CHARMING SHOPPES INC
Form 10-K
April 02, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 2, 2008

OR

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

For the transition period from _______________ to _____________

Commission File Number: 000-07258

CHARMING SHOPPES, INC.
(Exact Name of Registrant as Specified in Its Charter)

PENNSYLVANIA (State or other jurisdiction of incorporation or organization)	23-1721355 (I.R.S. Employer Identification No.)
450 WINKS LANE, BENSALEM, PA 19020 (Address of principal executive offices) (Zip Code)	(215) 245-9100 (Registrant’s telephone number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (par value $.10 per share)	The NASDAQ Stock Market LLC
Stock Purchase Rights	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes	No
x	o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act:

Yes	No
o	x

Table of Contents

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes	No
x	o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K:x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer x	Accelerated Filer o
Non-accelerated Filer o	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes	No
o	x

The aggregate market value of the outstanding common stock of the registrant held by non-affiliates as of August 4, 2007 (the last day of the registrant's most recently completed second fiscal quarter), based on the closing price on August 3, 2007, was approximately $1,165,407,157.

As of March 24, 2008, 113,251,845 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this Form 10-K is incorporated by reference herein from the registrant's definitive proxy statement for its 2008 annual shareholders meeting, which is expected to be filed within 120 days after the end of the fiscal year covered by this Annual Report.

Table of Contents

CHARMING SHOPPES, INC.
FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

		Page
	PART I	
Item 1	Business	1
	General	1
	Retail Stores Segment	2
	Direct-to-Consumer Segment	8
	Proprietary Credit Programs	10
	Competition	11
	Employees	12
	Trademarks and Servicemarks	12
	Executive Offices	12
	Available Information	12
Item 1A	Risk Factors	13
	Risks Related to Our Business and Industry	13
	Other Risks	18
Item 1B	Unresolved Staff Comments	20
Item 2	Properties	20
Item 3	Legal Proceedings	21
Item 4	Submission of Matters to a Vote of Security Holders	22
	Additional Part I Information – Executive Officers of the Registrant	22
	PART II	
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	24
Item 6	Selected Financial Data	27
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
	Forward-Looking Statements	29
	Critical Accounting Policies	32

	Overview	39
	Results of Operations	42
	Financial Condition	53
	Market Risk	63
	Impact of Recent Accounting Pronouncements	63
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	63
Item 8	Financial Statements and Supplementary Data	64
	Management's Report on Internal Control Over Financial Reporting	64
	Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	65
	Report of Independent Registered Public Accounting Firm	67
	Consolidated Balance Sheets	68
	Consolidated Statements of Operations and Comprehensive Income	69

Table of Contents

TABLE OF CONTENTS
(Continued)

		Page
Item 8	Financial Statements and Supplementary Data (Continued)	
	Consolidated Statements of Stockholders' Equity	70
	Consolidated Statements of Cash Flows	71
	Notes to Consolidated Financial Statements	73
Item 9	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	123
Item 9A	Controls and Procedures	123
Item 9B	Other Information	123
	PART III	
Item 10	Directors, Executive Officers, and Corporate Governance	124
Item 11	Executive Compensation	124
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	124
Item 13	Certain Relationships and Related Transactions, and Director Independence	125
Item 14	Principal Accountant Fees and Services	125
	PART IV	
Item 15	Exhibits and Financial Statement Schedules	126
	Signatures	139
	Exhibit Index	140

Table of Contents

PART I

Item 1. Business

GENERAL

We are a multi-brand, multi-channel specialty apparel retailer with a leading market share in women's plus-size specialty apparel. Our Retail Stores segment operates retail stores and related E-commerce websites under the following distinct names: LANE BRYANT®, LANE BRYANT OUTLET®, FASHION BUG®, CATHERINES PLUS SIZES®, PETITE SOPHISTICATE®, and PETITE SOPHISTICATE OUTLET®. Our Direct-to-Consumer segment operates numerous apparel, accessories, footwear, and gift catalogs and related E-commerce websites through our Crosstown Traders business, which we acquired in June 2005. During the year ended February 2, 2008 ("Fiscal 2008") the sale of plus-size apparel represented approximately 74% of our total net sales. Through our multiple channels, fashion content, and broad merchandise assortments, we seek to appeal to customers from a broad range of socioeconomic, demographic, and cultural groups. As of February 2, 2008 we operated 2,409 stores in 48 states.

LANE BRYANT® is a widely recognized brand name in plus-size fashion. Through private labels such as VENEZIA®, CACIQUE®, and LANE BRYANT®, we offer fashionable and sophisticated apparel in plus-sizes 14 – 28, including intimate apparel, wear-to-work, and casual sportswear, as well as accessories. LANE BRYANT has a loyal customer base, generally ranging in age from 35 to 55 years old, which shops for fashionable merchandise in the moderate price range. Our 795 LANE BRYANT retail stores are located in 46 states, in a combination of destination malls, lifestyle centers, and strip malls, and average approximately 5,900 square feet. During Fiscal 2008 our LANE BRYANT website (lanebryant.com) averaged more than 2.4 million unique visitors per month and has an established on-line community.

