our fiscal year ended February 2, 2008 is enclosed.

Proxy Materials: A Proxy Statement, GOLD Proxy Card and postage-paid return envelope are also enclosed.

Proxy Voting: If you are unable to attend in person, please fill out and return the enclosed GOLD Proxy Card so that your shares will be represented and voted at the Annual Meeting. An envelope with postage paid, if mailed in the United States, is provided for this purpose.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 8, 2008. Our proxy statement is attached. Financial and other information concerning Charming Shoppes is contained in our Annual Report to Shareholders for the fiscal year ended February 2, 2008. Under new rules issued by the Securities and Exchange Commission ("SEC"), we are providing access to our proxy materials both by sending you this full set of proxy materials, including a GOLD Proxy Card, and by notifying you of the availability of our proxy materials on the Internet. **The Proxy Statement and our fiscal 2008 Annual Report to Shareholders are available on our web site at www.charmingshoppes.com.**

By Order of the Board of Directors

Colin D. Stern
Secretary

, 2008

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CHARMING SHOPPES, INC.

450 Winks Lane
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 2008 Annual Meeting of Shareholders and at any adjournment of the meeting.

You are invited to attend our Annual Meeting of Shareholders (the "Meeting") on May 8, 2008, beginning at 10:00 a.m. eastern time. The Meeting will be held at . To obtain directions to the Annual Meeting of Shareholders and how to vote in person, please call or .

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders, GOLD Proxy Card and our Annual Report on Form 10-K for our fiscal year ended February 2, 2008 ("fiscal 2008") are being mailed to shareholders entitled to vote at the Meeting starting , 2008.

ABOUT THE MEETING

What is the purpose of the Meeting?

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

Election of three Class C Directors to our Board of Directors;

Re-approval of the material terms of the performance goals under the 2003 Incentive Compensation Plan to preserve Charming Shoppes' tax deductions;

Ratification of the appointment of Ernst & Young LLP as our independent auditors for the 2009 fiscal year; and

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

Who is entitled to vote at the Meeting?

Only shareholders of record on March 28, 2008, 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.

How do shareholders vote?

You may vote at the Meeting in person or by proxy.

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 the instructions contained on the GOLD Proxy Card. The GOLD Proxy Card provides a way for you to direct how your shares will be voted.

If you sign and return the enclosed GOLD Proxy Card, but do not give voting instructions on your GOLD Proxy Card, 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 on your GOLD Proxy Card, and a nominee for Director listed on the GOLD Proxy Card 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 Katherine M. Hudson, Lead Independent Director and William O. Albertini, a Director. 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 to vote such shares on routine matters, such as uncontested director elections and ratification of independent registered public accounting firms, but not on non-routine matters, such as shareholder proposals or contested director elections. 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, a "broker non-vote" occurs.

The Company has received notice from Crescendo Partners II, L.P., Series Q, that it intends to nominate three individuals for election to the Board of Directors. On March 14, 2008, the Charming Shoppes Full Value Committee and its members, Crescendo Partners II, Crescendo Investments II, Crescendo Partners III, Crescendo Investments III, Myca Master Fund, Myca Partners, Eric Rosenfeld, Arnaud Ajdler, Michael Appel and Robert Frankfurt, filed a preliminary proxy statement nominating three individuals to the Board of Directors and soliciting proxies against the Company's proposal to re-approve the material terms of the performance goals under the Company's 2003 Incentive Compensation Plan.

Because of the competing nominees for the Board of Directors, this year's election of directors will be considered a "non-routine matter." In addition, because the Charming Shoppes Full Value Committee and its members are opposing the Company's proposal to re-approve the material terms of the performance goals under the Company's 2003 Incentive Compensation Plan, this proposal will also be considered a "non-routine matter." Thus, if your shares are held in street name and you do not provide instructions as to how your shares are to be voted with respect to these matters, your broker or other nominee will not be able to vote your shares in the election of directors or on the proposal to re-approve the material terms of the performance goals under the Company's 2003 Incentive Compensation Plan. **We urge you to discard any proxy materials and proxy cards that you may receive from Crescendo and to vote your shares for the election of the three directors listed in this Proxy Statement.**

On March 7, 2008, the Company filed a lawsuit against the Crescendo Partners and Myca Partners hedge funds, operating jointly under the name of The Charming Shoppes Full Value Committee, and certain of their principals and nominees for election as directors of Charming Shoppes, including Arnaud Ajdler, Eric Rosenfeld and Robert Frankfurt, for violating federal securities laws.

In the federal lawsuit filed on March 7, 2008 in the United States District Court, Eastern District of Pennsylvania, the Company asserted that Crescendo Partners and Myca Partners have filed with the Securities and Exchange Commission materially misleading and incomplete documents in violation of Section 13(d) of the Securities Exchange Act of 1934 as part of their campaign to nominate three directors to Charming Shoppes' board of directors. On March 25, 2008, the Company amended this complaint to add claims that the defendants' proposed proxy solicitation is materially misleading and

incomplete in violation of Section 14(a) of the Securities Exchange Act and that the proposed election of any of defendants' nominees to the board would violate Section 8 of the Clayton Antitrust Act.

The Company has asked the Court to enjoin Arnaud Ajdler, Eric Rosenfeld, Robert Frankfurt and the Crescendo Partners and Myca Partners hedge funds from making any additional false or misleading public statements and false and misleading public filings regarding Charming Shoppes, from taking or attempting to take any further steps in furtherance of their unlawful conduct and scheme, to make immediate corrective disclosure of all material facts and cure the material misstatements and omissions and to divest themselves in an orderly fashion of any and all shares of Charming Shoppes' stock that they unlawfully acquired in violation of the federal securities laws.

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, 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 filing with the Secretary of Charming Shoppes either a notice of revocation or a duly executed proxy bearing a later date or by attending the Meeting and voting in person. Attendance at the Meeting will not by itself constitute revocation of a proxy.

How many shares are outstanding and what constitutes a quorum?

At the close of business on March 28, 2008, the record date for the Meeting, _____ 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 three nominees for election as Directors who receive the greatest number of votes will be elected Directors. 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.

Performance Goals under the 2003 Incentive Compensation Plan: Re-approval of the material terms of the performance goals under the 2003 Incentive Compensation Plan, to preserve the deductibility of compensation payments in accordance with Section 162(m) of the Internal Revenue Code (the "Code"), requires the affirmative vote of a majority of the votes cast on the matter. This plan was previously approved by our shareholders at the 2003 Annual Meeting of Shareholders.

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 the 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.

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 or the approval of other matters that may come before the Meeting.

What are the Board of Directors' recommendations?

The Board of Directors urges you to discard any proxy materials and proxy cards that you may receive from Crescendo, and unanimously recommends that you vote as follows, using the GOLD Proxy Card enclosed with this Proxy Statement:

FOR the election of the three persons nominated by our Board of Directors for election as Directors.

FOR the re-approval of the material terms of the performance goals under the 2003 Incentive Compensation Plan to preserve Charming Shoppes' tax deductions.

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for fiscal 2009.

Other Information

We have enclosed our Annual Report on Form 10-K for fiscal 2008 with this Proxy Statement. No material contained in the Annual Report is to be considered a part of the proxy solicitation material.

Our mailing address is Charming Shoppes, Inc., 450 Winks Lane, Bensalem, Pennsylvania 19020. Our corporate website address is www.charmingshoppes.com. The contents of our website are not incorporated by reference into this Proxy Statement.

DIRECTORS STANDING FOR ELECTION

Our Restated Articles of Incorporation provide for a classified Board of Directors, consisting of three classes of Directors with overlapping three-year terms. One class of Directors is to be elected each year, with a term extending to the third succeeding Annual Meeting and until the Directors' successors have been duly elected and qualified. The terms of the three current Class C Directors, Dorrit J. Bern, Alan Rosskamm and M. Jeannine Strandjord, will expire as of the date of the Meeting. At the Meeting, Ms. Bern, Mr. Rosskamm and Ms. Strandjord will be nominated for reelection as Class C Directors for additional three-year terms and until their successors shall have been duly elected and qualified.

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

BIOGRAPHIES OF DIRECTORS

Other than Dorrit J. Bern, each of the following Directors is "independent" under the NASDAQ Global Select Market listing requirements and the standards set forth in our Principles of Corporate Governance. For more information about our determination of independence, see "**CORPORATE GOVERNANCE AT CHARMING SHOPPES Board of Directors.**"

The following Class C Directors have been nominated for reelection to terms scheduled to end in 2011:

DORRIT J. BERN

Director Since 1995

Ms. Bern, 57, has been our President and Chief Executive Officer since August 1995 when she joined Charming Shoppes. She also served as Vice Chairman of the Board of Directors from August 1995 until January 1997 when she was elected Chairman of the Board. Before joining us, Ms. Bern was employed by Sears, Roebuck & Co., beginning in 1987 during which period she held various merchandising positions culminating with her appointment as Group Vice President of Women's Apparel and Home Fashions in December 1993. Before joining Sears, Roebuck & Co., Ms. Bern held merchandising positions at other prominent retailers. Ms. Bern is also a Director of Southern Company and OfficeMax Incorporated.

ALAN ROSSKAMM

Director Since 1992

Mr. Rosskamm, 58, was the Chief Executive Officer of Jo-Ann Stores, Inc. ("Jo-Ann"), from October 1985 to August 2006, and Chairman of the Board of Directors from July 1992 to 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 2006, Mr. Rosskamm has advised a number of start-up ventures, including retailer PetSense, Inc.

M. JEANNINE STRANDJORD

Director Since 2006

Ms. Strandjord, 62, was Senior Vice President and Chief Integration Officer of Sprint Corporation ("Sprint"), a global communications company, from September 2003 until her retirement in November 2005, with responsibility for implementation of Sprint's transformation, including overall program management of comprehensive process redesign and organizational development. From January 2003 to September 2003, Ms. Strandjord was Senior Vice President of Financial Services for Sprint. From 1998 to 2003, Ms. Strandjord was Senior Vice President of Finance for Sprint Global Markets Group. From 1990 to 1998, Ms. Strandjord was Senior Vice President and Treasurer for Sprint. From 1986 to 1990, she served as Vice President and Controller for Sprint. Ms. Strandjord joined Sprint in January 1985, serving as Vice President, Finance and Distribution at AmeriSource, Inc., a Sprint subsidiary. Prior to joining Sprint, Ms. Strandjord was Vice President, Finance and Expense Control, for Macy's Midwest and had held positions with Kansas City Power & Light Co. and Ernst and Whinney. She is also a member of the Board of six registered investment companies which are a part of American Century Funds and a member of the Boards of DST Systems, Inc. and Euronet Worldwide, Inc. Ms. Strandjord has served as Chairman and President of the Heartland Chapter of the National Association of Corporate Directors for the last two years.

The following Class A Directors are continuing in office, with terms scheduled to end in 2009:

WILLIAM O. ALBERTINI

Director Since 2003

Mr. Albertini, 64, retired in 1999 as Executive Vice President and Chief Financial Officer of Bell Atlantic Global Wireless, Inc., a provider of wireless communication services. Before joining that company, from 1995 to 1997 he served as Executive Vice President and Chief Financial Officer of Bell

Atlantic Corporation, and also as a Director of Bell Atlantic. Mr. Albertini is also a Director of BlackRock, Inc., Triumph Group, Inc. and Airgas, Inc.

CHARLES T. HOPKINS

Director Since 1999

Mr. Hopkins, 65, was associated with the public accounting firm of KPMG LLP from 1966 until 1999. During his term at KPMG LLP, Mr. Hopkins served as an audit partner and a SEC reviewing partner. From 1993 until 1998, Mr. Hopkins was managing partner of KPMG's Philadelphia Business Unit.

YVONNE M. CURL

Director Since 2004

Ms. Curl, 53, was the Chief Marketing Officer of Avaya, Inc. ("Avaya") from October 2000 through April 2004. In that capacity, she was responsible for the strategic and operational management of Avaya's global marketing organization. Avaya provides voice, converged voice and data customer relationship management, messaging, multi-service networking and structured cabling products and services to its customers. Before joining Avaya, Ms. Curl was employed by Xerox Corporation beginning in 1976, where she held positions in sales, marketing and field operations culminating with her appointment as Corporate Vice President, Senior Vice President and General Manager, Public Sector, Worldwide in January 1999. In that capacity, she was responsible for developing strategic and tactical market plans for the provision of document solutions and services to the public sector worldwide. Ms. Curl is also a Director of Nationwide Mutual Insurance Company, HealthSouth Corporation and Welch Allyn Inc.

