

CHARMING SHOPPES INC
Form DEF 14A
May 19, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 25049

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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(4) Date Filed:

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CHARMING SHOPPES, INC.
450 WINKS LANE
BENSALEM, PENNSYLVANIA 19020

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
JUNE 24, 2004

We are pleased to give you this notice of our 2004 Annual Meeting of Shareholders:

- Time and Date: 10:00 a.m. on Thursday, June 24, 2004
- Place: Charming Shoppes, Inc.
450 Winks Lane
Bensalem, Pennsylvania 19020
- Items of Business: 1. To elect three Class B Directors of Charming Shoppes
2. To approve the proposed 2004 Stock Award and Incentive Plan
3. 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 May 5, 2004.
- Company Reports: Our 2003 Review and our Annual Report on Form 10-K for our fiscal year ended January 31, 2004 are enclosed.
- Proxy Materials: A Proxy Statement, 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 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.

By Order of the Board of Directors

Colin D. Stern

Secretary

May 19, 2004

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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. (Charming Shoppes, we or us), a Pennsylvania corporation, of proxies to be voted at our 2004 Annual Meeting of Shareholders and at any adjournment thereof.

You are invited to attend our Annual Meeting of Shareholders (the Meeting) on Thursday, June 24, 2004, beginning at 10:00 a.m. The Meeting will be held at our headquarters, at 450 Winks Lane, Bensalem, Pennsylvania 19020.

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders, proxy card, our 2003 Review and our Annual Report on Form 10-K for our fiscal year ended January 31, 2004 (fiscal 2004) are being mailed to shareholders entitled to vote at the Meeting starting May 19, 2004.

ABOUT THE MEETING

What is the purpose of the Meeting?

At the Annual Meeting, holders of Charming Shoppes Common Stock will be asked to consider and act upon the following matters:

Election of three Class B Directors of Charming Shoppes;

Approval of the proposed 2004 Stock Award and Incentive Plan; 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 May 5, 2004, the record date for the Meeting, are entitled to receive notice of 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 Proxy Card. The Proxy Card provides a means for you to direct how the proxies will vote your shares.

If you do not give voting instructions on your 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, in the discretion of

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the Proxy Committee. Thus, for example, if you do not give instructions on your Proxy Card, and a nominee for Director withdraws before the election (which is not now anticipated), your shares will be voted by the Proxy Committee for any substitute nominee as may be nominated by the Board of Directors. The Proxy Committee consists of Dorrit J. Bern, Chairman of the Board of Directors, President and Chief Executive Officer, and Joseph L. Castle, II, a member of the Board of Directors.

It is possible that matters other than those listed 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 must comply with the rules of the Securities and Exchange Commission when exercising proxies on a discretionary basis. At the date of this Proxy Statement, we had not received any notice regarding any other matter to come before the Meeting which was timely in accordance with our Bylaws.

How are proxies changed or revoked?

You may change any vote by proxy or revoke a proxy before the proxy 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 May 5, 2004, the record date for the Meeting, 114,791,090 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 still count for purposes of determining whether a quorum is present.

What vote is required to approve each item?

The three nominees for election as Directors who receive the greatest number of votes will be elected Directors. Approval of the 2004 Stock Award and Incentive Plan, and any other matter that comes before the Meeting, will require the affirmative vote of a majority of the votes cast on the matter. Withheld votes, abstentions and broker non-votes will not be taken into account and will have no effect on the outcome of the election of Directors or the approval of the 2004 Stock Award and Incentive Plan or other matters that may come before the Meeting.

A broker non-vote occurs 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.

What are the Board's recommendations?

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The Board recommends that you vote FOR the election of the three nominees proposed for election as Directors and FOR the approval of the 2004 Stock Award and Incentive Plan.

Other Information

Copies of Charming Shoppes' Annual Report on Form 10-K for fiscal 2004 and our 2003 Review accompany this Proxy Statement. No material contained in the Annual Report or the 2003 Review 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.

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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 Class B Directors, Joseph L. Castle, II, Pamela S. Lewis and Katherine M. Hudson, are scheduled to expire as of the date of the Meeting. At the Meeting, Mr. Castle, Dr. Lewis and Ms. Hudson will be nominated for reelection as Class B Directors for additional three-year terms and until their successors shall have been duly elected and qualified. The Board of Directors selected Yvonne M. Curl to serve as a Class A Director on April 8, 2004 to fill the vacancy created by the retirement of Marvin L. Slomowitz who did not stand for reelection at the 2003 Annual Meeting.