In Fiscal 2006 we introduced the LANE BRYANT intimate apparel side-by-side store, which pairs LANE BRYANT's casual and wear-to-work sportswear assortments with an expanded line of CACIQUE intimates as well as additional national brands, presented in a double store-front. As a result of a successful testing period during Fiscal 2006, many of our LANE BRYANT retail store openings and relocations for Fiscal 2007 and Fiscal 2008 were in the new side-by-side format. This larger footprint of approximately 7,300 square feet per combined store compares with the full-line LANE BRYANT store footprint of approximately 5,700 square feet. As of February 2, 2008 we operated 108 stores (which are included in the 795 stores operated by LANE BRYANT) in the LANE BRYANT intimate apparel side-by-side format.

LANE BRYANT OUTLET® is the only national chain exclusively offering women's plus-size apparel in the outlet sales channel. Through our private labels and selected national brands we offer fashionable and sophisticated apparel in plus-sizes 14 – 28, including intimate apparel, wear-to-work, casual sportswear, and accessories, as well as footwear and social occasion apparel. As of February 2, 2008 we operated 101 LANE BRYANT OUTLET stores in 35 states throughout the country. LANE BRYANT OUTLET stores average approximately 5,900 square feet.

Table of Contents

FASHION BUG® stores specialize in selling a wide variety of plus-size, misses, junior, and girls apparel, accessories, intimate apparel, and footwear. FASHION BUG customers generally range in age from 20 to 49 years old and shop in the low-to-moderate price range. Our 989 FASHION BUG stores are located in 44 states, primarily in strip shopping centers, and average approximately 8,700 square feet. During Fiscal 2008 our FASHION BUG website (fashionbug.com) averaged more than 900,000 unique visitors per month.

CATHERINES PLUS SIZES® is particularly known for extended sizes (over size 28) and petite plus-sizes. CATHERINES offers classic apparel and accessories for wear-to-work and casual lifestyles. CATHERINES customers generally range in age from 40 to 65 years old, shop in the moderate price range, and are concerned with fit and value. Our 468 CATHERINES stores are located in 44 states, primarily in strip shopping centers, and average approximately 4,200 square feet. During Fiscal 2008 our CATHERINES website (catherines.com) averaged more than 463,000 unique visitors per month.

PETITE SOPHISTICATE OUTLET® is the only national chain exclusively offering women's petite-size apparel in the outlet sales channel. PETITE SOPHISTICATE OUTLET targets women 35 – 55 years old and offers traditional and contemporary apparel in casual and career assortments. We offer clothing tailored to women 4'11" – 5'4" who wear petite sizes 0 – 14. As of February 2, 2008 we operated 52 PETITE SOPHISTICATE OUTLET stores in 23 states throughout the country. These stores average approximately 2,700 square feet, and substantially all of the stores operate with a LANE BRYANT OUTLET store in side-by-side locations. These side-by-side locations average a combined total of approximately 9,200 square feet. The chain also has a marketing and informational website (petitesophisticate.com).

CROSSTOWN TRADERS is a direct marketer of women's apparel, footwear, accessories, and specialty gifts. Crosstown Traders markets women's apparel through its OLD PUEBLO TRADERS®, BEDFORD FAIR LIFESTYLES®, WILLOW RIDGE®, LEW MAGRAM®, BROWNSTONE STUDIO®, INTIMATE APPEAL®, MONTEREY BAY CLOTHING COMPANY®, COWARD® SHOE, SHOETRADER™ and other catalog titles and related E-commerce sites, and markets food and specialty gift products through its FIGI'S® catalog and related E-commerce site. During Fiscal 2008 the LANE BRYANT catalog trademark, which had been licensed to a third party, reverted to us and we launched our LANE BRYANT WOMAN™ catalog. The LANE BRYANT WOMAN catalog offers clothing, footwear, and intimate apparel in an expanded range of plus sizes at a value price point. We also launched our related website (lanebryantcatalog.com) to complement the catalog launch. During Fiscal 2008 our Crosstown Traders websites collectively averaged approximately 777,000 unique visitors per month.

Financial information by business segment for each of our last three fiscal years is included in "Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements; NOTE 19. SEGMENT REPORTING" below.

RETAIL STORES SEGMENT

Stores

Our 2,409 retail stores (as of February 2, 2008) are primarily located in suburban areas and small towns. Approximately 76% of these stores are located in strip shopping centers and lifestyle centers, with the remainder located in community and regional malls. The majority of our FASHION BUG, CATHERINES, and outlet stores are strip-center based. Over the past few years LANE BRYANT has expanded into strip and lifestyle centers, and has demonstrated success in such locations. The percentage of LANE BRYANT stores located in strip and lifestyle shopping centers has grown to approximately 44%, with the remaining stores located primarily in mall centers.

2

Table of Contents

We believe that our customers visit strip shopping centers frequently as a result of the tenant mix and convenience of strip shopping centers. Our long-term real estate strategy is to continue to increase the percentage of total stores in strip and lifestyle centers, primarily through growth at the LANE BRYANT brand. Availability of strip and lifestyle center retail space significantly outpaces mall expansion. In addition, we benefit in strip and lifestyle centers from substantially lower occupancy costs as compared to occupancy costs in malls.