The following Class B Directors are continuing in office, with terms scheduled to end in 2010:

PAMELA DAVIES

Director Since 1998

Dr. Davies, 51, has been the President of Queens University of Charlotte since July 2002. Dr. Davies was the Dean of the McColl School of Business, Queens University of Charlotte from June 2000 until March 2001 when she was appointed Chief Operating Officer of that institution. From June 1997 to June 2000, she served as Professor of Management and Dean of the Bennett S. LeBow College of Business at Drexel University. From 1992 to 1997, Dr. Davies served as Chairman of the Department of Management at the University of Central Florida. Her professional specialization is in the field of strategic planning with a particular emphasis on competitive and marketing strategy. She has written and lectured on these topics extensively. Dr. Davies is also a Director of C&D Technologies, Inc. and Sonoco Products Company.

KATHERINE M. HUDSON

Director Since 2000

Ms. Hudson, 61, served as the Chairman of the Board of Directors of Brady Corporation until November 2003 when she retired. Prior to her appointment as Chairman, she was the President, Chief Executive Officer and a Director of Brady Corporation from January 1994 until March 2003. Brady Corporation is a leading manufacturer and marketer of complete identification solutions which improve productivity, performance, safety and security. Its products include high-performance labels, signs, software, printers, specialty die-cut materials and data-collection systems. Before joining Brady Corporation, she was a Vice President at Eastman Kodak Company and General Manager of its Professional, Printing and Publishing Imaging Division. Her 24 years at Eastman Kodak Company included positions in finance, communications and public affairs, information systems and the management of instant photography and printing. Ms. Hudson is also a Director of Telefonaktiebolaget LM Ericsson and serves on the Alverno College Board of Trustees and as Immediate Past Chairman of the Medical College of Wisconsin Board of Trustees. Ms. Hudson's term on the Telefonaktiebolaget LM Ericsson Board expires on April 8, 2008. She will not stand for re-election.

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 Bylaws. Members of the Board of Directors are kept informed of our business through discussions with the Chairman, President and 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, those Directors regularly meet in executive sessions without the participation of management or employee 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). 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 regarding corporate governance policies and procedures. Our corporate governance documents comply with all applicable requirements.

In accordance with our Bylaws, our Board of Directors has specified that, as of the date of our 2008 Annual Meeting, the number of Directors will be set at eight. Seven of our eight Directors are non-employee Directors, and the Board of Directors has determined that each of these seven Directors has 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 Directors 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 Dorrit J. Bern, our Chief Executive Officer. See also "**Corporate Governance at Charming Shoppes Audit Committee**" below.

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 reelection 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.

On April 26, 2007 our Board of Directors 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. Previously, this function had been handled by the Audit Committee. 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.

On March 12, 2008, we entered into a residential lease agreement with our Chief Executive Officer, effective as of February 1, 2008, under which the Company started charging rent for the Company-owned apartment made available to her at a monthly rent of \$7,900. In accordance with the Company's written policy for related party transactions the lease was submitted to the Corporate Governance and Nominating Committee on March 7, 2008 for ratification. The Corporate Governance

and Nominating Committee determined that the lease is at fair market value and on terms no less favorable to the Company than those to an unaffiliated third party.

During fiscal 2008, our Board of Directors held nine meetings. 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

We have designated Katherine M. Hudson as our "Lead Independent Director." The Board of Directors has determined that Ms. Hudson qualifies as an independent Director under current NASDAQ Marketplace Rules and under the standards set forth in our Principles of Corporate Governance.

Stock Ownership Guidelines

We have adopted stock ownership guidelines that call for Directors, within five years of the adoption of the guideline on January 20, 2005 or within five years of their election to the Board of Directors, whichever is the later, to own at least 15,000 shares of our Common Stock. Deferred stock, restricted stock units and restricted stock count toward meeting this ownership guideline.

Committees of the Board of Directors

Our Board of Directors has an Audit Committee, Compensation Committee (formerly the Compensation and Stock Option Committee), Corporate Governance and Nominating Committee, Finance Committee and Administration Committee. 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).

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

Current Board Committee Membership					
	AUDIT COMMITTEE	COMPENSATION COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	FINANCE COMMITTEE	ADMINISTRATION COMMITTEE
William O. Albertini		+		+X	
Charles T. Hopkins	+X			+	
Yvonne M. Curl	+XX	+	+X		
Pamela Davies		+	+		
Katherine M. Hudson*	+	+X			+
Dorrit J. Bern					+X
Alan Rosskamm			+	+	+
M. Jeannine Strandjord	+			+	
Number of Meetings in Fiscal 2008**	12	11	7	3	0

+ Member

X Chairperson

+XX Ms. Curl was appointed as a member of the Audit Committee on June 20, 2007.

*

Ms. Hudson has been designated as the Lead Independent Director.

**

The Committees from time to time act by unanimous written consent.

Audit Committee

The Audit Committee operates under a written charter that has been approved by the Board of Directors. The Charter is reviewed annually by the Board of Directors. 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 this interaction, (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 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 Mr. Hopkins qualifies as an "audit committee financial expert" in accordance with the definition of "audit committee financial expert" set forth in Item 401(h)(2) of Regulation S-K, adopted by the SEC. The Board of Directors has made no determination as to whether other members of the Audit Committee do or do not so qualify. Mr. Hopkins acquired these qualifications through his lengthy service as an audit partner and SEC reviewing partner of a major accounting firm, in which capacities he had direct experience in auditing the financial statements of public companies.

Compensation Committee

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 equity-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 Committee is advised by an independent compensation consultant, Pearl Meyer & Partners, Inc. ("PM&P"). PM&P provides the 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 Committee's decision-making with regard to specific matters as they arise. The only services that PM&P performs for the Company are at the direction of the Compensation Committee. The

Compensation Committee has the right to terminate the services of the compensation consultant at any time. The Committee's Charter authorizes the Committee to delegate authority to a subcommittee, one or more members of the Committee or management.

The 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 Committee in order to confirm information, clarify data questions or other similar issues.

The 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 Committee meets with the Chief Executive Officer to discuss her own compensation package, and her 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 Committee meetings, when members of management are not present.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee: (1) 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 "**CORPORATE GOVERNANCE AT CHARMING SHOPPES 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.

Finance Committee

The Finance Committee is responsible for assisting the Board of Directors in discharging its duties relating to the oversight of our financial affairs and strategic planning. Its responsibilities include: (1) reviewing and recommending to the Board of Directors for approval strategic plans and budgets, (2) approving any borrowing of funds, other than in the ordinary course of business, and (3) approving (up to specified limits) or recommending to the Board of Directors for approval certain expenditures, dispositions, guarantees, acquisitions, use of derivatives, stock repurchases and other financial policies and practices. The Board of Directors has determined that each member of the Finance Committee is independent under the independence standards discussed above.

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 potential nominees for the Board of Directors, in addition to considering a candidate's personal character, integrity, foresight, intelligence and judgment, the Corporate Governance and Nominating Committee and the Board of Directors also consider the requisite mix of director experiences, skills, perspectives and diversity that is most appropriate for Charming Shoppes.

The Corporate Governance and Nominating Committee will consider whether to nominate any person nominated by a shareholder in accordance with our Bylaws relating to shareholder nominations. Our Bylaws 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 2009 ANNUAL MEETING.**" This notice generally must (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 the nominating shareholder's ownership of Common Stock and intention to appear at the Meeting and make the nomination, (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, and (4) include a written consent of the nominee to serve as a Director if elected. 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. Further information may be obtained by contacting the Corporate Secretary.

Communications with Directors

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

Board of Directors (or Lead Independent Director 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. To facilitate this, our practice is to schedule a Board of Directors meeting to immediately follow the Annual Meeting. 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. 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) at this location on our website and also to disclose the waivers on a Form 8-K within the prescribed time period.

COMPENSATION OF DIRECTORS**FISCAL 2008**

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 by the Company to current and former non-employee Directors during fiscal 2008, which ended on February 2, 2008.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Total (\$)
William O. Albertini	68,500	114,000	15,892	198,392
Yvonne M. Curl	70,500	114,000	15,892	200,392
Pamela Davies	59,500	114,000	15,892	189,392
Charles T. Hopkins	75,500	114,000	15,892	205,392
Katherine M. Hudson	91,500	114,000	15,892	221,392
Alan Rosskamm	63,000	114,000	15,892	192,892
M. Jeannine Strandjord	65,500	114,000	15,892	195,392

(1) Three of our Directors deferred cash fees into cash-denominated investment alternatives as follows: Mr. Albertini, \$34,250; Ms. Hudson, \$91,500; and Mr. Rosskamm, \$63,000.

(2) The amounts reported in the "Stock Awards" and "Option Awards" columns represent the amount of compensation cost recognized by the Company in fiscal 2008 for financial statement reporting purposes, as computed in accordance with Statement of Financial Accounting Standards No. 123(R) ("FAS 123(R)"), including expense for stock and option awards granted before fiscal 2008 which remained unvested at any time in fiscal 2008. For information regarding significant factors, assumptions and methodologies used in our computations pursuant to FAS 123(R), 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 February 2, 2008. In fiscal 2008, each non-employee Director received a grant of 11,529 restricted stock units ("RSUs"). The grant date fair value of the stock awards granted to each Director during fiscal 2008, computed in accordance with FAS 123(R), was \$135,000. As of February 2, 2008, each Director had the following number of stock awards that remained subject to a risk of forfeiture: Mr. Albertini, 11,529 (all of which he has elected to defer upon vesting); Ms. Curl, 11,529 (all of which she has elected to defer upon vesting); Dr. Davies, 11,529 (all of which she has elected to defer upon vesting); Mr. Hopkins, 11,529; Ms. Hudson, 11,529 (all of which she has elected to defer upon vesting); Mr. Rosskamm, 11,529 (all of which he has elected to defer upon vesting); and Ms. Strandjord, 11,529. On June 22, 2006, each Director was granted options to purchase 7,500 shares of common stock. The grant date fair value of the option awards granted to each Director during fiscal 2007, computed in accordance with FAS 123(R), was \$40,575.

Cash Compensation Paid to Board Members

Non-employee Directors receive compensation for their services. Our compensation program was amended by the Corporate Governance and Nominating Committee on June 21, 2007 in consultation with the Committee's independent compensation consultant, Pearl Meyer & Partners. The prior compensation structure had been in place since June 23, 2005. PM&P conducted a competitive analysis of Charming Shoppes' peer group as well as a broader cross-section of boards of directors of public companies. The analysis considered both the pay level and structure of our Board compensation program and recommended several changes. First, the annual cash retainer paid to each non-employee Director for Board service was increased to \$50,000 from \$36,000. This increase offset the elimination of committee meeting fees for Committee members. This change is consistent with market trends and facilitates the administration of the Director compensation program. Each non-employee Director who serves as a committee chair will continue to receive an annual cash retainer to recognize the additional work required of the chair function. The retainer for the Chair of the Audit Committee remains \$10,000 annually. The cash retainer for all other Committee chairs remains \$5,000. Each non-employee Director also continues to receive a meeting fee of \$1,500 per Board meeting attended. The Lead Independent Director, Ms. Hudson, receives an annual cash retainer of \$20,000 in addition to the annual cash retainer of \$50,000 paid to all non-employee Directors, for a total annual cash retainer of \$70,000. 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

In addition to changes in the cash compensation structure, PM&P recommended changes to the Director's equity program. Under the prior compensation program for Directors, each non-employee Director received an automatic annual grant of options to purchase 7,500 shares of Common Stock and an automatic annual grant of 7,500 restricted stock units ("RSUs"), which vested on June 1 of the year following the grant. In addition to these automatic annual grants, each newly elected or appointed non-employee Director received a one-time grant of 10,000 shares of restricted stock units (i.e., a 2,500 share increase over the regular annual grant).

Under the current compensation program, each non-employee Director instead receives an automatic annual grant of RSUs equal to \$135,000 divided by the closing price of the Company's stock on the date of each Annual Meeting of Shareholders. Each RSU represents a right to receive one share of common stock, at the date of vesting, or, if deferred by the Director, at a later date after termination of his or her service. RSUs 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, 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 of Directors. Unvested RSUs will be forfeited if a non-employee Director is removed from service.

