

CHARMING SHOPPES INC  
Form DEF 14A  
May 14, 2007  
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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.**

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(Name of Registrant as Specified in its Charter)

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

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**CHARMING SHOPPES, INC.**

**450 WINKS LANE**

**BENSALEM, PENNSYLVANIA 19020**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**JUNE 21, 2007**

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We are pleased to give you this notice of our 2007 Annual Meeting of Shareholders:

Time and Date: 10:00 a.m. on June 21, 2007 (eastern time)

Place: **Charming Shoppes, Inc.**

**450 Winks Lane**

**Bensalem, PA 19020**

Items of Business:

1. To elect two Class B Directors of Charming Shoppes.
2. To ratify the appointment of Ernst & Young LLP as independent auditors of Charming Shoppes to serve for the 2008 fiscal year.
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 April 13, 2007.

Company Reports: Our 2006 Annual Review and our Annual Report on Form 10-K for our fiscal year ended February 3, 2007 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 14, 2007

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

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**PROXY STATEMENT**

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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 2007 Annual Meeting of Shareholders and at any adjournment of the meeting.

You are invited to attend our Annual Meeting of Shareholders (the Meeting ) on June 21, 2007, beginning at 10:00 a.m. eastern time. The Meeting will be held at the offices of the Company, 450 Winks Lane, Bensalem, PA 19020.

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders, Proxy Card, our 2006 Annual Review and our Annual Report on Form 10-K for our fiscal year ended February 3, 2007 ( fiscal 2007 ) are being mailed to shareholders entitled to vote at the Meeting starting May 14, 2007.

**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 two Class B Directors to our Board;
- Ratification of the appointment of Ernst & Young LLP as our independent auditors for the 2008 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 April 13, 2007, 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 way for you to direct how your shares will be voted.

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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 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, 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, but not on non-routine matters. If a broker or nominee has not received voting instructions from an account holder and does not have discretionary authority to vote shares on a particular item, a broker non-vote occurs.

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 will comply with the rules of the Securities and Exchange Commission ( SEC ) 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 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 April 13, 2007, the record date for the Meeting, 123,744,091 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?***

**Election of Directors:** The two 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.

**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.

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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's recommendations?***

The Board unanimously recommends that you vote FOR the election of the two nominees proposed for election as Directors.

The Board unanimously recommends that you vote FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for fiscal 2008.

### ***Other Information***

We have enclosed our Annual Report on Form 10-K for fiscal 2007 and our 2006 Annual Review together with this Proxy Statement. No material contained in the Annual Report or the 2006 Annual 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](http://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 two current Class B Directors, Pamela Davies and Katherine M. Hudson, will expire as of the date of the Meeting. At the Meeting, Dr. Davies 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.

In accordance with the provision of our Principles of Corporate Governance that require a Director of the Company to offer his or her resignation for consideration by our Corporate Governance and Nominating Committee upon a substantial change in a Director's principal occupation or business association during his or her tenure as a Director, Michael W. Luce offered his resignation as a Director of the Company. On February 8, 2007, the Corporate Governance and Nominating Committee recommended to the Board that the resignation be accepted, and on that date the Board accepted Mr. Luce's resignation. There were no disagreements between Mr. Luce and the Company on any matter relating to the Company's operations, policies, or practices.

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



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**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 B Directors have been nominated for reelection to terms scheduled to end in 2010:*

**PAMELA DAVIES**

Director Since 1998

Dr. Davies, 50, 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, 60, 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.

*The following Class C Directors are continuing in office, with terms scheduled to end in 2008:*

**DORRIT J. BERN**

Director Since 1995

Ms. Bern, 57, 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 OfficeMax Incorporated.

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**ALAN ROSSKAMM**

Director Since 1992

Mr. Rosskamm, 57, 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 the Board of Directors, where he has served since 1985.

**M. JEANNINE STRANDJORD**

Director Since 2006

Ms. Strandjord, 60, 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.

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

**WILLIAM O. ALBERTINI**

Director Since 2003

Mr. Albertini, 63, 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, 64, 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, 52, 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

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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 and HealthSouth Corporation.

### **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 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 should be independent. Our Principles of Corporate Governance Statement is available on our corporate website ([www.charmingshoppes.com](http://www.charmingshoppes.com)). We have reviewed internally and with our Board of Directors the provisions of the Sarbanes-Oxley Act of 2002, the related rules of the SEC and current NASDAQ Marketplace Rules and NASDAQ Global Select Market listing requirements regarding corporate governance policies and procedures. Our corporate governance documents comply with all requirements.

In accordance with our Bylaws, our Board of Directors has specified that, as of the date of our 2007 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 *Committees of the Board of Directors Audit Committee* below. The Board had concluded in 2006 that Michael W. Luce, who served as a Director during part of fiscal 2007, also was independent under then applicable standards.

Each Director is required to disclose to the Board any direct or indirect material interest he or she may have in a transaction with us before we have entered into the transaction, and to refrain from participating in the 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. The Audit Committee reviews all such transactions reported to the Company by a Director or nominee in response to the questionnaire, or that are brought to the

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Company's attention by management or otherwise. After review, the disinterested Directors would approve, ratify or disapprove such transactions. Management would also update the Audit Committee as to any material changes to proposed transactions on a regular basis. No such transaction was disclosed to the Audit Committee during fiscal 2007.