Our retail store merchandise displays enable our customers to assemble coordinated and complete outfits that satisfy many of their lifestyle needs. We frequently test and implement new store designs and fixture packages that are aimed at providing an effective merchandise presentation. We relocate or remodel our stores as appropriate to convey a fresh and contemporary shopping environment. We emphasize customer service, including the presence of helpful salespeople in the stores, layaway plans, customer loyalty programs, and acceptance of merchandise returns for cash or credit within a reasonable time period. Typically, our stores are open seven days per week, eleven hours per day Monday through Saturday and seven hours on Sunday.

Our store openings, closings, and number of locations over the past three fiscal years are as follows:

		Year Ended	
	February 2, 2008	February 3, 2007	January 28, 2006
Store Activity (1):			
Number of stores open at beginning of period	2,378	2,236	2,221
Opened during period	103(2)	198(3)	70
Closed during period	(72)	(56)	(55)
Number of stores open at end of period	2,409	2,378	2,236
Number of Stores Open at End of Period by Brand:			
FASHION BUG	989	1,009	1,025
LANE BRYANT	896(4)	859(4)	748
CATHERINES	468	465	463
Other(5)	56	45	0
Number of stores open at end of period	2,409	2,378	2,236

(1) Excludes 2 outlet stores in Fiscal 2008 and Fiscal 2007 and 3 outlet stores in Fiscal 2006 operated by Crosstown Traders, Inc.

(2) Includes 19 LANE BRYANT OUTLET stores, 37 LANE BRYANT intimate apparel side-by-side stores, 7 PETITE SOPHISTICATE OUTLET stores, and 4 PETITE SOPHISTICATE stores.

(3) Includes 82 LANE BRYANT OUTLET stores and 45 PETITE SOPHISTICATE OUTLET stores.

(4) Includes 101 LANE BRYANT OUTLET stores in Fiscal 2008 and 82 LANE BRYANT OUTLET stores in Fiscal 2007.

(5) Includes PETITE SOPHISTICATE OUTLET and PETITE SOPHISTICATE stores.

3

Table of Contents

We continue to seek additional locations that meet our financial and operational objectives. In February 2008 we announced a significant reduction in the number of planned store openings and the closing of approximately 150 under-performing stores during the year ending January 31, 2009 ("Fiscal 2009") in response to the continuing weak retail and economic environment existing at the end of Fiscal 2008 (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; OVERVIEW" below). Our planned store activity by brand for Fiscal 2009 is as follows:

	Openings	Closings	Relocations
FASHION BUG	4	95-101	9-12
LANE BRYANT	31-38(1)	41-50	35-45(2)
CATHERINES	6-7	10	4-5
Other	4-6(3)	4-9(4)	0
Total	45-55	150-170	48-62

(1) Includes 10-13 LANE BRYANT intimate apparel side-by-side stores and 6-9 LANE BRYANT OUTLET stores.

(2) Includes 13-16 conversions to LANE BRYANT Intimate Apparel side-by-side stores.

(3) PETITE SOPHISTICATE OUTLET stores.

(4) Includes 0-5 PETITE SOPHISTICATE OUTLET stores and 4 PETITE SOPHISTICATE stores.

All retail stores are operated under our direct management. Each store has a manager and an assistant manager or supervisor who is in daily operational control of the location. We also employ district managers who travel to all stores in their district on a frequent basis to supervise store operations. Each district manager has responsibility for an average of 12 stores. Regional managers who report to a Vice President of Stores supervise the district managers. Generally, we appoint store managers from the group of assistant managers and district managers from the group of store managers. We seek to motivate our store personnel through internal advancement and promotion, competitive wages, and various incentive, medical, and retirement plans. We centrally develop store operations, merchandising, and buying policies, and assign to individual store management the principal duties of display, selling, and reporting through point-of-sale terminals.

Merchandising and Buying

We employ a merchandising and buying strategy that is focused on providing an attractive selection of apparel and accessories that reflect the fashion preferences of the core customer for each of our retail store brands. Separate merchandise groups for each of our brands conduct merchandise purchasing using buyers supervised by one or more merchandise managers. We believe that specialization of buyers within our brands enhances the distinctiveness of our brands and their offerings. In addition, we use domestic and international fashion market guidance, fashion advisory services, proprietary design, and in-store and E-commerce testing to determine the optimal product assortments for each of our brands. We believe that this approach results in greater success in predicting customer preferences while reducing our inventory investment and risk. We also seek to maintain high quality standards with respect to merchandise fabrication, construction, and fit. Our merchandising and buying philosophy, coupled with enhancements in inventory management, helps facilitate the timely and orderly purchase and flow of merchandise. This enables our stores to offer fresh product assortments on a regular basis.

Table of Contents

At the end of Fiscal 2008, in connection with the consolidation of our CATHERINES operations and additional streamlining initiatives, we consolidated the marketing and merchandising operations for our FASHION BUG, CATHERINES, and outlet stores at our Bensalem, Pennsylvania complex and established our Fashion Retail Group. We expect this combined group to benefit from improved coordination among the Retail Stores brands as well as cost savings from the consolidation. Maintaining the specialization of buyers within each brand will continue to enhance each brand's identity and distinctiveness.