The changes to the non-employee Director compensation program are summarized in the table below:

Pay Element	Prior Structure	Current Structure (effective June 21, 2007)
Cash for Board Service		
Cash Retainer	\$36,000	\$50,000
Per Meeting Fee	\$1,500 per meeting	\$1,500 per meeting
Equity for Board Service		
Stock Options	7,500 options per year	0
Restricted Stock Units	10,000 RSUs upon initial election or appointment; 7,500 RSUs per year thereafter	\$135,000 RSU value per year; no special "initial election" award
Cash for Committee Service		
Committee Chairs	\$10,000 for Audit Committee (additional)	\$10,000 for Audit Committee (additional)
Annual Retainer	\$5,000 for other Committees (additional)	\$5,000 for other Committees (additional)
Committee Members		
Per Meeting Fee	\$1,000 per meeting for all Committees	\$0
Lead Director	\$20,000 annual retainer (additional)	\$20,000 annual retainer (additional)
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 2008.**" In fiscal 2008, Mr. Albertini, Ms. Hudson, and Mr. Rosskamm deferred all or a portion of their cash fees for Board service under this plan.

Employee Director

Ms. Bern, who is employed as the Chief Executive Officer of Charming Shoppes, does not receive additional compensation for her services as a Director, Chairman of the Board, or as a member of any committee of the Board of Directors.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Introduction

The Compensation Committee of the Board of Directors administers our compensation programs. Working with management and the outside compensation consultant, the Committee has developed a compensation and benefits strategy that rewards 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.**"

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;

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 outside compensation consultant, to reflect our entrepreneurial business strategy. This means that executives with business unit responsibility 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.

Our compensation strategy is to place a major portion of total compensation at risk in the form of annual and long-term incentive programs. This means that for senior executives the majority of their total compensation is contingent upon their meeting the individual performance goals set for them by the Committee. As shown in the Summary Compensation Table, our named executive officers' base salaries for fiscal 2008 represented between 20% and 42% of total compensation (calculated in accordance with the Securities and Exchange Commission rules governing that Table). In part, the salaries represented a relatively high percentage of the total compensation for fiscal 2008 because none of the named executive officers received an annual bonus for the year.

We intend the combination of incentive compensation to balance short-term operational objectives, such as the achievement of annual operating earnings targets (which is a term that refers to "income before taxes and interest" (i.e., net of interest income and interest expense) in our financial statements) and long-term strategic goals, such as return on investment for shareholders. For the named executive officers, target annual cash incentive opportunities range from 50% to 100% of base salary, and target long-term equity incentive opportunities granted each year generally range from 65% to 200% of base salary.

Our compensation strategy is to provide competitive compensation opportunities commensurate with performance. This means that the Committee assesses the relative pay opportunities vis-à-vis relative performance.

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 performance, we also believe there is great value to the Company in retaining a team of tenured, seasoned executives. We encourage this long-term commitment through (1) "backloaded" vesting of restricted stock unit grants, i.e., awards vest 33% on the third anniversary of the grant, 33% on the fourth anniversary and 34% on the fifth anniversary, and (2) a supplemental retirement benefit, which is not fully vested until the executive reaches age 60 with at least five years of service. Furthermore, we believe 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, our executive compensation programs and administers our short and long term incentive plans and other stock or stock-based incentive plans. Under its charter, the Committee must be composed of at least three independent directors. Four members of our Board of Directors, William O. Albertini, Yvonne M. Curl, Pamela Davies and Katherine M. Hudson, Chairperson, currently sit on the Committee, each of whom is an independent director under the NASDAQ Global Select Market listing requirements and under our Corporate Governance Guidelines. The Committee's function is more fully described in its charter which has been approved by our Board of Directors. The charter is available on our website at www.charmingshoppes.com and we will disclose any amendment to the charter on our website. The charter was mostly recently amended by our Board of Directors at its meeting on January 24, 2007 so as to conform the Committee's duties and responsibilities as described therein with the requirements of the SEC's new executive compensation disclosure rules, including reviewing and discussing with management this Compensation Discussion and Analysis.

During our past fiscal year the Committee held eleven meetings. Decisions with respect to the fiscal 2008 compensation of our executive officers were made at the beginning of that fiscal year. See "**CORPORATE GOVERNANCE AT CHARMING SHOPPES Compensation Committee.**"

Compensation and Benefits Structure

This next section of this Compensation Discussion and Analysis describes each element of our compensation and benefits structure, 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 similar positions and the performance of the individual, his/her business unit and the Company as a whole. The Committee is responsible for approving pay levels for the executive officers. In determining the pay levels, the Committee considers all forms of compensation and benefits, using tools such as tally sheets for each executive officer, including the named executive officers, to review the total value delivered through all elements of pay.

The Committee assesses competitive market compensation using a number of sources. The 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 23 companies. The Committee closely analyzes the peer group data, but exercises its discretion in the weight it assigns to this data. 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. The peer group of 23 companies currently used for this purpose is listed below. The Committee believes that our most direct competitors for executive talent are not necessarily restricted to those retail companies but encompass a broader group of companies which are engaged in the recruitment and

retention of executive talent in competition with us. The public information for the peer companies is supplemented with survey data that provides position-based compensation levels across broad industry segments. For corporate staff positions, like Chief Financial Officer and General Counsel, we consider survey data based on companies of similar size, without regard to industry. For industry specific positions, like the President of a division, we consider retail industry survey data for positions in organizations of similar size.

**Peer Companies used for Compensation Comparison
of Named Executive Officers**

Abercrombie & Fitch Co.	New York & Company, Inc.
Aeropostale, Inc.	Nordstrom, Inc.
American Eagle Outfitters, Inc.	Pacific Sunwear of California, Inc.
AnnTaylor Stores Corporation	Collective Brands, Inc.
Chico's FAS, Inc.	Phillips-Van Heusen Corporation
Coldwater Creek, Inc.	Ross Stores, Inc.
The Gap, Inc.	Saks Incorporated
J.C.Penney Company, Inc.	Stage Stores, Inc.
Jones Apparel Group, Inc.	Talbots, Inc.
Kohl's Corporation	TJX Companies, Inc.
Limited Brands, Inc.	Williams-Sonoma, Inc.
Liz Claiborne, Inc.	

Relative to the competitive market data, the Committee intends that the total direct compensation opportunity of the executive group for the achievement of target performance should fall between the median and 75th percentile for total direct compensation of executives performing similar functions in the competitive market.

As noted above, notwithstanding the Company's overall pay positioning objectives, pay opportunities for specific individuals vary based on a number of factors. The Committee is provided with 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.

Pay Mix

Our compensation program consists of the following principal elements:

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

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

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

SERP Benefits paid to attract and retain capable executives.

The Committee has selected these elements because it believes that such a 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.

Base Salaries

Executive base salaries reflect our operating philosophy, culture and business direction, with each salary determined by an annual assessment of a number of factors, including job responsibilities, impact on development and achievement 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 salary for our executives, together with other principal components of compensation at target opportunity levels, will fall between the median to the 75th percentile of the market. The Committee periodically evaluates market base salaries for comparable roles 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.

Annual Incentive Program

The annual incentive plan is designed to focus on and reward short-term operating performance. This is a broad management incentive program, covering the named executive officers as well as other participants. The plan provides for differing target incentive levels, each expressed as a percentage of base salary. Consistent with our pay level strategy, these annual incentive levels are set to generate target annual compensation (i.e., the sum of base salary plus a target annual incentive amount) that falls between the median and 75th percentile 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 Chief Executive Officer is in Level 1, with a target of 100% of salary and the other named executive officers are in Level 2, with a target of 50% of salary.

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**"). The maximum that can be earned by each 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 2008, performance fell below the threshold level, and as such, no bonuses were awarded to the named executive officers.

The annual incentive plan was approved by shareholders in 2003 and is administered by the Compensation Committee, which approves the awards and the performance goals. Therefore, awards earned under the plan are considered "performance-based" under Section 162(m) of the Internal Revenue Code. This means that the awards are fully deductible by the Company as a compensation expense. Under applicable IRS requirements, shareholder approval is required every five years to retain its deductibility. Our shareholders are being asked at the 2008 Annual Meeting of Shareholders to approve the performance goals under the 2003 Incentive Compensation Plan to preserve the Company's tax deductions going forward (see "**PROPOSAL FOR RE-APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE 2003 INCENTIVE COMPENSATION PLAN TO PRESERVE THE DEDUCTIBILITY OF COMPENSATION PAYMENTS IN ACCORDANCE WITH SECTION 162(m) OF THE INTERNAL REVENUE CODE**").

Long-Term Incentive Program

Long-term incentives are used to balance the short-term focus of the annual incentive program by tying rewards to performance achieved over multi-year periods. Under our 2004 Stock Award and Incentive Plan (the "2004 Plan"), which was approved by shareholders at the 2004 Annual Meeting, the Company can use a variety of long-term incentive vehicles, including stock options, SARs, restricted

stock, restricted stock units, performance shares, performance units and long-term cash incentives. In fiscal 2008, the Company relied primarily on a combination of "Time Vested Shares" and "Performance Shares." We intend this combination of the two types of awards to provide a balance between retention (through Time Vested Shares) and long-term performance (through Performance Shares). Furthermore, the use of stock-based compensation in our long-term incentive program balances the cash-based short-term incentive pay (i.e., base salary and annual incentives). 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. Where executives are shareholders themselves, the executives will realize a direct benefit by achieving the objective of increasing shareholder value.

In general, the Time Vested Shares granted in fiscal 2008 vest according to the schedule below, provided that the employee continues to work for the Company through the vesting dates. On occasion, the Committee will make grants that have a different vesting schedule. For example, the Time Vested Shares granted in fiscal 2008 to the Chief Executive Officer pursuant to her 2005 employment agreement vest on the second anniversary of the date of grant. The grants in fiscal 2008 to the other named executive officers (as well as grants to be made in fiscal 2009 and thereafter under the Chief Executive Officer's new employment agreement) vest according to the table below.

Vesting Date	Annual Vesting	Cumulative Vesting
1 st Anniversary of Grant Date	0%	0%
2 nd Anniversary of Grant Date	0%	0%
3 rd Anniversary of Grant Date	33% of Shares Granted	33% of Shares Granted
4 th Anniversary of Grant Date	33% of Shares Granted	66% of Shares Granted
5 th Anniversary of Grant Date	34% of Shares Granted	100% of Shares Granted

The Performance Shares granted to the named executive officers in fiscal 2008 may be earned, in part or in total, based on the achievement of specific performance goals over the three-year performance period covering fiscal 2008, 2009, and 2010 (performance goals are discussed below in this Compensation Discussion and Analysis under the caption "**Pay-for-Performance**"). Like the annual incentive plan structure, each participant has a "target" number of Performance Shares that become 100% vested if target performance over the three-year period is met. Partial vesting of 50% (or more) of the target number of Performance Shares 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 Shares can be earned by our named executive officers if the three-year performance meets or exceeds "maximum" levels. Performance Shares earned based on the achievement of the performance goal will vest on the last day of the three-year performance period, if the participant has remained employed by us through that time, subject to accelerated vesting in certain circumstances. In fiscal 2008, the three year performance goals established for fiscal 2006 through fiscal 2008 were not met, and as such, none of the Performance Shares scheduled to vest in 2008 vested.

As with base salaries and annual incentive targets, target long-term incentive award levels are set to generally fall between the median and 75th percentile of the competitive market. The Committee also assesses aggregate share usage and dilution levels in comparison to the 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 potential to contribute to the success of our initiatives to create shareholder value and other individualized considerations. Administration of both Time Vested and Performance Shares is managed by our internal human resources department and our legal department and specific instructions related to timing of grants are given directly by the Committee.

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While both retention and long-term performance are important objectives of the long-term incentive program as evidenced by the five year vesting period for Time Vested Shares and the three-year performance period for Performance Shares, we believe that the "at risk" component of the long-term incentive program should be higher for the more senior executives. Therefore, in fiscal 2008 the ratio of Time Vested Shares to Performance Shares varied by level of participant, with the more senior executives receiving a higher percentage of their total long-term award value in the form of Performance Shares. In fiscal 2008, the Chief Executive Officer was granted one-half of her equity award in the form of Time Vested Shares and the other half in the form of Performance Shares. The other named executive officers were granted 60% of their award in the form of Time Vested Shares and 40% in the form of Performance Shares.

During fiscal 2008, in connection with the renewal of the Chief Executive Officer's employment contract (discussed below), the Committee worked with its outside compensation consultant to review the overall structure of the long-term incentive program. As a result of this review, the Committee has approved several changes to the structure of future long-term incentive awards for senior executives, including the named executive officers:

Current Program	New Program
<p>"Retention" Equity</p> <p>Time vested restricted stock</p> <p>Generally vests ratably on 3rd, 4th, and 5th anniversaries of grant</p>	<p>"Retention" Equity</p> <p>Time vested restricted stock</p> <p>Vests ratably on 3rd, 4th, and 5th anniversaries of grant</p>
<p>Performance Equity</p> <p>Performance vested restricted stock</p> <p>Vests based on 3-year free cash flow goals</p>	<p>Performance Equity</p> <p>Time vested Stock Options/SARs</p> <p>Vests ratably on 3rd, 4th, and 5th anniversaries of grant</p> <p>Performance Shares</p> <p>Size of annual grant is based on performance and varies from 0 to 2X target based on Company's 1-year relative TSR* performance</p> <p>Provided performance targets are met, the annual grants vest ratably on the 1st and 2nd anniversaries of grant</p> <p>Performance Options/SARs</p> <p>Size of annual grant is based on performance and varies from 0 to 2X target based on Company's 3-year relative TSR* performance</p> <p>Provided performance targets are met, the annual grants vest ratably on the 1st and 2nd anniversaries of grant</p> <p>No Performance Shares or Performance Options/SARs will be granted in years where Company TSR* falls below 1- and 3-year thresholds, respectively</p>

*

Total Shareholder Return ("TSR") means 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.