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

BIOGRAPHIES OF DIRECTORS

The following Class B Directors will be nominated for reelection to terms scheduled to end in 2007:

JOSEPH L. CASTLE, II

Director Since 1990

Mr. Castle, 71, was Chairman of our Board of Directors for the period March 21, 1996 through January 30, 1997. He has served as Chairman of the Board of Castle Energy Corporation (CEC) since December 1993. He has also served as President, Chief Executive Officer and a Director of CEC since December 1985 and was President and Chairman of the Board of Directors of its predecessor (which merged with a subsidiary of CEC in December 1985) from February 1981 through December 1985. Mr. Castle is a Director of Comcast Corporation and Delta Petroleum Corporation and also serves as Chairman of the Board of Trustees of the Diet Drug Products Liability (Fen-Phen) Settlement Trust.

PAMELA S. LEWIS

Director Since 1998

Dr. Lewis, 47, has been the President of Queens University of Charlotte since July 2002. Dr. Lewis 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. Lewis 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. Lewis is a Director of C & D Technologies, Inc.

KATHERINE M. HUDSON

Director Since 2000

Ms. Hudson, 57, 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 31, 2003. Brady Corporation is a leading manufacturer and marketer of complete identification solutions which improve productivity,

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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. She is a Director of CNH Global N.V. and serves on the Alverno College Board of Trustees and the Medical College of Wisconsin Board of Trustees.

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The following Class C Directors are continuing in office, with terms scheduled to end in 2005:

DORRIT J. BERN

Director Since 1995

Ms. Bern, 54, has been our President and Chief Executive Officer since August 23, 1995 when she joined Charming Shoppes. She also served as Vice Chairman of the Board from August 23, 1995 until January 30, 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 Brunswick Corporation.

ALAN ROSSKAMM

Director Since 1992

Mr. Rosskamm, 54, has been Chairman of the Board of Directors of Jo-Ann Stores, Inc. (Jo-Ann) since July 1992 and has been the Chief Executive Officer and a Director of Jo-Ann for more than five years. Jo-Ann sells a wide variety of fashion and decorator fabrics, notions, patterns, crafts, floral and seasonal merchandise under the Jo-Ann Fabrics and Crafts and Jo-Ann etc names.

KENNETH S. OLSHAN

Director Since 1999

Mr. Olshan, 71, served as a member of the Board of Directors of Footstar, Inc. and currently serves as a member of the Board of Directors of Well Gen. He has served on the boards of and provided strategic consulting services to several prominent companies. Mr. Olshan was Chairman and Chief Executive Officer of Wells Rich Greene BDDP from 1990 until 1995. He also served as Chairman of Wells Rich Greene Advertising from 1982 to 1990 when the agency was acquired by BDDP, a Paris-based global communications group. Mr. Olshan is a trustee of the Central Park Conservancy.

The following Class A Directors are continuing in office, with terms scheduled to end in 2006:

WILLIAM O. ALBERTINI

Director Since 2003

Mr. Albertini, 60, 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 a Director of BlackRock, Inc., Triumph Group, Inc., Airgas, Inc. and Midwest Independent Transmission System Operator, Inc.

CHARLES T. HOPKINS

Director Since 1999

Mr. Hopkins, 61, 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, 49, 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 during which period 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 a Director of Nationwide Mutual Insurance Company.

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CORPORATE GOVERNANCE AT CHARMING SHOPPES

Our business is managed under the direction of our Board of Directors, in accordance with the Pennsylvania Business Corporation Law and our Bylaws. Members of the Board 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 and its committees. In addition, to promote open discussion among our non-employee Directors, those Directors meet in regularly scheduled 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.

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 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 Securities and Exchange Commission and current NASDAQ Marketplace Rules regarding corporate governance policies and procedures. Our Board of Directors has modified its governance documents, to the extent necessary, in order to comply with all necessary requirements.

We have designated Katherine M. Hudson as our Lead Independent Director. The Board has determined that Ms. Hudson qualifies as an independent Director under current NASDAQ Marketplace Rules. The duties of the Lead Independent Director include chairing and setting the agenda for meetings of the non-employee Directors, serving as the principal liaison to the independent Directors, having authority over information sent to members of the Board, and having authority to specify items for the Board agenda.

In accordance with our Bylaws, our Board of Directors has specified that, as of the date of our 2004 Annual Meeting, the number of Directors will be set at nine. Eight of our nine Directors are non-employee Directors, and the Board of Directors has determined that each of these eight Directors is an independent Director under the standards currently set forth in the NASDAQ Marketplace Rules. See also **Committees of the Board of Directors - Audit Committee** below.