We continually refine our merchandise assortments to reflect the needs and demands of our diverse customer groups and the demographics of each store location. At LANE BRYANT we offer a combination of fashion basics, seasonal fashions, and high fashion in casual and wear-to-work merchandise as well as intimate apparel and accessories. We translate current trends into plus-sizes and strive to be first to market with our styles. During Fiscal 2008 we launched the "Right Fit by Lane Bryant™" campaign, which supports our new core denim and career pant assortments using new fit technology. At FASHION BUG we offer a broad assortment of both casual and wear-to-work apparel in plus, misses, junior, and girls sizes at low-to-moderate prices. FASHION BUG's plus- and misses-size merchandise typically reflects established fashion trends and includes a broad offering of ready-to-wear apparel as well as footwear, accessories, intimate apparel, and seasonal items, such as outerwear. During Fiscal 2008 our FASHION BUG stores began offering Gitano® brand fashionable casual merchandise under our exclusive licensing agreement (Gitano® is a registered trademark of Wrangler Apparel Corp.). At CATHERINES we offer a broad assortment of plus-size merchandise in classic styles designed to provide "head-to-toe" dressing for our customers. CATHERINES features casual and career sportswear, dresses, intimate apparel, suits, and accessories in a variety of plus-sizes, including petites and extended sizes. CATHERINES has developed a unique expertise in the fit, design, and manufacturing of extended sizes, making it one of the few retailers to emphasize these sizes. During Fiscal 2008 we launched the "Right Fit by Catherines™" campaign, which supports new core denim and career pant assortments using new fit technology for the CATHERINES brand.

LANE BRYANT OUTLET features products developed exclusively for our outlet stores, which include updated key items and best-sellers from our full-line LANE BRYANT brand. Selected national brands and expanded categories, such as intimate apparel, footwear, and social occasion, are also offered at LANE BRYANT OUTLET. PETITE SOPHISTICATE OUTLET offers career and casual sportswear in sizes 0-14. The brand provides traditional, updated classics, and collections to meet the customers' everyday work and casual needs, with an emphasis on outfitting.

For stores that are identified as having certain attributes we use our distribution capabilities to stock the stores with products specifically targeted to such attributes. Our merchandising staff obtains store-wide and brand-wide inventory information generated by merchandise information systems that use point-of-sale terminals. The status of our merchandise can be tracked from the placement of our initial order for the merchandise to the actual sale to our customer. Based on this data, our merchandise managers compare budgeted-to-actual sales and make merchandising decisions as needed, including re-order, markdowns, and changes in the buying plans for upcoming seasons. In addition, we continue to work to improve inventory turnover by better managing the flow of seasonal merchandise to our stores across all geographic regions.

We employ a realistic pricing strategy for our stores that is aimed at setting the initial price markup of fashion merchandise in order to increase the percentage of sales at the original ticketed price. We believe this strategy has resulted in a greater degree of credibility with the customer. However, our pricing strategy typically does allow sufficient margin to permit merchandise discounts in order to stimulate customer purchases when necessary.

Table of Contents

Our stores experience a normal seasonal sales pattern for the retail apparel industry, with peak sales typically occurring during the spring and December holiday seasons. We generally build inventory levels before these peak sales periods. To maintain current and fashionable inventory we reduce the price of slow-moving merchandise throughout the year. Much of our merchandise is developed for one or more of our six seasons: spring, summer, summer-fall transitional, fall, holiday, and holiday-spring transitional. End-of-season sales are conducted with the objective of carrying a minimal amount of seasonal merchandise over from one season to another. Retail Stores segment sales for the four quarters of Fiscal 2008, as a percent of annual Retail Stores segment sales, were 26.4%, 26.5%, 22.7%, and 24.4%, respectively.

Marketing and Promotions

We use several types of advertising to stimulate retail store customer traffic. We primarily use targeted direct-mail advertising to preferred customers selected from a database of approximately 27.6 million proprietary credit card, third-party credit card, and cash customers who have purchased merchandise from us within the past three years. We may also use radio, television, and newspaper advertising and fashion shows to stimulate traffic at certain strategic times of the year. We also use pricing policies, displays, store promotions, and convenient store hours to attract customers. We maintain websites for our LANE BRYANT, FASHION BUG, CATHERINES, and PETITE SOPHISTICATE brands that provide information regarding current fashions and promotions. We believe that, with the planning and guidance of our specialized home-office personnel, each brand provides such displays and advertising as may be necessary to feature certain merchandise or certain promotional selling prices from time to time.

We offer our FASHION BUG, LANE BRYANT, CATHERINES, and PETITE SOPHISTICATE retail store customers various loyalty card programs. Customers who join these programs are entitled to various benefits, including discounts and rebates on purchases during the membership period. Customers join some of these programs by paying an annual membership fee. These membership fee programs include those administered by our proprietary credit card programs as well as those administered outside of our proprietary credit card programs. The proprietary credit card programs provide customers with the option to cancel their membership within 30 days, entitling them to a full refund of their annual fee. Other programs are offered that do not require the payment of a membership fee but allow cardholders to earn points for purchases using a proprietary credit card, which may be redeemed for merchandise coupons upon the accumulation of a specified number of points. Additional information on our loyalty card programs is included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations; CRITICAL ACCOUNTING POLICIES; Revenue Recognition” below.

figure® magazine, our bi-monthly fashion and lifestyle magazine for women, features clothing and fashions from our brands. The magazine covers topics such as: beauty; health and fitness; home, food, and entertaining; relationships; and social and community issues. The magazine also advertises our Crosstown Traders catalogs. figure magazine is available by subscription, and is also sold in all of our stores and at selected newsstands and supermarkets, including certain national booksellers. Since its inception in August 2003 the magazine has grown to a per-issue circulation of more than 522,000 copies.