The Committee has determined that this new structure will better align executive compensation with shareholder value in several ways. First, the introduction of stock options/SARs will enhance the focus on share price improvement, since the options have no value if the stock price does not increase subsequent to the grant date. Second, using relative Total Shareholder Return ("TSR") as the performance measure directly links the long-term incentive value to the value created for shareholders. Furthermore, the relative nature of the TSR measure requires the Company to outperform its peers in both up and down markets. In other words, during strong market conditions, the Company must have more than merely positive stock price performance to earn an award, but during market downturns, the executives will be rewarded for outperforming their peers despite possible price depreciation.

More detail on the Performance Equity program is provided below in the **Pay-for-Performance** section of the Compensation Discussion and Analysis.

Supplemental Executive Retirement Plan (SERP)

The Supplemental Executive Retirement Plan (SERP) was implemented in 2003 as a recruiting and retention tool for executives approved by the Committee. Currently, twelve executives, including the named executive officers, participate in the plan. The SERP is a non-qualified retirement plan under which the Company makes monthly contributions to a retirement account based on age and service ranging from 8% of salary and annual bonus to a maximum of 35% of salary and annual bonus for long-service executives over age 55. Account balances earn interest at 3% plus the "10-year Treasury Note Yield" per year computed on a quarterly basis, are fully vested at age 60 with at least five years of service, and are paid as an annuity or lump sum at retirement. The value of the SERP accruals and a portion of the interest credited under the SERP is reflected in the "All Other Compensation" and "Change in Pension Value and Nonqualified Deferred Compensation Earnings" columns of the Summary Compensation Table below, respectively, and additional information is presented under the caption "**Nonqualified Deferred Compensation for Fiscal 2008.**" We intend that the SERP provides a level of retirement benefits that is competitive with retirement programs at companies competing for executive talent. Consistent with our compensation philosophy, our SERP encourages executive retention by increasing payments made by the Company with years of service. This both helps us in recruiting executives and in the long-term retention of our executives.

Other Benefits and Perquisites

As employees of the Company, the named executive officers are eligible to participate in all of the broad-based Company-sponsored benefits programs on the same basis as other full time employees.

In fiscal 2005, the Committee cancelled "split-dollar" insurance arrangements under which four of the named executive officers, including the Chief Executive Officer, had been provided with life insurance and the Company was the beneficiary to the extent of the premiums paid by it. We had previously suspended premium payments under these "split-dollar" insurance arrangements in response to the provisions of the Sarbanes-Oxley Act of 2002. We have received the cash surrender value of these policies in the aggregate amount of approximately \$820,000. We replaced the "split-dollar" insurance arrangements with a new personal life insurance program for the benefit of these named executive officers under which we are committed to fund the premiums for replacement life insurance policies through bonuses payable in five equal annual amounts to affected executive officers on a grossed-up basis so as to account for taxes payable by them on these bonuses. The amounts of these bonuses paid in fiscal 2008 and related gross-up payments are reflected in the "All Other Compensation" column of the Summary Compensation Table.

The Company provides other perquisites as an additional form of compensation to executive officers, including the named executive officers. We have provided our named executive officers with perquisites as a form of additional compensation and for convenience of the named executive officers.

The type and amount of perquisites is subject to the approval of the Committee, and is taken into account as part of the total compensation to executive officers. Details of these perquisites provided to the named executive officers are set forth in footnotes (5), (7), (8), (9), (10), and (11) to the Summary Compensation Table. In the new employment agreement with our Chief Executive Officer, the Committee significantly reduced the perquisites payable to her. We will provide the Chief Executive Officer with perquisites with a value of up to \$75,000 per year under the same terms and conditions applicable to other named executive officers and with a company car and driver for business efficiency and security purposes.

Management Stock Ownership Guidelines

The purpose of our Stock Ownership Guidelines is to more closely align our key executive's interest with our shareholders. Where executives are shareholders themselves, the executives will realize a direct benefit by achieving the objective of increasing shareholder value. Our President and Chief Executive Officer is required to hold shares of our Common Stock equal in value to at least three times her annual salary. The other named executive officers and other members of senior management are required to hold shares of our Common Stock equal in value to at least one times their annual salaries. Their holdings may include deferred stock, restricted stock units and restricted stock. These requirements are to be satisfied within five years of the adoption of this guideline on March 16, 2005 or within six years of appointment to an office subject to this guideline, whichever is the later. At the end of fiscal 2008, all of the five named executive officers met this ownership guideline.

Severance and Change in Control Benefits

Like most of our peers, the Company provides severance and change in control benefits for the Chief Executive Officer under her employment agreement with the Company (see "**Potential Payments Upon Termination or Change in Control Dorrit J. Bern**") and for other senior management, including the named executive officers (see "**Potential Payments Upon Termination or Change in Control Other Named Executive Officers**"). The Committee believes that these programs are an important part of the total compensation and benefits package, enhancing our ability to compete for talent, and fostering stability in our management group. Our Committee regularly reviews and examines our compensation arrangements for executives. In 2007, this review included an analysis, carried out with the assistance of the Committee's independent compensation consultants, of our executive severance agreements with our named executive officers and other senior executives. Based on this review, on February 1, 2008, we entered into revised severance agreements with our executive team, including the named executive officers, other than our Chief Executive Officer (with whom we have entered into a new employment agreement). Among other things, these agreements were revised to condition severance payments upon agreement by the executives to customary non-competition covenants that previously had not been included in the existing agreements of the named executive officers (other than our Chief Executive Officer) and most other executives, in addition to the existing non-solicitation covenants and a requirement that the executive deliver a release of claims. In other words, in return for providing assurances to our executives that they will be compensated if they are terminated by the Company without cause or in the case of certain fundamental changes to the Company, these executives have made a commitment to the Company that they will not voluntarily terminate their employment in order to accept other employment opportunities with our competitors. In general, our severance benefits provide for a lump sum cash payment in the event of involuntary termination or termination for good reason following a change in control and a cash payment over time in the event of involuntary termination independent of a change in control. In addition, our equity grants generally provide for the acceleration of unvested equity awards in the event of a change in control. The new agreements also limit our 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. In addition, the Committee determined to reduce the amount of severance that executives would receive in the event of a

termination of employment within 24 months after a change in control. The Committee believes that its severance and change in control benefits are reasonable and fair to both the Company and the executives and are within the norm when compared to similar companies.

Deferred Compensation

We offer to named executives an opportunity to participate in our Variable Deferred Compensation Plan or VDCP, as a cost-effective benefit that enhances the competitiveness of our compensation program. The VDCP provides participants with a way to delay receipt of income and thus income taxation until a future date. While deferred, the amount of compensation is not reduced by income taxes, and the executive can choose to have this "pre-tax" amount deemed invested in one or more notional investments. See "**Nonqualified Deferred Compensation For Fiscal 2008.**" Although the executive will eventually owe income taxes on any amounts distributed from the VDCP, the ability to invest on a "pre-tax" basis allows for a higher ultimate after-tax return. By providing a wealth-building opportunity through the VDCP, we are better able to attract and retain executives.

Through the VDCP, we also provide matching contributions to executives that would be made under our 401(k) plan but for limitations under U.S. tax law. We also use the VDCP to encourage executives who would receive compensation that would be non-deductible under Section 162(m) to defer receipt of the compensation until after their termination of employment, at which time the payment of such compensation would be fully deductible by us under current tax law. We provide an inducement for such deferrals by crediting the named executive officer with additional common stock units that have a value equal to 20% of the amounts deferred with respect to which we would have lost a tax deduction under Section 162(m). This feature currently is significant only for the Chief Executive Officer, who in fiscal 2008 deferred cash compensation and stock awards with an aggregate value of \$5.5 million. As a result of the tax savings to us from these deferrals, we credited the Chief Executive Officer with 60,881 stock units under the VDCP, with a fair market value at the time of crediting of \$419,740.

Our costs in offering the VDCP consist of time-value of money costs, the cost of the matching contributions that supplement the 401(k) plan, the issuance of additional stock units to induce deferrals that save us taxes, and administrative costs. The time-value of money cost results from the delay in the time at which we can take tax deductions for compensation payable to a participating executive. If notional investments within the VDCP increase in value, the amount of our payment obligation will increase, but we offset our VDCP obligations by investing in financial instruments that provide investment returns similar to the notional investments in the VDCP, other than stock units. This hedging limits our costs with respect to the VDCP. Our matching contributions to named executive officers and our grant of matching stock units to the Chief Executive Officer are reflected in the Summary Compensation Table.

Pay-for-Performance

In fiscal 2008, we used several vehicles 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 are the same for our named executive officers, other than our Chief Executive Officer.

We believe it is important for all participants to have a significant portion of their annual incentive compensation tied to overall Company performance. We believe that corporate operating earnings (referred to as "income before taxes and interest" in our financial statements) are a primary indicator of financial performance. Therefore, for fiscal 2008, the annual incentive award for our Chief Executive Officer was determined solely upon the

achievement of pre-established corporate operating earnings targets. For our other named executive officers, 70% of the annual incentive opportunity was tied to the achievement of pre-established corporate operating earnings targets. The remaining 30% was tied to the Committee's assessment of performance relative to certain other metrics, as recommended by our Chief Executive Officer. The corporate objectives applicable to the named executive officers (other than the Chief Executive Officer) are based on the achievement of levels of sales and sales volumes and return on investment in inventory. The target corporate operating earnings were established early in fiscal 2008 based on our financial plan, and, with respect to the Chief Executive Officer, were approved by the Committee and by the independent members of the Board of Directors. Achievement of the pre-established corporate operating earnings goals determines the amount of the total incentive amount which is available for payment to the named executive officers. It is from this amount that the 70% portion and the 30% portion, respectively, of the annual incentive opportunity are paid to our named executive officers (other than the Chief Executive Officer).

The vesting and amount of Performance Shares was tied to Free Cash Flow ("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 Company 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 Company believes the FCF goals for fiscal 2008 were ambitious and not easily attainable. This is demonstrated by the fact that for the fiscal 2006-2008 three-year performance period, the FCF threshold was not achieved. As a result, there were no Performance Shares vested in fiscal 2008.

While the vesting of the Time Vested Shares 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.

In fiscal 2008, we did not achieve the corporate operating earnings goals set for the year or the three-year goals established for the fiscal 2006-2008 period, and as a result, no incentive compensation was paid to the named executive officers.

Performance measures for both the annual incentive plan and the Performance Shares 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. As noted above, the Committee intends target performance levels to represent challenging and not easily attainable goals, consistent with the above-median-but-below-75th percentile 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 above the 75th 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 face 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 part way 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 Share awards are intended to qualify as "performance based" under Section 162(m) of the Internal Revenue 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 on the achievement of the performance goals). In fiscal 2008, performance targets were not met, and as such, no annual incentives were paid to executive officers. Accordingly, the Committee did not exercise any discretion in fiscal 2008.

As noted above, beginning in fiscal year 2009, with the adoption of our new long-term incentive program, FCF will no longer be the metric used to measure performance. Instead, measurement of performance will be dependent on Charming Shoppes' TSR. TSR measures the increase in stock price, assuming reinvested dividends. While the Company continues to look to FCF as an important signal of financial health, the Committee believes that TSR provides a more direct link between executive compensation and shareholder value. A portion of each executive's stock option/SAR grant will be dependent on Charming Shoppes' TSR relative to peer companies over the previous three-year period. A portion of time-based restricted stock grants will be dependent on Charming Shoppes' TSR over the previous one-year period. In addition to these two performance dependent vehicles, a portion of the annual long-term incentive grants made to executives will remain dependent solely on time-based vesting, which the Committee believes is crucial to executive retention. (More detail on the 2008 long-term incentive program is discussed above in this Compensation Discussion and Analysis under the caption "*Long-Term Incentive Program*").

Relative TSR will be measured against the same 23 peer companies that are used to establish market executive compensation levels.