During fiscal 2004, our Board of Directors held eight meetings. Each continuing member of the Board attended at least 75% of the total number of meetings of the Board and all committees on which he or she served. From time to time, the Board acts by unanimous written consent as well.

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Our Board of Directors has an Audit Committee, 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. Ms. Curl became a Director on April 8, 2004 but as of the date of this Proxy Statement she has not yet been appointed to a Committee.

Current Board Committee Membership

	AUDIT COMMITTEE	COMPENSATION AND STOCK OPTION COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	FINANCE COMMITTEE	ADMINISTRATION COMMITTEE
Joseph L. Castle, II	+		+	+X	+
Pamela S. Lewis	+		+X		
Katherine M. Hudson *	+	+X			
Dorrit J. Bern					+X
Alan Rosskamm			+	+	+
Kenneth S. Olshan		+	+		
William O. Albertini		+		+	
Charles T. Hopkins	+X	+		+	
Yvonne M. Curl					
Number of Meetings in Fiscal 2004 **	11	8	8	3	0

+ Member

X Chairperson

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

** The Committees from time to time act by unanimous consent as well.

Audit Committee

The Audit Committee operates under a written charter that has been approved by the Board of Directors. The Charter is attached as Appendix A to this Proxy Statement and 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 (a) serve as an independent and objective party to monitor the quality, reliability and integrity of our accounting and financial reporting processes and systems of internal controls, (b) monitor our compliance with ethics policies and legal and regulatory requirements, (c) review and evaluate the qualifications, independence and performance of our independent auditors and internal auditors, (d) be directly responsible for the appointment, retention and compensation, including pre-approving all audit and permissible non-audit services of the independent auditors, (e) 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, (f) 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, (g) 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

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accounting policies and practices and the effect on the financial statements, and (h) review with management and the independent auditors our annual and quarterly financial statements prior to filing them with the Securities and Exchange Commission.

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 listing standards of the NASDAQ Marketplace Rules. 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, as adopted by the SEC. The Board 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 and Stock Option Committee

The Compensation and Stock Option 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 and Stock Option Committee reviews and approves performance targets, eligibility, participation and award levels for incentive compensation plans; approves and reports to the Board on the administration of compensation plans and the compensation of executives at specified salary levels; makes recommendations to the independent members of the Board regarding the compensation of the Chief Executive Officer; 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 and Stock Option 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 and Stock Option Committee is independent under the independence standards discussed above.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee, in consultation with our Chairman of the Board and Chief Executive Officer: (a) reviews and recommends to the Board corporate governance policies and principles for Charming Shoppes, (b) makes recommendations to the Board regarding the size and composition of the Board, (c) recommends to the Board criteria regarding the personal qualifications required for Board membership and service on Board Committees, (d) establishes procedures for the nomination process and recommends candidates for election to the Board of Directors, (e) determines and recommends to the Board appropriate compensation for Directors, (f) evaluates the performance of the Board as a whole and prepares and supervises the Board's and the various Committees' performance self-evaluations on an annual basis, (g) evaluates Board practices and recommends appropriate changes to the Board, and (h) considers various other corporate governance issues, including those raised by shareholders and other constituents and recommends appropriate responses to the Board. The Board of Directors has determined that each member of the Corporate Governance and Nominating Committee is independent under the independence standards discussed above.

Finance Committee

The Finance Committee is responsible for assisting the Board in discharging its duties relating to the oversight of our financial affairs and strategic planning. Its responsibilities include: (a) reviewing and recommending for approval by the Board strategic plans and budgets, (b) approving any borrowing of funds, other than in the ordinary course of business, (c) approving (up to specified limits) or recommending to the

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Board 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.

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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 450 Winks Lane, 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. During the past year, the Corporate Governance and Nominating Committee retained a third party executive recruitment firm to assist the Committee members in identifying and evaluating potential nominees for the Board. In addition to considering a candidate's personal character, integrity, foresight, intelligence and judgment, the Corporate Governance and Nominating Committee and the Board also considers the requisite mix of director experiences, skills, perspectives and diversity that is most appropriate for Charming Shoppes. Since the 2003 Annual Meeting, the Board has appointed Yvonne M. Curl as a Director of the Board. Ms. Curl was identified as a candidate by the executive recruitment firm retained by the Corporate Governance and Nominating Committee, which in turn, recommended her after a full evaluation.

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 2005 ANNUAL MEETING.** This notice generally must (a) 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, (b) contain representations concerning the nominating shareholder's ownership of Common Stock and intention to appear at the Meeting and make the nomination, (c) 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 (d) 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., 450 Winks Lane, 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:

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Board of Directors (or Lead Independent Director or name of individual Director)

c/o Corporate Secretary

Charming Shoppes, Inc.