6

Table of Contents

Sourcing

To meet the demands of our customers we access both the domestic wholesale and overseas markets for our retail store merchandise purchases. This allows us to maintain flexible lead times, respond quickly to current fashion trends, and replenish merchandise inventory as necessary. During Fiscal 2008 we purchased merchandise from approximately 690 suppliers located throughout the world. We use our overseas sourcing operations, which generally require longer lead times, primarily to purchase fashion-basic merchandise for our stores. In Fiscal 2008 our overseas sourcing operations accounted for approximately 40% of retail store merchandise purchases. Overseas sourcing by brand, as a percent of merchandise purchases, was approximately 37% for FASHION BUG, 41% for LANE BRYANT, 36% for CATHERINES, and 58% for LANE BRYANT OUTLET and PETITE SOPHISTICATE OUTLET. We also purchase a portion of our LANE BRYANT merchandise from Mast Industries, Inc. (“Mast”), a contract manufacturer and apparel importer that is a wholly-owned subsidiary of Limited Brands, Inc. These purchases from Mast accounted for approximately 5% of our total retail store merchandise purchases and approximately 16% of merchandise purchases for LANE BRYANT during Fiscal 2008. No other vendor accounted for more than 2% of total retail store merchandise purchases during Fiscal 2008.

We pay for a majority of our merchandise purchases outside the United States on an open account basis. We pay for the remainder of our purchases outside the United States through corporate-issued letters of credit and, to a lesser extent, through bank-issued letters of credit where we are the importer of record. To date, we have not experienced difficulties in purchasing merchandise overseas or importing such merchandise into the United States. Should events such as political instability or a natural disaster result in a disruption of normal activities in any single country with which we do business, we believe that we would have adequate alternative sources of supply.

Distribution and Logistics

We currently operate two distribution centers for our Retail Stores segment. For our FASHION BUG, LANE BRYANT OUTLET, PETITE SOPHISTICATE, and PETITE SOPHISTICATE OUTLET stores we operate a distribution center in Greencastle, Indiana. This facility, which is located on a 150-acre tract of land, contains a building of approximately 1,000,000 square feet. We estimate that this facility has the capacity to service up to approximately 1,800 stores. For our LANE BRYANT and CATHERINES stores we operate a distribution center in White Marsh, Maryland. The White Marsh facility is located on 28 acres of land and contains a building of approximately 513,000 square feet, which is currently designed to service up to approximately 1,800 stores.

Substantially all of our merchandise purchases are received at these distribution facilities, where they are prepared for distribution to our stores. Automated sorting systems in the distribution centers enhance the flow of merchandise from receipt to quality control inspection, receiving, ticketing, packing, and final shipment. Merchandise is shipped to each store principally by common carriers. We use computerized automated distribution attributes to combine shipments when possible and improve the efficiency of the distribution operations.

Inventory and fulfillment activities for our store-related E-commerce operations are handled by a third-party warehouse facility in Indianapolis, Indiana. We utilize approximately 530,000 square feet of space that is used for merchandise receipt, storage, picking, packing, shipping, and returns processing. A majority of this merchandise is received from our Greencastle and White Marsh distribution centers.

Our distribution and logistics operations provide adequate capacity for the foreseeable future, and we continually evaluate our overall long-term distribution and logistics requirements.

7

Table of Contents

DIRECT-TO-CONSUMER SEGMENT

We established our Direct-to-Consumer segment in June 2005 with the acquisition of Crosstown Traders, Inc. Crosstown Traders operates multiple catalog titles and related websites, with the majority of revenues derived from the catalog sales of women's apparel, footwear, and accessories, of which plus-sizes are an important component. Crosstown Traders also derives revenues from the catalog sales of food and gifts, a substantial majority of which occur during the December holiday season. In addition to catalog and catalog-related E-commerce operations, Crosstown Traders operates two catalog outlet stores.

The acquisition of Crosstown Traders has provided us with an infrastructure for the development and expansion of our Direct-to-Consumer segment, which includes our catalog and catalog-related E-commerce sales distribution channels. In October 2007 the LANE BRYANT catalog trademark, which had been licensed to a third party, reverted to us and we launched our LANE BRYANT WOMAN catalog and related website.

The Direct-to-Consumer segment provides an additional channel to serve our customers' lifestyle needs with targeted marketing media and merchandise offerings in a wide range of color and size selections not generally available in our retail stores. In addition, we believe that mail order catalogs and catalog-related E-commerce serve as a cost-efficient means of building brand awareness as well as testing market acceptance of new products and new brands.