If the Company's TSR for the respective period is at the 60th percentile of the peer group, participants will earn the target award. If TSR ranks at the 30th percentile of the peer group, then the award payout will equal 50% of the target award. If TSR is at or above the 90th percentile, then the award payout would be at the maximum of two times target opportunity. No award will be paid unless TSR is at or above the 30th percentile. Award payouts are prorated for TSR between the 30th and 90th percentile.

The amount of performance grants of SARs or stock options will be dependent on the actual relative TSR over the previous three years. The amount of performance grants of restricted stock units will be dependent on the relative TSR over the previous one year. Both performance grants are intended to qualify as "performance based" under Section 162(m) of the Internal Revenue Code.

Fiscal 2008 Compensation Actions

We review salary levels for all employees annually. For fiscal 2008, merit increases in base salaries for our full time employees averaged 2.6%. In determining compensation levels for our named executive officers, we take into account individual job responsibilities, impact on development and achievement of business strategy, labor market compensation data, corporate performance (primarily corporate operating earnings), individual performance relative to job requirements, our ability to attract and retain critical executives and salaries paid for comparable positions within our peer group.

As noted above, performance measures in the annual incentive plan vary by participant, depending upon their roles and responsibilities. However, all participants, including the named executive officers, have a portion of their annual incentive payments tied to corporate operating earnings goals. In addition, the achievement of corporate operating earnings goals determines the amount of the total incentive which is available for payment to each named executive officer and other executives. None of the corporate operating earnings goals were met in fiscal 2008. As a result, we did not make any payments to the named executive officers under the annual incentive plan.

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The chart below compares actual corporate operating earnings (referred to as "income before taxes and interest" in our financial statements) to the performance goals that were set at the beginning of the year and which determine the amount of the total incentive which is available for payment to our named executive officers.

Actual Fiscal 2008 Corporate Operating Earnings*	Fiscal 2008 Annual Incentive Plan Performance Goals Corporate Operating Earnings*		
	Threshold	Target	Maximum
	\$ 137,200,000	\$ 196,000,000	\$ 235,200,000

*

Referred to as "income before taxes and interest" in our financial statements.

In fiscal 2008, we granted a total of 732,933 Time Vested Shares to a total of 162 employees, including 271,461 shares to the named executive officers. In addition, we granted a total of 301,683 Performance Shares (at target) to a total of 20 employees, including 172,439 shares to the named executive officers. These Performance Shares will only be earned if the Company achieves the FCF goals established for the three-year performance period for fiscal 2008 through fiscal 2010. As noted above, none of the Performance Shares scheduled to vest in fiscal 2008 were earned because threshold FCF for the fiscal 2006-2008 performance period was not achieved.

Chief Executive Officer Compensation

During fiscal 2008, the Company entered into a new employment contract with the Chief Executive Officer, Ms. Dorrit Bern, to be effective February 1, 2008 through January 29, 2011. Ms. Bern's compensation package was determined by the independent members of our Board of Directors, based on the recommendation of our Compensation Committee, in consultation with PM&P. The new contract, which has been filed with the SEC, is further described below. In general, the Committee believes the new contract achieves several key objectives:

Secures the services of Ms. Bern for the next three years. The Board continues to believe Ms. Bern is critical to the Company's future. Her experience and reputation as a merchant are key to attracting and retaining a strong management team.

Provides a competitive compensation opportunity with an appropriate pay-for-performance orientation. Specifically, at target performance levels, Ms. Bern's long-term incentive opportunity under the new contract has shifted to 33% "retention"/67% "performance", compared to 50%-50% under her prior contract.

Is aligned with current trends regarding other perquisites and benefits. Specifically, Ms. Bern's new contract eliminates several perquisites, such as her Company-paid apartment in Philadelphia, Pennsylvania and commuter airfare. Consequently, on March 12, 2008, we entered into a residential lease agreement, effective as of February 1, 2008, with Ms. Bern under which the Company started charging rent for the Company-owned apartment made available to her at a monthly rent of \$7,900. See "**Corporate Governance at Charming Shoppes Board of Directors**" above. Additionally, the new contract limits the conditions under which Ms. Bern is entitled to excise tax gross-up payments in the event of a change in control.

Provides a more direct link to shareholder value creation and is more closely aligned with the interest of our shareholders, through the increased weighting of performance-based equity and the use of TSR as a performance measure.

The paragraphs below describe the key provisions of Ms. Bern's new contract.

The contract increases Ms. Bern's base salary from \$1,250,000 to \$1,550,000. Ms. Bern will continue at a targeted annual incentive of 100% of base salary, with a maximum payment of 200% of

base salary. The performance measures governing the annual incentive plan will be determined by the Committee on an annual basis.

On each of April 1, 2008, April 1, 2009 and April 1, 2010, Ms. Bern is guaranteed an annual award of \$1,200,000 in time-vested restricted shares and annual SARs or stock option awards having a Black-Scholes market value of \$1,200,000 on the grant date. Both the time-vested restricted shares and the SARs or stock options will vest one-third on each of the third, fourth and fifth anniversaries of the grant date.

An additional performance award will be granted annually contingent on performance. Performance goals will be established based on relative TSR positioning against our peer group of companies. The performance goals provide for a grant at a grant date value of 50% to 200% of a targeted award amount of \$1,200,000, based on achievement discussed in the "**Pay-for-Performance**" section of this Compensation Discussion and Analysis. One-half of the performance grants (e.g., \$600,000 value on the grant date, at target) will be in the form of time-vested restricted stock units and the size of the grant will be contingent on a one-year relative TSR (i.e., the April 1, 2009 grant will be based on relative TSR for the fiscal year ended January 31, 2009). One-half of the value of the \$1,200,000 performance grant (i.e., the Black-Scholes value equal to \$600,000 on the grant date, at target) will be in the form of SARs or stock options and the size of the grant will be contingent on a three-year relative TSR (i.e., the April 1, 2009 grant will be based on relative TSR for the three-year period beginning on January 29, 2006 and ending on January 31, 2009). To minimize the impact of single-day price fluctuations, beginning and ending values for the TSR calculation will be based on 20-day moving averages. Once granted, the performance grants will vest on the first and second anniversaries of the grant date.

As part of the transition to this new program, the April 1, 2008 performance awards are guaranteed to be not less than 100% of the targeted \$1,200,000.

At target performance, Ms. Bern's annual total direct compensation (salary, target bonus and targeted grant value of equity) is \$6,700,000. Based on competitive data compiled by the Committee's independent consultant, this target compensation level falls between the median and 75th percentile of the peer group. The new employment contract is designed to be significantly more performance-based than the previous contract with Ms. Bern. Both the annual incentive and the performance-based long-term incentive grants result in a significant portion of Ms. Bern's total pay being 'at risk' and directly related to performance. In addition, the introduction of TSR as a metric, replacing FCF, in the determination of the performance-based grants, creates a more direct relationship between the interests of the shareholders and the compensation level of Ms. Bern.

The Committee uses the same factors in determining the compensation of the Chief Executive Officer as it does for the other executive officers. The Committee considers the peer group data as one factor for determining competitive compensation. The Committee establishes Company performance objectives for the Chief Executive Officer and periodically assesses her performance in consultation with the independent directors. The Committee also evaluates how much the Chief Executive Officer should be compensated in relation to the other Company executives, but the Committee has not adopted any formula limiting the level of compensation as compared to other executives. Based on the Chief Executive Officer's level of responsibility and experience, the Committee determined that the Chief Executive Officer's pay was appropriate in absolute terms and as compared to the other named executive officers. The Chief Executive Officer is paid more than the other named executive officers because she has the broadest responsibility and accountability in ensuring the success of our business. This is consistent with our philosophy of tying compensation to level of responsibility and influence over the Company's results and performance.

Timing of Equity Awards and the Release of Material Information

In December 2006, the Committee adopted a new policy governing grants of equity awards, including stock options, restricted stock, restricted stock units or deferred stock, performance shares and all other forms of equity based awards under our compensation plans (the "Equity Awards Policy"), which formalized certain unofficial policies and procedures historically followed by us with respect to awards. Under the Equity Awards Policy, the Committee delegated authority to an internal stock award committee consisting of three officers (the "Internal Committee") to determine, together with the Committee, equity awards to employees and non-employees, subject to limitations set forth in the equity compensation plans and in the Equity Awards Policy. The Internal Committee has authority to make grants only to non-executive officer employees and service providers.

The Equity Awards Policy sets forth rules regarding the timing of equity award grants. Whether an equity award is granted by the Committee or the Internal Committee, the grant date of a particular equity award generally will be the date when the actions authorizing the grant are completed or at a later specified date. However, grants of stock options, other than those made pursuant to regular annual grants, may not be made until after the release of any pending material non-public information, regardless of whether such information is anticipated to be positive or negative. Grants of all other types of equity awards generally should be made at times when no material non-public information is pending, unless such grants are made at a fixed date approved in advance, and it is determined such grants would not provide an unintended benefit to the employee or an unintended cost to us. In the case of regular annual grants of equity awards pursuant to employment agreements, the Equity Awards Policy directs such grants to be made at the times specified in the employment agreements. If an employment agreement specifies a time period during which equity awards must be made, the grant date shall be determined at a meeting of the Committee scheduled at least ninety days in advance, except in exceptional circumstances. Regular annual grants of equity awards, for which grant dates are not specified in the recipient's employment agreement, will be made during a period of fourteen days commencing with the third trading day after the announcement of our financial results for the previous fiscal year.

Impact of Tax and Accounting on Compensation Decisions

As a general matter, the Committee takes into account the various tax and accounting implications of compensation vehicles employed by the Company.

Section 162(m) of the Internal Revenue Code generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of \$1 million in any taxable year to each of the chief executive officer and certain other executive officers. Exceptions are made for qualified performance-based compensation. The Committee seeks to maximize the effectiveness of our executive compensation plans in this regard. However, the Committee believes that compensation and benefits decisions should be driven primarily by the needs of the business, rather than by tax policy. Therefore, the Committee may make pay decisions (such as the determination of the Chief Executive Officer's base salary) that potentially could result in compensation expense that is not fully deductible under Section 162(m). For fiscal 2008, we anticipate that substantially all of the compensation realized during the fiscal year by the named executive officers will be tax deductible without limitation under Section 162(m). A portion of the amount paid to the Chief Executive Officer in fiscal 2008 was non-deductible, because it included certain amounts withdrawn by her from the VDCP. As discussed above, under the VDCP we grant stock units to her as an inducement to her making an elective deferral to preserve our tax deduction under Section 162(m).

When determining amounts of Long-Term Incentive grants to executives and employees, the Committee examines the accounting cost associated with the grants. Under FAS 123(R), grants of stock options, restricted stock, restricted stock units and other share-based payments result in accounting expense to us. The accounting charge is equal to the fair market value of the instruments being used. For restricted stock or RSUs, the expense is equal to the fair market value per share on the date of grant times the number of shares or units granted. For stock options, the expense is equal to the fair value of the option on the date of grant using a Black-Scholes option pricing model times the number of options granted. This expense is amortized over the award's vesting period in most cases.

Summary Compensation Table

The table below summarizes the total compensation earned by each of the named executive officers for fiscal 2007 and 2008.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	(1)	(\$)	(\$)(2)	(\$)(3)	(\$)(4)	(\$)(5)	(\$)
Dorrit J. Bern, Chairman of the Board, President, and Chief Executive Officer (PEO)	2008 2007	1,250,000(6) 1,250,000	2,428,972(6) 4,062,002	0 1,197,501	63,185 39,735	1,555,294(7) 1,773,010	5,297,452 8,322,248
Eric M. Specter, Executive Vice President and Chief Financial Officer (PFO)	2008 2007	500,000 436,796	365,337 415,350	0 209,225	6,827 4,749	159,936(8) 171,993	1,032,100 1,238,113
Joseph M. Baron, Executive Vice President and Chief Operating Officer	2008 2007	532,172 516,672	340,086 424,409	0 247,486	19,509 13,227	264,598(9) 324,257	1,156,366 1,526,051
James G. Bloise, Executive Vice President Supply Chain, Technology and Business Services(12)	2008	400,147	316,565	0	12,971	196,684(10)	926,366
Colin D. Stern, Executive Vice President, General Counsel and Secretary	2008 2007	401,633 389,936	230,814 299,257	0 186,779	21,324 14,439	356,063(11) 406,150	1,009,835 1,296,561

(1) We have a 52-53 week fiscal year ending the Saturday nearest January 31. Fiscal 2008 was a 52 week fiscal year. Fiscal 2007 was a 53 week fiscal year.