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, have a material interest be approved or ratified by the Corporate Governance and Nominating Committee if the amount involved is at least \$120,000. In determining whether to approve or ratify any such transaction, the disinterested members of the Corporate Governance and Nominating Committee must consider, in addition to other factors they deem appropriate, whether the transaction is on terms no less favorable to the Company than those available to an unaffiliated third party under the same or similar circumstances.

During fiscal 2007, our Board of Directors held six meetings. Each 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 and Board Committees act by unanimous written consent.

### ***Lead Independent Director***

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 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, 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](http://www.charmingshoppes.com)).

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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		+	+X		
Pamela Davies		+	+		
Katherine M. Hudson *	+	+X			+
Dorrit J. Bern					+ X
Alan Rosskamm			+	+	+
M. Jeannine Strandjord	+			+	
Number of Meetings in Fiscal 2007 **	12	8	5	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.

***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 (a) 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, (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 accounting policies and practices and the effect on the financial statements, (h) review with management and the independent auditors our audited annual and unaudited quarterly financial

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statements prior to filing them with the SEC, and (i) review with management, the internal auditors and independent auditors, management's assessment of internal control over financial reporting and the independent auditors' evaluation of both management's assessment of and 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 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 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 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 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" ). 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 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 for the executives and the Company. In addition, PM&P may, in their discretion, seek input and feedback from management regarding their consulting work product prior to presentation to the Committee in order to confirm information, identify 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

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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, but ultimately decisions regarding compensation for the Chief Executive Officer and other executive officers are made solely based upon the Compensation Committee's deliberations with input from its independent compensation consultant. Only Committee members are allowed to vote on decisions made regarding executive compensation, and these votes 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, 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. 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, have a material interest be approved or ratified by the Corporate Governance and Nominating Committee if the amount involved is at least \$120,000. See **CORPORATE GOVERNANCE AT CHARMING SHOPPES: Board of Directors** .

### ***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, and (c) approving (up to specified limits) or recommending to the 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.

### ***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.

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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. 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. In addition to considering a candidate's personal character, integrity, foresight, intelligence and judgment, the Corporate Governance and Nominating Committee and the Board also consider the requisite mix of director experiences, skills, perspectives and diversity that is most appropriate for Charming Shoppes. Our most recent appointments to the Board were Mr. Luce (who has since resigned from the Board, see **DIRECTORS STANDING FOR ELECTION**) and Ms. Strandjord, who were identified as candidates by the executive recruitment firm retained by the Corporate Governance and Nominating Committee, which in turn recommended such candidates 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 2008 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:

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.



**Table of Contents*****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](http://www.charmingshoppes.com). Charming Shoppes intends to post any amendments to or waivers of its Standards of Business Conduct (to the extent applicable to Charming Shoppes' Chief Executive Officer, Chief Financial Officer or Principal Accounting Officer) 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 2007**

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 2007, which ended on February 3, 2007.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)<sup>(1)</sup></b>	<b>Stock Awards (\$)<sup>(2)</sup></b>	<b>Option Awards (\$)<sup>(3)</sup></b>	<b>Total (\$)</b>
William O. Albertini	61,000	77,788	37,226	176,014
Yvonne M. Curl	64,000	77,788	37,226	179,014
Pamela Davies	58,000	77,788	37,226	173,014
Charles T. Hopkins	75,000	77,788	37,226	190,014
Katherine M. Hudson	89,000	77,788	37,226	204,014
Michael W. Luce (4)	52,510	129,413	41,992	223,915
Alan Rosskamm	52,000	77,788	37,226	167,014
M. Jeannine Strandjord (5)	41,500	101,015	31,403	173,918

- (1) Directors deferred cash fees into cash-denominated investment alternatives as follows: Mr. Albertini, \$30,500; Ms. Hudson, \$89,000; and Mr. Rosskamm, \$52,000.

*(notes continued on following page)*

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- (2) The amounts reported in the Stock Awards column represents the amounts of compensation cost recognized by the Company in fiscal 2007 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 awards granted before fiscal 2007 which remained unvested at any time in fiscal 2007. 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 the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007. In fiscal 2007, each non-employee Director received a grant of 7,500 restricted stock units ( RSUs ), except Ms. Strandjord received a grant of 10,000 shares of restricted stock and grants of 8,733 RSUs. The grant date fair value of the stock awards granted to these Directors during fiscal 2007, computed in accordance with FAS 123(R), was as follows: Mr. Albertini, \$84,600; Ms. Curl, \$84,600; Dr. Davies, \$84,600; Mr. Hopkins, \$84,600; Ms. Hudson, \$84,600; Mr. Luce, \$84,600; Mr. Rosskamm, \$84,600; and Ms. Strandjord, \$240,065. As of February 3, 2007, each Director had the following number of stock awards that remained subject to a risk of forfeiture: Mr. Albertini, 7,500 (all of which he has elected to defer upon vesting); Ms. Curl, 7,500 (all of which she has elected to defer upon vesting); Dr. Davies, 7,500 (all of which she has elected to defer upon vesting); Mr. Hopkins, 7,500; Ms. Hudson, 7,500 (all of which she has elected to defer upon vesting); Mr. Luce, 17,500 (7,500 of which he had elected to defer upon vesting); Mr. Rosskamm, 7,500 (all of which he has elected to defer upon vesting); and Ms. St