Merchandising and Buying

Generally, the initial sourcing of new merchandise for a catalog begins six to nine months before the catalog is mailed. We target each of our catalogs to its particular market by offering a focused assortment of merchandise designed to meet the needs and preferences of each catalog's customers. Through market research and ongoing testing of new products and concepts, we develop a separate merchandise strategy for each catalog, including appropriate merchandise assortments, price points, mailing plans, and product presentation. We seek to develop exclusive or private label products for a number of our catalogs on an ongoing basis to further differentiate each catalog's identity.

Our FIGI'S food and specialty gift catalog experiences a peak sales period during the December holiday season, with approximately 80% of its annual sales occurring during our fourth quarter. We generally build inventory before this peak sales period.

Marketing and Promotions

Our catalogs range in size from approximately 16-120 pages, with 4-12 editions per year depending on the seasonality and fashion content of the products offered. We may mail each edition several times each season with slight variations in format and content. We mailed approximately 236 million catalogs during Fiscal 2008. Our circulation strategy is focused on mailing to existing customers and acquiring new customers through targeted prospecting.

We use our own creative staff or outside creative agencies to develop the designs, layout, copy, feel, and theme of our catalogs. Each of our catalogs has an E-commerce-enabled website that offers all of a particular catalog's merchandise and more extensive offerings than any single issue of a print catalog. Customers can request catalogs and place orders not only for website merchandise, but also for merchandise from any current print catalog already mailed. The website for each catalog is prominently promoted within each catalog.

Table of Contents

We maintain all of our catalog, internet, retail customer, and transaction data in multi-channel customer databases. This cross-channel customer database contains detailed purchasing information and certain demographic information about our customers, E-mail addresses, and the names and addresses of individuals who have requested catalogs from us. This database enables us to analyze how our customers use our various channels to shop.

We continuously analyze our customers' responses to our catalog mailings and E-commerce promotions in order to understand our customers' profit contribution. We have developed our own customer selection criteria to segment our customer list according to many variables, allowing our marketing department to analyze each segment's buying patterns. We review the results of each of our catalog mailings. The results are used to further refine the frequency and selectivity of our catalog mailings in an effort to maximize response rates and profitability. We also analyze historical purchasing patterns of existing customers, including recency, frequency, and monetary activity, to assist in merchandising and customer targeting and in an effort to increase sales to existing customers.

We also acquire lists of prospective customers by renting or exchanging lists with database cooperatives and other sources, including direct competitors. Our most productive prospects tend to come from customer lists of other women's apparel catalogs. We also rent our customer lists to others, including direct competitors. In order to determine which prospective customers will receive a particular catalog mailing, we analyze available information concerning such prospects, including historical profit contribution for comparable customer segments and, to the extent possible, use the same type of statistical modeling techniques used to target mailings to our own customers.

We strive to develop promotional formats that will stimulate customer purchases from our catalogs and websites. Successful promotional formats include different catalog wraps, multiple-unit purchase discounts, free shipping, and promotional tag lines such as "last chance" offers. We also market our E-commerce websites in our catalogs as well as through e-mail marketing and in our figure magazine. These marketing channels have been the principal marketing mechanism to reach our E-commerce target audience.

Leveraging its experience in handling direct-to-consumer transactions, Crosstown Traders continues to refine its technology infrastructure and customer service processes to make catalog shopping as convenient as possible. We maintain toll free numbers, accessible 24 hours a day seven days a week (except for major holidays), to accept orders and catalog requests and to answer order and credit-account-related questions. We utilize a 900-seat call center network in three locations in Wisconsin and Arizona supported by integrated system platforms designed to provide uninterrupted services to our customers. Telephone calls are answered by knowledgeable call-center associates, who process customer orders, answer questions on merchandise and its availability, and identify opportunities for cross-selling additional merchandise. These customer service associates also assist customers in the selection of merchandise and can provide detailed information regarding size, color, fit, and other merchandise features. Many order taking, order status, and other service inquiry functions can also be conducted on Crosstown Traders' E-commerce sites, allowing customers to browse and shop at their own pace.

Our call-center associates enter order data into an online computerized system, which systematically updates its customer database and permits us to measure customer responses to our individual merchandise and catalog mailings. Much of the sales and inventory information is available to our buying staff on a real-time basis throughout the business day. We have achieved efficiencies in order processing and fulfillment that permit the shipment of many orders the following business day.

Table of Contents

Sourcing

We use domestic and overseas wholesale markets for our Direct-to-Consumer merchandise purchases. During Fiscal 2008 we purchased merchandise from approximately 1,100 suppliers located throughout the United States. Additionally, we purchased approximately 9% of our merchandise through a third-party agent and its overseas sourcing network. We expect to reduce our volume of purchases with the third-party agent during Fiscal 2009 through the use of our overseas sourcing operations. No other single vendor accounted for more than 4% of total Direct-to-Consumer merchandise purchases during Fiscal 2008.