(2) The amounts reported in the "Stock Awards" column represent the amount of compensation cost recognized by us in fiscal 2008 for financial statement reporting purposes, as computed in accordance with FAS 123(R). For information regarding significant factors, assumptions and methodologies used in our computations pursuant to FAS 123(R), 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 February 2, 2008.

The amounts in the "Stock Awards" column are based on the expense attributable to Performance Shares covering three year performance periods granted to our named executive officers. The terms of the restricted stock unit grants are set forth under "**Compensation Discussion and Analysis Long-Term Incentive Programs**" above. In fiscal 2008, the three year performance goals established for fiscal 2006 through fiscal 2008 were not met, and accordingly, none of the Performance Shares scheduled to vest in 2008 vested, and as such, these Performance Shares were forfeited. Pursuant to FAS 123(R), we reversed previously reported compensation expense in the following amounts: Ms. Bern \$833,332 related to 100,644 Performance Shares forfeited; Mr. Specter \$143,520 related to 17,333 Performance Shares forfeited; Mr. Baron \$165,600 related to 20,000 Performance Shares forfeited; and Mr. Stern \$105,984 related to 12,800 Performance Shares forfeited.

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- (3) The amounts reported in the "Non-Equity Incentive Plan Compensation" column refer to the cash compensation provided to the named executive officers pursuant to our annual incentive plan approved by shareholders in 2003. This short-term incentive plan is described more fully elsewhere in this Proxy Statement under "**Compensation Discussion and Analysis: Compensation and Benefits Structure Pay Mix Annual Incentive Program.**"
- (4) The amounts shown in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column represent the above-market portion of the interest earned on our Supplemental Executive Retirement Plan ("SERP") in

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which the named executive officers participate. Interest under the SERP is earned at a rate of 3% plus the "10-year Treasury Note Yield" per year computed on a quarterly basis. For fiscal 2008, the average interest rate under the SERP was 7.64%.

- (5) The amounts shown in this column exclude medical, disability and certain other benefits received by the named executive officers that are generally available to all of our employees.
- (6) Of the amount shown as salary, Ms. Bern deferred \$989,905 under our Variable Deferred Compensation Plan for Executives (the "VDCP"). The amount in the Stock Awards column includes \$419,470, the value of 60,881 matching stock units credited to Ms. Bern's account under the VDCP on February 2, 2008 at \$6.89 per share, the closing stock price on February 1, 2008, as a result of her deferral of 222,998 shares of restricted stock and restricted stock units ("RSUs") during fiscal 2008 and her deferrals of salary under our 401(k) Plan and VDCP. See footnote (5) to the Grants of Plan-Based Awards table below.
- (7) Ms. Bern's amount includes \$58,754 contributed by us to match compensation deferred by Ms. Bern in fiscal 2008 under our 401(k) Plan and VDCP and our contribution of \$853,108 to the SERP attributable to Ms. Bern (includes interest at 5.35% per year but excludes the above-market portion of interest earned. See footnote (4) above). In addition, such amount includes the following perquisites and other personal benefits: \$51,682 for the cost of financial planning; \$44,217 as a gross-up for taxes payable with respect to perquisites; \$84,968 attributable to her for the rent-free use of an apartment in Philadelphia, Pennsylvania; \$26,667 for the use of a company car and driver; \$25,575 attributable to commuting expenses; and \$7,305 attributable to our incremental cost of use of the corporate aircraft for commuting purposes. Ms. Bern's amount also includes the costs of medical services for which she was reimbursed and allowances for commuting expenses. Under Ms. Bern's new employment agreement, the Committee eliminated a number of perquisites previously available to her, including the rent-free use of an apartment in Philadelphia, Pennsylvania. Consequently, we established a level of rent on the apartment at a fair market value rent.
- In fiscal 2005, the Committee cancelled "split-dollar" insurance arrangements under which four of the named executive officers, including the Chief Executive Officer, had been provided with life insurance and the Company was the beneficiary to the extent of the premiums paid by it. We had previously suspended premium payments under these "split-dollar" insurance arrangements in response to the provisions of the Sarbanes-Oxley Act of 2002. We received the cash surrender value of these policies in the aggregate amount of approximately \$820,000. We replaced the "split-dollar" insurance arrangements with a new personal life insurance program for the benefit of these named executive officers under which we are committed to fund the premiums for replacement life insurance policies through bonuses payable in five equal annual amounts to affected executive officers on a grossed-up basis so as to account for taxes payable by them on these bonuses. The amount of this bonus paid in fiscal 2008 to Ms. Bern was \$219,000, together with a gross-up payment of \$146,000 relating to this replacement life insurance arrangement, which amounts are reflected in this column.
- (8) The amount for fiscal 2008 with respect to Mr. Specter includes the following: \$19,175 contributed by us to match compensation deferred by Mr. Specter in fiscal 2008 under our 401(k) Plan and VDCP; our contribution of \$72,227 to the SERP attributable to Mr. Specter (includes interest at 5.35% per year and excludes the above-market portion of interest earned. See footnote (4) above); a bonus paid in fiscal 2008 to Mr. Specter of \$29,000 to fund the premiums for the replacement life insurance policy resulting from our cancellation of "split-dollar" insurance arrangements described in footnote (7) above; and a gross-up payment of \$19,333 that offsets taxes payable by Mr. Specter with respect to the replacement life insurance arrangement. Also included are perquisites and personal benefits consisting of an automobile allowance and the reimbursement of the cost of medical services.
- (9) The amount for fiscal 2008 with respect to Mr. Baron includes the following: \$20,915 contributed by us to match compensation deferred by Mr. Baron in fiscal 2008 under our 401(k) Plan and VDCP; our contribution of \$215,788 to the SERP attributable to Mr. Baron (includes interest at 5.35% per year and excludes the above-market portion of interest earned. See footnote (4) 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.
- (10) The amount for fiscal 2008 with respect to Mr. Bloise includes the following: \$16,082 contributed by us to match compensation deferred by Mr. Bloise in fiscal 2008 under our 401(k) Plan and VDCP; our contribution of \$156,400 to the SERP attributable to Mr. Bloise (includes interest at 5.35% per year and excludes the above-market portion of interest earned. See footnote (4) above); and a premium of \$8,000 paid by us for additional life insurance for the benefit of Mr. Bloise. Also included are perquisites and personal benefits, consisting of an automobile allowance and the reimbursement of the cost of medical and financial planning services.
- (11) The amount for fiscal 2008 with respect to Mr. Stern includes the following: \$16,525 contributed by us to match compensation deferred by Mr. Stern in fiscal 2008 under our 401(k) Plan and VDCP; our contribution of \$236,672 to the SERP attributable to Mr. Stern (includes interest at 5.35% per year and excludes the above-market portion of interest earned. See footnote (4) above); a bonus paid in fiscal 2008 to Mr. Stern of \$46,000 to fund the premiums for the replacement life insurance policy resulting from our cancellation of "split-dollar" insurance arrangements described in footnote (7) above; a gross-up payment of \$30,667 that offsets taxes payable by Mr. Stern with respect to the replacement

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life insurance arrangement and premiums of \$6,000 paid by us for additional life insurance for the benefit of Mr. Stern. Also included are perquisites and personal benefits consisting of an automobile allowance and the reimbursement of the cost of financial planning services.

(12)

Mr. Bloise's compensation for fiscal 2007 is not included because he was not a named executive officer in fiscal 2007.

Employment Agreement

Of our named executive officers, we have entered into an employment agreement only with Dorrit J. Bern, our President and Chief Executive Officer. Ms. Bern's employment agreement was effective as of February 1, 2008. The employment agreement replaces Ms. Bern's 2005 employment agreement, which expired on January 31, 2008. The new employment agreement reduces the perquisites previously available to Ms. Bern under the 2005 employment agreement and increases her base salary from \$1,250,000 (which did not increase over the prior three years under the 2005 employment agreement) to \$1,550,000. The employment agreement also (1) changes the ratio of time-based and performance-based equity compensation by increasing the performance-based equity compensation; (2) limits acceleration of vesting of equity compensation upon a change in control or involuntary termination; and (3) limits the tax gross-up upon a change in control.

The Committee believes these changes create a more performance-oriented overall pay package that is consistent with the goals of the Company and competitive market practices.

The employment agreement provides for an employment term commencing on February 1, 2008 and ending on January 29, 2011. We may renew the employment agreement for an additional term of two or more years and must provide Ms. Bern with 90 days' written notice before the end of the initial term as to whether we will renew the employment agreement.

The employment agreement entitles Ms. Bern to an annual base salary of \$1,550,000 during the term, and eligibility to receive an annual bonus up to 200% of base salary (100% of base salary is the target level for bonuses).

Under the employment agreement, on or around April 1 of each of 2008, 2009 and 2010, Ms. Bern will be granted restricted stock units having a fair market value of \$1,200,000 on the grant date. The restricted stock units will vest in three equal installments on the third, fourth and fifth anniversaries of the grant date, subject to Ms. Bern's continued employment through the vesting date. Vesting of outstanding restricted stock units may be accelerated as described below.

On or around April 1 of each of 2008, 2009 and 2010, Ms. Bern will be granted stock appreciation rights or stock options having a fair market value of \$1,200,000 on the grant date. The stock appreciation rights or options will vest in three equal installments on the third, fourth and fifth anniversaries of the grant date, subject to Ms. Bern's continued employment through the vesting date. Vesting of outstanding stock appreciation rights or options may be accelerated as described below.

On or around April 1 of each of 2008, 2009 and 2010, Ms. Bern will also be granted performance-based restricted stock units and either stock appreciation rights or options having an aggregate fair market value of \$1,200,000 on the grant date. The number of such performance awards to be granted will be based on achievement of our performance targets over one and three-year performance periods. One-half of each grant of such performance awards will be awarded in restricted stock units. The number of shares of common stock underlying these restricted stock units will be based on our achievement of performance goals based on relative shareholder return (as defined below) as compared to our peer group for the fiscal year immediately preceding the date on which the grant is made. For example, the April 1, 2009 grant will be based on relative shareholder return for fiscal 2009. One-half of the performance awards will be awarded in stock appreciation rights or options. The number of shares of common stock subject to these stock appreciation rights or options on each grant date will be determined based on our achievement of performance goals based on relative shareholder return as

compared to our peer group for the three fiscal years preceding the date on which the grant is made. For example, the April 1, 2009 grant will be based on relative shareholder return for the prior three-year period (i.e., fiscal years 2007, 2008 and 2009).

For purposes of the employment agreement, "shareholder return" means the return on common shares to a shareholder during the applicable performance period (assuming reinvestment of cash dividends) and is calculated based on the increase (or decrease) in the value of our stock during the 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. The amount of a performance award grant is based on the achievement of performance goals. If performance goals are achieved at or above threshold levels, a performance award will be granted at a grant date value ranging from 50% to 200% of target (100%) based on achievement of the performance goals; provided that the grant date value of the April 1, 2008 performance awards may not be less than target. Each grant of performance awards will vest as to one-half of the shares on each of the first and second anniversaries of the grant date, subject to Ms. Bern's continued employment. Vesting of performance awards may be accelerated as described below.

The employment agreement provides for Ms. Bern's participation in our retirement and other employee benefit programs. Ms. Bern will be reimbursed for perquisites in an amount up to \$75,000 per year, on the same terms and for the same purposes as the perquisites provided to our other senior executives. We also provide Ms. Bern with the use of a company car and driver for business efficiency and security purposes.

In connection with a change in control, if an excise tax under Section 4999 of the Code is imposed on any payments, and such payments are at least 105% of the threshold amount that triggers the excise tax under Section 4999, we will provide Ms. Bern with a tax gross up payment for such excise taxes. If such payments are less than 105% of the threshold amount, no gross up payment will be made.

To the extent permitted by law, we will pay any legal fees incurred by Ms. Bern to enforce the employment agreement, up to a maximum of \$50,000. If Ms. Bern's employment is terminated without cause or for good reason, we will pay directly or reimburse Ms. Bern up to a maximum of \$50,000 for costs of outplacement services that she utilizes within the two-year period following termination.

If Ms. Bern's employment terminates by reason of death or disability, we will pay her base salary through the date of termination, a prorated target annual bonus for the year in which her termination occurs and other vested benefits under our plans and programs. In these circumstances, vesting of Ms. Bern's outstanding restricted stock units, stock appreciation rights, options and performance awards will be fully accelerated.

Under the employment agreement, Ms. Bern has agreed not to compete with us and not to solicit our managers or higher-level employees or suppliers during her employment and for a period of 24 months following termination of employment for any reason. As defined in the employment agreement, "competitor" means a chain of retail stores with 50 or more store locations, provided that the average square footage of the chain's stores is less than 15,000 square feet. However, during any period in which Ms. Bern is receiving severance payments as a result of a termination without cause or for good reason (not in connection with a change in control), "competitor" means, in addition to a competitor as described above, a chain of retail stores with 100 or more store locations (without regard to square footage) whose gross revenues in plus size women's apparel (sizes 14-34) exceeds 5% of its total gross revenues.