450 Winks Lane

Bensalem, PA 19020

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

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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.

Business Ethics and Standards of Conduct Policy

Charming Shoppes has had a written code of conduct for many years. The Board of Directors has recently adopted a revised Business Ethics and Standards of Conduct Policy, which applies to Charming Shoppes Directors and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. The policy includes 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 policy. The Business Ethics and Standards of Conduct Policy is available on Charming Shoppes website at www.charmingshoppes.com. Charming Shoppes intends to post any amendments to or waivers of its Business Ethics and Standards of Conduct Policy (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 them on a Form 8-K within the prescribed time period.

COMPENSATION OF DIRECTORS

Under our current compensation program for non-employee Directors, each non-employee Director is entitled to:

An annual cash retainer of \$30,000 with an additional annual retainer of \$5,000 for a Committee Chairperson, and meeting fees of \$1,500 per Board meeting and \$1,000 per committee meeting. A non-employee Director may elect to defer any cash fee as of the time the fee is payable into deferred shares of Common Stock or among other investment alternatives.

An automatic annual grant, on the date of each Annual Meeting of Shareholders, of options to purchase 6,500 shares of Common Stock. Each option grant vests on June 1 of the year following grant, subject to earlier vesting in the case of death, disability, or a change in control (as these terms are defined in the 2003 Non-Employee Directors Compensation Plan or related award agreement). In addition, the option will not be forfeited if a Director has a mandatory retirement, but will become exercisable at the dates it would have had the Director not been required to retire. If a Director has a voluntary termination, the option will vest on a pro rata basis, proportionate to the part of the year during which the Director served, with the remainder of the option forfeited unless otherwise determined by the Board. An unvested option will be forfeited if a Director is removed from service. A non-employee Director will have one year following termination to exercise a vested option. However, if an option becomes exercisable after retirement, the Director will have one year from the date the option becomes fully vested to exercise the option (but in either case the option expires on the tenth anniversary of its grant date).

For a newly elected or appointed non-employee Director, a one-time grant of 10,000 shares of restricted stock that will vest in equal amounts over three years, subject to earlier vesting in the case of death, disability, or change in control. In addition, if a mandatory retirement occurs, the restricted stock that would have vested had the Director served until the next Annual Meeting of Shareholders will vest, but the remaining unvested restricted stock will be forfeited unless otherwise determined by the Board. Unvested restricted stock will be forfeited if a Director is removed from service.

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An automatic annual grant, on the date of each Annual Meeting of Shareholders, of 3,000 restricted stock units (RSUs). 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 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 Director served, with the remainder of the RSUs forfeited unless otherwise determined by the Board. Unvested RSUs will be forfeited if a Director is removed from service.

Ms. Bern, who is also an employee of Charming Shoppes, receives no additional compensation for services as a Director or Chairman of the Board.

Table of Contents**MANAGEMENT COMPENSATION****Summary Compensation Table**

The following table sets forth certain information regarding compensation earned or paid during each of our last three fiscal years (ended January 31, 2004 (fiscal 2004), February 1, 2003 (fiscal 2003) and February 2, 2002 (fiscal 2002)) to our Chief Executive Officer and each of our four other most highly compensated executive officers who were serving in such capacities at the end of fiscal 2004 (the named executive officers), based on salary paid and bonus earned during that fiscal year.

Name and Principal Position	Fiscal Year(1)	Annual Compensation			Long-Term Compensation Awards		
		Salary\$(2)	Bonus\$(3)	Other Annual Compensation \$(4)	Stock Award(s)\$(5)	Securities Underlying Options(#)	All Other Compensation \$(6)
Dorrit J. Bern Chairman of the Board, President and Chief Executive Officer	2004	\$ 1,000,000	\$ 477,225	\$ 105,181	\$		\$ 287,029
	2003	1,000,000	557,250	94,437		600,000	93,172
	2002	1,000,000	300,000	63,566	1,644,000	200,000	80,458
Joseph M. Baron Executive Vice President and Chief Operating Officer	2004	430,000	136,805		49,350		120,080
	2003	383,670	146,965		72,450	150,000	4,765
	2002						
Anthony A. DeSabato Executive Vice President Corporate and Labor Relations, Business Ethics and Loss	2004	375,000	119,306		21,385		111,243
	2003	375,000	139,313		54,000	150,000	31,870
	2002	355,000			58,500	66,000	31,854

Prevention(7)