Distribution and Logistics

For our Direct-to-Consumer segment, we operate several distribution centers that handle receiving, quality control inspection, and distribution directly to our Direct-to-Consumer catalog and E-commerce customers and a 900-seat call center network, which are supported by integrated systems platforms. A 288,000 square foot leased facility in Tucson, Arizona ships approximately 2,400,000 packages per year to customers of our OLD PUEBLO TRADERS, MONTEREY BAY CLOTHING COMPANY, and INTIMATE APPEAL catalogs. A separate 108,000 square foot leased facility in Tucson, which became fully operational in the first quarter of Fiscal 2007, ships approximately 1,200,000 packages per year and services footwear for all catalogs and catalog-related E-commerce sites. A 240,000 square foot leased facility in Wilmington, North Carolina ships approximately 2,200,000 packages per year to customers of our BEDFORD FAIR, WILLOW RIDGE, LANE BRYANT WOMAN, BROWNSTONE STUDIO, and LEW MAGRAM catalogs. We own 125,000 square-feet of automated distribution center space in Marshfield, Wisconsin which serves as the main distribution area for our FIGI'S catalog and ships approximately 2,300,000 packages per year. A 122,000 square-foot leased facility in Stevens Point, Wisconsin and a 46,000 square-foot owned facility in Neillsville, Wisconsin also service FIGI'S.

Our distribution and logistics operations provide adequate capacity for the foreseeable future and we continually evaluate our overall long-term distribution and logistics requirements.

PROPRIETARY CREDIT PROGRAMS

We seek to encourage sales through the promotion of our proprietary credit cards. We believe that our credit cards act as promotional vehicles by engendering customer loyalty, creating a substantial base for targeted direct-mail promotion, and encouraging incremental sales. Our FASHION BUG, LANE BRYANT, CATHERINES, PETITE SOPHISTICATE, and Crosstown Traders brands each offer our customers the convenience of proprietary credit card programs.

Our FASHION BUG credit card program accounted for approximately 33% of FASHION BUG retail sales in Fiscal 2008 and has approximately 2.1 million active accounts. Our CATHERINES credit card program accounted for approximately 34% of CATHERINES retail sales in Fiscal 2008 and has approximately 0.6 million active accounts. Our Crosstown Traders credit card program accounted for approximately 30% of Crosstown Traders apparel sales in Fiscal 2008 and has approximately 1.6 million active accounts.

Table of Contents

The LANE BRYANT credit card program accounted for approximately 29% of LANE BRYANT retail sales in Fiscal 2008 and has approximately 1.7 million active accounts. Prior to November 2007 we used a third-party bank to finance and service the LANE BRYANT credit card program. This third-party bank provided new account approval, credit authorization, billing, and account collection services. Under a non-recourse agreement with the third-party bank that expired in October 2007 we were reimbursed with respect to sales generated by the credit cards. In accordance with the terms of the agreement, we exercised our option to purchase the LANE BRYANT portfolio and purchased the portfolio on November 1, 2007 pursuant to a purchase agreement with the third-party bank. Subsequent to purchasing the portfolio, we re-launched the LANE BRYANT proprietary credit card program with the issuance of approximately 2.4 million new credit cards in connection with a new loyalty card program designed to stimulate store traffic and sales at our LANE BRYANT stores.

We launched the PETITE SOPHISTICATE credit card during the third quarter of Fiscal 2007. This program accounted for approximately 19% of PETITE SOPHISTICATE and PETITE SOPHISTICATE OUTLET retail sales in Fiscal 2008 and has approximately 37 thousand active accounts. In February 2008 we announced an initiative to close our full-line PETITE SOPHISTICATE stores (which will not affect our PETITE SOPHISTICATE OUTLET stores).

We launched the LANE BRYANT CATALOG credit card during the third quarter of Fiscal 2008. This program accounted for approximately 29% of LANE BRYANT WOMAN catalog apparel sales in Fiscal 2008 and has approximately 33 thousand active accounts.

We control credit policies and service the FASHION BUG, CATHERINES, PETITE SOPHISTICATE, LANE BRYANT CATALOG, and Crosstown Traders proprietary credit card files and, through various agreements, we securitize and sell the credit card receivables generated by these programs. As of our acquisition of the LANE BRYANT portfolio on November 1, 2007 we also control credit card policies and service the LANE BRYANT credit card file, and securitize and sell the credit card receivables generated by this program.

In addition to our Crosstown Traders credit card program, FIGI'S, one of Crosstown Traders' non-apparel catalog brands, offers interest-free, three-payment credit terms over three months to its customers, with the first payment due on a defined date 30 to 60 days after a stated holiday.

A more comprehensive description of our proprietary credit programs and our asset securitization process is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; FINANCIAL CONDITION; Off-Balance-Sheet Arrangements" and"Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements; NOTE 17. ASSET SECURITIZATION" below.

COMPETITION

The women's specialty retail apparel and direct-to-consumer businesses are highly competitive, with numerous competitors, including individual and chain fashion specialty stores, department stores, discount stores, catalog retailers, and Internet-based retailers. We cannot reasonably estimate the number of our competitors due to the large number of women's apparel and direct-to-consumer retailers. The primary elements of competition common to both our Retail Stores segment and our Direct-to-Consumer segment are merchandise style, size, selection, fit, quality, display, price, attractive website/catalog layout, efficient fulfillment of website and catalog mail orders, and personalized service to our customers. For our Retail Stores segment, store location, design, advertising, and promotion are also significant elements of competition.