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Potential payments to Ms. Bern in the event of a termination or change in control of Charming Shoppes are described elsewhere in this Proxy Statement under "**Potential Payments Upon Termination or Change in Control.**"

Although we do not have employment agreements with our named executive officers other than Ms. Bern, we have entered into severance agreements with Messrs. Specter, Baron, Bloise and Stern. 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.

Grants of Plan-Based Awards During Fiscal 2008

The following table shows all plan-based awards granted to the named executive officers during fiscal 2008. The non-equity incentive plan awards are also reflected in the Summary Compensation Table under "Non-Equity Incentive Plan Compensation," and the stock awards identified in the table below are also repeated in the Outstanding Equity Awards at Fiscal 2008 Year-End Table which follows this table.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock and Option Awards \$(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Dorrit J. Bern	3/23/2007	312,500	1,250,000	2,500,000					
	2/2/2008							60,881(5)	419,470
	2/8/2007				48,077	96,154	192,308	96,154	2,500,000
Joseph M. Baron	3/23/2007	66,522	266,086	532,172					
	3/26/2007				11,228	22,456	44,912	33,683	695,000
James G. Bloise	3/23/2007	50,018	200,073	400,147					
	3/26/2007				9,225	18,449	36,898	27,674	571,003
Eric M. Specter	3/23/2007	62,500	250,000	500,000					
	3/26/2007				11,228	22,456	44,912	33,683	695,000
Colin D. Stern	3/23/2007	50,204	200,817	401,633					
	3/26/2007				6,462	12,924	25,848	19,386	400,000

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- (1) The amounts in the columns under "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" represent potential threshold, target and maximum bonuses available to the named executive officers under the 2003 Incentive Compensation Plan. The actual payouts under this Plan are shown in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.
- (2) The amounts shown in the "Estimated Future Payouts Under Equity Incentive Plan Awards" represent Performance Shares awarded under the 2004 Stock Award and Incentive Plan.

- (3) The amounts shown in the "All Other Stock Awards" column represent the shares awarded under the 2004 Stock Award and Incentive Plan which are Time Vested Shares, except for the 60,881 share award (see footnote (5) below). The vesting schedule is described in the footnotes to the Outstanding Equity Awards at Fiscal 2008 Year-End table below.
- (4) The amounts shown in the "Grant Date Fair Value of Stock and Option Awards" column represent the fair value of the awards on the date of grant, as computed in accordance with FAS 123(R). For this purpose, we have assumed Performance Shares would be earned at target level. If Performance Shares are earned at maximum levels, the additional fair value for each executive would be as follows: Ms. Bern, \$1,250,000; Mr. Baron, \$278,005; Mr. Bloise, \$228,399; Mr. Specter, \$278,005; and Mr. Stern, \$160,000. For information regarding significant factors, assumptions and methodologies used in our computations pursuant to FAS 123(R), 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 February 2, 2008.
- (5) Ms. Bern received 60,881 matching stock units as a result of her deferral of restricted stock and RSUs, and base salary under the VDCP. See footnote (6) to the Summary Compensation Table. Under this feature of the VDCP, an employee is entitled to have credited to his or her Retirement Distribution Account one stock unit for every five shares of restricted stock or RSUs the employee elects to defer and units equivalent to 20% of the cash amount of salary and annual incentive compensation that such employee elects to defer, but only to the extent that, in the absence of deferral, the vesting of the restricted stock or RSUs or the payment of such salary or annual incentive would have otherwise caused us to be unable to claim tax deductions under Section 162(m) of the Internal Revenue Code.

Charming Shoppes grants awards to its executive officers under two plans: the 2003 Incentive Compensation Plan (the "2003 Plan") and the 2004 Stock Award and Incentive Plan (the "2004 Plan"). These plans were approved by our shareholders at our 2003 and 2004 annual meetings of shareholders, respectively. Our shareholders are being asked to re-approve the 2003 Incentive Compensation Plan to preserve our tax deductions (see "**PROPOSAL FOR RE-APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE 2003 INCENTIVE COMPENSATION PLAN TO PRESERVE THE DEDUCTIBILITY OF COMPENSATION PAYMENTS IN ACCORDANCE WITH SECTION 162(m) OF THE INTERNAL REVENUE CODE**").

The 2003 Plan is designed to focus on and reward short-term operating performance. See "**Compensation Discussion and Analysis Compensation Objectives, Design and Strategy**" for a discussion of the business metrics upon which performance goals for 2008 were based.

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 prorated 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 and RSUs 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.

Outstanding Equity Awards at Fiscal 2008 Year-End

The following table shows all outstanding equity awards held by the named executive officers at the end of fiscal 2008. The amounts reported under the "Stock Awards" columns are included in the Summary Compensation Table under "Stock Awards" to the extent included in the amount of compensation cost recognized by the Company in fiscal 2008 for financial statement reporting purposes, as computed in accordance with FAS 123(R). In addition, the stock awards reported in the Grants of Plan-Based Awards table above are also reported in this table.

Outstanding Equity Awards at Fiscal 2008 Year-End

Name (a)	Option Awards					Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)(b)	Option Exercise Price (\$)(c)	Option Expiration Date(d)	Number of Shares or Units of Stock That Have Not Vested (#)(1)(e)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(f)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)(g)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(h)
Dorrit J. Bern				192,434	1,325,870	97,838	674,104
Eric M. Specter				135,533	933,822	21,471	147,935
	83,000	3.63	2/10/2009				
	66,000	6.81	1/31/2010				
	66,000	6.50	2/23/2011				
Joseph M. Baron				145,861	1,004,982	21,471	147,935
James G. Bloise				78,641	541,836	15,857	109,255
Colin D. Stern				97,333	670,624	13,095	90,221

(1) The numbers shown in column (e) represent the number of Time Vested Shares granted to Ms. Bern under her employment agreement and to her and the other named executive officers under the terms of the Company's 2004 Stock Award and Incentive Plan. The numbers shown in column (g) represent the number of Performance Shares granted to Ms. Bern under her employment agreement and to the other named executive officers. The number of shares presented assumes threshold levels of performance.

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The following table presents information regarding the outstanding stock awards that were not vested as of the last day of our 2008 fiscal year assuming target levels of performance (achievement at threshold levels of performance would result in vesting at 50% of the levels shown below with respect to Performance Shares):

Name	Shares Underlying Stock Award	Grant Date	Shares Appear in Column	Performance Conditions	Vesting Note (a)
Dorrit J. Bern	87,100	5/13/2004	(e)	None	Years 3, 4 and 5 (Note (c))
	9,180	9/22/2005	(e)	None	Years 1, 2 and 3 (Note (d))
	99,522	2/2/2006	(g)	Note (b)	100% on January 31, 2009
	96,154	2/8/2007	(e)	None	100% on January 31, 2009
	96,154	2/8/2007	(g)	Note (b)	100% on January 30, 2010
Eric M. Specter	3,600	3/20/2003	(e)	None	Years 3, 4 and 5 (Note (c))
	25,460	3/19/2004	(e)	None	Years 3, 4 and 5 (Note (c))
	39,000	2/7/2005	(e)	None	Years 3, 4 and 5 (Note (c))
	3,060	9/21/2005	(e)	None	Years 1, 2 and 3 (Note (d))
	30,730	3/15/2006	(e)	None	Years 3, 4 and 5 (Note (c))
	20,486	3/15/2006	(g)	Note (b)	100% on January 31, 2009
	33,683	3/26/2007	(e)	None	Years 3, 4 and 5 (Note (c))
	22,456	3/26/2007	(g)	Note (b)	100% on January 30, 2010
Joseph M. Baron	6,000	3/20/2003	(e)	None	Years 3, 4 and 5 (Note (c))
	27,470	3/19/2004	(e)	None	Years 3, 4 and 5 (Note (c))
	45,000	2/7/2005	(e)	None	Years 3, 4 and 5 (Note (c))
	30,730	3/15/2006	(e)	None	

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				Years 3, 4 and 5 (Note (c))
	20,486	3/15/2006	(g) Note (b)	100% on January 31, 2009
	2,978	6/21/2006	(e) None	Years 1, 2 and 3 (Note (d))
	33,683	3/26/2007	(e) None	Years 3, 4 and 5 (Note (c))
	22,456	3/26/2007	(g) Note (b)	100% on January 30, 2010
James G. Bloise	1,600	3/6/2003	(e) None	Years 3, 4 and 5 (Note (c))
	14,070	3/19/2004	(e) None	Years 3, 4 and 5 (Note (c))
	15,400	2/7/2005	(e) None	Years 3, 4 and 5 (Note (c))
	19,897	3/15/2006	(e) None	Years 3, 4 and 5 (Note (c))
	13,265	3/15/2006	(g) Note (b)	100% on January 31, 2009
	27,674	3/26/2007	(e) None	Years 3, 4 and 5 (Note (c))
	18,449	3/26/2007	(g) Note (b)	100% on January 30, 2010
Colin D. Stern	3,600	3/20/2003	(e) None	Years 3, 4 and 5 (Note (c))
	24,120	3/19/2004	(e) None	Years 3, 4 and 5 (Note (c))
	28,800	2/7/2005	(e) None	Years 3, 4 and 5 (Note (c))
	1,530	9/21/2005	(e) None	Years 1, 2 and 3 (Note (d))
	19,897	3/15/2006	(e) None	Years 3, 4 and 5 (Note (c))
	13,265	3/15/2006	(g) Note (b)	100% on January 31, 2009
	19,386	3/26/2007	(e) None	Years 3, 4 and 5 (Note (c))
	12,924	3/26/2007	(g) Note (b)	100% on January 30, 2010

(a)

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 vesting of the Performance Shares is based on the achievement of a free cash flow performance goal over a three-year performance period which began at the beginning of the fiscal year in which the award was granted. The performance targets provide for 100% vesting based on achievement of the performance goal at target, partial vesting if performance exceeds a specified threshold level less than the target level and vesting above 100% for performance above target up to a maximum of 200%. Each grant of Performance Shares which vests based on the achievement of the performance goal will vest on the last day of the performance period, subject to continued employment with Charming Shoppes.

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- (c) These are Time Vested 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 Vested Shares that vest as to 33% of the award on the last day of the 13th calendar month following the month in which the grant date occurred, 33% of the award on the second anniversary of the date of grant and the remaining 34% of the award on the third 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 2008

The following table shows all stock options which were exercised and value realized upon exercise, and all stock awards which vested and value realized upon vesting with respect to the named executive officers during fiscal 2008:

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(2)
Dorrit J. Bern			283,879(3)	2,047,201
Eric M. Specter	50,000	34,375	21,810	256,496
Joseph M. Baron			23,096	275,261
James G. Bloise			9,730	117,148
Colin D. Stern			19,665	235,320

- (1) The value realized equals the difference between the option exercise price and the fair market value of our Common Stock on the date of exercise, multiplied by the number of shares for which the option was exercised. For this purpose, value is realized whether or not the named executive officer sold the shares acquired upon exercise.
- (2) The value realized equals the market value of our Common Stock on the vesting date, 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.
- (3) Of this amount, the receipt of 222,998 restricted stock and restricted stock units, with an aggregate value of \$1,627,731 was deferred by Ms. Bern. In connection with those deferrals and deferrals of salary, Ms. Bern was credited with 60,881 matching stock units under our VDCP, which are included in this number of shares reported as vested. The shares deferred, including the matching units, will remain deferred until Ms. Bern's retirement; in most cases, settlement will occur six months after retirement as required under Internal Revenue Code Section 409A. See footnote (6) to the Summary Compensation Table and footnote (5) to the Grants of Plan-Based Awards table.

Nonqualified Deferred Compensation for Fiscal 2008

The following table shows certain information with respect to the named executive officers' nonqualified deferred compensation during fiscal 2008, pursuant to our Variable Deferred Compensation Plan ("VDCP") and our Supplemental Executive Retirement Plan ("SERP").

Nonqualified Deferred Compensation

Name	Executive Contributions in Fiscal 2008 (\$) (1)	Company Contributions in Fiscal 2008 (\$) (2)	Aggregate Earnings in Fiscal 2008 (\$) (3)	Aggregate Withdrawals/Distributions (\$) (6)	Aggregate Balance at 2008 Fiscal Year end (\$) (7)
Dorrit J. Bern	2,689,486	1,184,624(4)	(3,553,941)(5)	506,132(6)	19,519,990(7)
Eric M. Specter	46,592	72,538(8)	36,330(9)	65,311(6)	1,065,197(10)
Joseph M. Baron	89,394	189,065(11)	90,400(12)		1,540,683(13)
James G. Bloise	53,327	139,677(14)	44,761(15)		880,254(16)
Colin D. Stern	43,213	201,442(17)	86,273(18)		1,735,545(19)

- (1) Represents the named executive officers' contributions to our VDCP. These amounts are included in the Summary Compensation Table under "Salary" or "Non-Equity Incentive Plan Compensation" or both and in the case of Ms. Bern includes \$1,627,731 in value of restricted stock and RSUs deferred during fiscal 2008, some of which value is reflected in the Summary Compensation Table under "Stock Awards" and all of which has been reflected as compensation to her in Summary Compensation Tables in our previous Proxy Statements.
- (2) The amounts in this column are also included in the Summary Compensation Table under "All Other Compensation", except in the case of Ms. Bern, \$419,470 was included under "Stock Awards," reflecting the value of 60,881 matching stock units credited to her. See footnote (5) to the Grant of Plan-Based Awards Table.
- (3) The amounts in this column include the above-market or preferential portion of these amounts which are also reported in the Summary Compensation Table under the column with the caption "Change in Pension Value and Nonqualified Deferred Compensation Earnings" and the returns credited to accounts under the VDCP based on the actual investment performance of mutual funds selected by participants (including returns on deferred stock units).
- (4) Represents \$55,379 of compensation, 60,881 matching stock units and \$709,775 attributable to the Supplemental Executive Retirement Plan ("SERP"). See footnote (5) to the Grant of Plan-Based Awards Table.
- (5) Represents a loss of \$3,760,459 attributable to the VDCP and earnings of \$206,518 attributable to the SERP. Returns also include depreciation in the value of deferrals in the form of stock units during fiscal 2008. The weighted average rate of return, including returns on stock units (all of which are included in this footnote), for the named executive officers in fiscal 2008 was a negative 17.3%. Excluding returns on stock units, the weighted average rate of return for named executive officers was a positive 3.3%.
- (6) These amounts represent in-service distributions from our VDCP.
- (7) Represents \$16,470,560 attributable to the VDCP and \$3,049,430 attributable to the SERP.
- (8) Represents \$15,800 of compensation deferred pursuant to the VDCP and \$56,738 attributable to the SERP.
- (9) Represents \$14,014 attributable to the VDCP and \$22,316 attributable to the SERP.
- (10) Represents \$738,783 attributable to the VDCP and \$326,414 attributable to the SERP.
- (11) Represents \$17,540 of compensation deferred pursuant to the VDCP and \$171,525 attributable to the SERP.
- (12)

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Represents \$26,627 attributable to the VDCP and \$63,773 attributable to the SERP.

(13)

Represents \$605,239 attributable to the VDCP and \$935,444 attributable to the SERP.

(14)

Represents \$12,707 of compensation deferred pursuant to the VDCP and \$126,970 attributable to the SERP.

(15)

Represents \$2,360 attributable to the VDCP and \$42,401 attributable to the SERP.

(16)

Represents \$251,410 attributable to the VDCP and \$628,884 attributable to the SERP.

(17)

Represents \$13,150 of compensation deferred pursuant to the VDCP and \$188,292 attributable to the SERP.

(18)

Represents \$16,569 attributable to the VDCP and \$69,704 attributable to the SERP.

(19)

Represents \$712,759 attributable to the VDCP and \$1,022,786 attributable to the SERP.

Variable Deferred Compensation Plan for Executives

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 100% (90% effective from January 1, 2008) 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 be permitted to 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. This plan includes 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 contributions with respect to amounts of total compensation in excess, if any, of the sum of the participant's compensation over the maximum amount of compensation permitted to be taken into account under the terms of the Company's retirement savings plan), less any matching contributions made for the participant under our 401(k) plan.

Under this plan, a participant is also entitled to have credited to his or her retirement distribution account a unit equivalent to two-tenths of a share of common stock for every share such participant elects to defer and common stock equal to 20% of base salary and bonus compensation which such participant elects to defer, but only to the extent that, in the absence of deferral, the vesting of such shares or the payment of such compensation would have otherwise caused such participant's compensation to be non-deductible by the Company under Section 162(m) of the Internal Revenue Code. Our President and Chief Executive Officer, Ms. Bern, received matching stock units in fiscal 2008 pursuant to this provision, as described in footnote (6) to the Summary Compensation Table, footnote (5) to the Grants of Plan-Based Awards table, and footnote (3) to the Option Exercises and Stock Vested During Fiscal 2008 table.

Participants are 100% vested in their contributions from base salary and bonus compensation. Participants will be 25% vested in matched contributions after two years of service, and an additional 25% vested in such contributions for each year of service after the first two. Therefore, participants are 100% vested in matched contributions after five years of service. Also, participants over the age of 65, or over the age of 55 who have ten or more years of service, will be 100% vested in matched contributions as long as they are still employed. Finally, participants are automatically 100% vested in matched contributions if they become disabled or die while employed, or if a change in control occurs while they are employed by us.

Amounts deferred under the VDCP are deemed to be invested in one or more investment portfolios made available to participants. Since the amounts in the VDCP are unfunded, participants do not actually own shares in the investment portfolios; rather, their deferral accounts are credited with gains or losses based on the actual performance of such investment portfolios. We established a "Rabbi Trust" to provide an informal funding vehicle for our non-qualified benefit obligations to our employees, and this trust holds life insurance policies on some of the plan participants. We contribute cash to these life insurance policies in amounts equal to the compensation deferred by plan participants. The cash value of the life insurance policies is allocated among funds that are similar to the funds offered to participants as investment indices under the plan.

The rate of return credited to accounts under the VDCP is based on the actual investment performance of mutual funds designated for selection by the participants. Deferrals of stock awards remain as stock units, so the rate of return on those awards depends on the market price of our stock plus dividends paid. The weighted average rate of return, including returns on stock units (which are attributable to amounts deferred by our Chief Executive Officer), for the named executive officers in fiscal 2008 was a negative 17.3% and, excluding returns on stock units, was a positive 3.3%.

Benefits under the VDCP's retirement distribution accounts can be disbursed in a lump sum or in annual installments (over five or ten years) at the election of the participant; if a form of distribution is not elected, or if the value of the account is less than \$50,000, distribution is in a lump sum. The first distribution payment will be made as soon as practicable after the participant's retirement. Benefits under the VDCP's in-service distribution account are disbursed in a lump sum on the date designated by the participant. If a participant's employment ends prior to retirement or prior to the distribution date chosen by the participant, other than because of disability or death, the participant will receive a lump sum payment of the vested portion of its distribution account(s). Under the VDCP, distribution accounts become 100% vested in the event of a change in control, and the distributions will be made in a lump sum as soon as practicable following the change in control.

Supplemental Executive Retirement Plan

We provide the named executive officers and certain other management and key executives with benefits pursuant to our supplemental executive retirement plan (the "SERP"). Under the SERP, we contribute amounts to participant accounts based on age and years of plan service, as well as earnings on participant accounts. Generally, we make monthly SERP contributions to a participant's retirement account based on age and service ranging from 8% of salary and annual bonus to a maximum of 35% of salary and annual bonus for long-service executives over age 55. The contribution percentage is 8% for participants whose combined age and years of service is less than 60 years, 12% for participants whose combined age and years of service is between 60 and 69, and 15% for participants whose combined age and years of service is 70 or greater. For those participants hired by the Company before February 1, 2003 who attained age 50 before that date, the contribution percentage is increased by one percent for each year of service performed prior to February 1, 2003 up to a maximum increase of 10%. In addition, for those participants hired before February 1, 2003 the contribution percentage is increased by an additional 10% after such participant attains age 55.

Account balances earn interest at 3% plus the "10-year Treasury Note Yield" per year computed on a quarterly basis. Benefits under the SERP vest according to the participant's combined age and years of service. Benefits vest 50% when a participant has attained 55 years of age with ten years of service. The vesting percentage increases by an additional 10% for each extra year of age (while the required number of years in service remains at ten), up to 100% when the participant attains 60 years of age, at which point only five years of service are required.

Earnings are calculated each month and then added to each participant's SERP account. Earnings are based on an interest rate equal to the 10-year Treasury Note Yield plus 3%.

Benefits are paid to participants if and when the participant terminates service with us, based on the vesting percentage at the time of termination. If a participant retires, benefits are paid in accordance with the participant's election, either as a lump sum payment at retirement or in up to ten annual installments.

Potential Payments Upon Termination or Change in Control

The following explains the compensation payable to each of our named executive officers in the event of termination of such executive's employment, and in connection with a change in control of Charming Shoppes. While the description below relates to payments pursuant to employment agreements, severance agreements and the terms of our employee benefit plans, the Compensation Committee may in its discretion revise, amend or add to the benefits if it deems advisable, enter into new severance agreements, or amend existing change in control agreements with individual executive officers on different terms.

The payments and benefits accruing to a named executive in the various termination and change in control circumstances discussed below represent the enhancements to compensation that are tied to the

particular type of termination or the change in control event. Amounts that are accrued in all events, including salary payable through the date of termination and accrued vacation pay, are not included as these are not payable as a result of any particular termination. Accrued vacation pay as of February 2, 2008 was as follows: Ms. Bern, \$26,000; Mr. Baron, \$11,000; Mr. Specter, \$10,400; Mr. Bloise, \$8,300; and Mr. Stern, \$8,400. Likewise, the amounts shown below do not include benefits without regard to the type of termination event and attributable to the named executive officer under our SERP and VDCP, which includes the amounts deferred by the named executive officer and the matching contributions by us under those plans. See "**Nonqualified Deferred Compensation for Fiscal 2008**" above.

For purposes of this analysis, we value stock awards and options based on the closing market price of our stock on February 1, 2008, less the exercise price in the case of options. We have not included any additional value representing the time value of options and we have not reduced the value of unvested stock awards and options based on the portion of the vesting period elapsed at February 1, 2008.

Dorrit J. Bern

As discussed above, Ms. Bern is the only named executive officer with whom we have an employment agreement. Our employment agreement with Ms. Bern sets forth the payments and other benefits that would be due her in the event of our termination of her employment without cause, Ms. Bern's resignation for good reason, voluntary termination, retirement, death or disability, or separation of service in connection with a change in control of Charming Shoppes.

In connection with a change in control, if an excise tax under Section 4999 of the Code is imposed on any payments, and such payments are at least 105% of the threshold amount that triggers the excise tax under Section 4999, we will provide Ms. Bern with a tax gross up payment for such excise taxes. If such payments are less than 105% of the threshold amount, no gross up payment will be made. Assuming a change in control and termination of employment in various circumstances had occurred on the last day of fiscal 2008, we would not have been obligated to make a gross up payment to Ms. Bern.

Termination Without Cause or Resignation for Good Reason. Under her employment agreement, Ms. Bern will receive severance benefits if her employment is terminated without cause or if she resigns for good reason (as defined below). If Ms. Bern is terminated without cause or if she resigns for good reason, other than in connection with a change in control of Charming Shoppes, as discussed below: she will receive (1) two times the sum of her annual base salary and the average of the annual bonus paid for the most recent three completed fiscal years, which will be paid in 24 monthly installments; (2) monthly reimbursements equal to the COBRA rate paid for continued participation in our health plan for two years following termination (unless substantially similar benefits are provided by a successor employer) and an additional payment to cover the federal, state and local income and payroll taxes Ms. Bern incurs in connection with each of the monthly reimbursements; (3) a lump sum prorated target annual bonus for the year in which her termination occurs; (4) a lump sum reimbursement equal to Ms. Bern's cost to secure comparable life insurance, accidental death and dismemberment insurance and disability insurance for two years following termination, less the amount Ms. Bern would have paid had she continued participation in our life insurance, accidental death and dismemberment insurance and disability insurance programs; (5) two-year vesting acceleration of outstanding restricted stock units, stock appreciation rights, options and performance awards granted under the employment agreement; (6) full vesting of Ms. Bern's accrued benefit in the SERP; and (7) other vested benefits under our plans and programs.

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For purposes of the employment agreement, "Good Reason" means the occurrence of any one of the following: (1) any action by us which results in a diminution of Ms. Bern's authority, duties or responsibilities; (2) requiring Ms. Bern to be based in Pennsylvania or at a location which is at least 50 miles farther from her current primary residence; (3) reducing Ms. Bern's base salary; (4) reducing Ms. Bern's target annual bonus opportunity; (5) failing to maintain Ms. Bern's benefits under, or relative level of participation in, our employee benefit or retirement plans, policies,