Table of Contents

EMPLOYEES

As of the end of Fiscal 2008 we employed approximately 30,200 associates, which included approximately 19,900 part-time employees. In addition, we hire a number of temporary employees during the December holiday season. Approximately 80 of our employees are represented by unions whose contracts are currently due to expire in August 2009. We believe that our overall relationship with these unions and our employees in general is satisfactory.

TRADEMARKS AND SERVICEMARKS

We own, or are in the process of obtaining, all rights to the trademarks and trade names we believe are necessary to conduct our business as presently operated. "FASHION BUG®", "FASHION BUG PLUS®", "FIGURE®", "L.A. BLUES®", "STUDIO 1940®", "CATHERINES®", "CATHERINES PLUS SIZES®", "MAGGIE BARNES®", "ANN MAXWELL®", "LIZ&ME®", "SERENADA®", "RIGHT FIT BY CATHERINES™ ", "LANE BRYANT®", "LANE BRY OUTLET®", LANE BRYANT WOMAN™", "VENEZIA®", "CACIQUE®", "RIGHT FIT BY LANE BRYANT™", "PE SOPHISTICATE®", "PETITE SOPHISTICATE OUTLET®", "OLD PUEBLO TRADERS®", "BEDFORD FAIR LIFESTYLES®", "BEDFORD FAIR SHOESTYLES®", "WILLOW RIDGE®", "LEW MAGRAM®", "BROWNSTONE STUDIO®", "INTIMATE APPEAL®", "MONTEREY BAY CLOTHING COMPANY®", "HOME ETC®", "COWARD® "FIGI'S®", "SHOETRADER™", and several other trademarks and servicemarks of lesser importance to us have been registered or are in the process of being registered with the United States Patent and Trademark Office and in other countries.

We also own the following Internet domain name registrations: catherines.com, charming.com, charmingshoppes.com, fashionbug.com, fashionbugcard.com, fashionbugplus.com, figuremagazine.com, lanebryant.com, lanebryantcatalog.com, petitesophisticate.com, bedfordfair.com, brownstonestudio.com, cowardshoe.com, intimateappeal.com, lewmagram.com, willowridgecatalog.com, oldpueblotraders.com, shoetrader.com, shopthebay.com, figis.com and others of lesser importance.

EXECUTIVE OFFICES

Charming Shoppes, Inc. was incorporated in Pennsylvania in 1969. Our principal offices are located at 450 Winks Lane, Bensalem, Pennsylvania 19020. Our telephone number is (215) 245-9100.

AVAILABLE INFORMATION

Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our website at www.charmingshoppes.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Our historical filings can also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 or can be accessed directly from the SEC's website at www.sec.gov. Information on the operation of the Public Reference Room can be obtained by calling the SEC at (800) 732-0330. See "PART III; Item 10. Directors, Executive Officers, and Corporate Governance" below for additional information that is available on our Internet website.

12

Table of Contents

Item 1A. Risk Factors

You should carefully consider and evaluate all of the information in this annual report on Form 10-K and the documents incorporated by reference into this report, including the risk factors listed below. Any of these risks could materially and adversely affect our business, financial condition, and operating results, and could cause our actual results to differ materially from our plans, projections, or other forward-looking statements included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" below and elsewhere in this Report on Form 10-K and in our other public filings. The occurrence of one or more of these risks could also materially and adversely affect the price of our common stock.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business is dependent upon our ability to accurately predict rapidly changing fashion trends, customer preferences, and other fashion-related factors.

Customer tastes and fashion trends are volatile and tend to change rapidly, particularly for women's apparel. Our success depends in part on our ability to effectively predict and respond to quickly changing fashion tastes and consumer demands, and to translate market trends into appropriate, saleable product offerings. If we are unable to successfully predict or respond to changing styles or trends and misjudge the market for our products or any new product lines, our sales will be lower and we may be faced with a substantial amount of unsold inventory or missed sales opportunities. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on our business, financial condition, and results of operations.

Existing and increased competition in the women's retail apparel and direct-to-consumer markets may reduce our net revenues, profits, and market share.

The women's specialty retail apparel and direct-to-consumer markets are highly competitive. Our competitors include individual and chain fashion specialty stores, department stores, discount stores, catalog retailers, and Internet-based retailers. As a result of this competition, we are required to effectively market and competitively price our products to consumers in diverse markets, and we may experience pricing pressures, increased marketing expenditures, and loss of market share, which could have a material adverse effect on our business, financial condition, and results of operations. We believe that the principal bases upon which we compete are merchandise style, size, selection, fit, quality, display, price, attractive website/catalog layout, efficient fulfillment of website and catalog mail orders, and personalized service to our customers, as well as store location, design, advertising, and promotion. Other women's apparel and direct-to-consumer companies with greater financial resources, marketing capabilities, or brand recognition may enter the plus-size business. We cannot give assurance that we will be able to compete successfully against existing or future competitors.

During Fiscal 2008 we made certain changes in our management as part of an effort to improve our competitive position. We cannot assure that these changes in management will achieve an improvement in our competitive position.

Table of Contents

A slowdown in the United States economy, an uncertain economic outlook, and escalating energy costs could lead to reduced consumer demand for our products in the future.

Consumer spending habits, including spending for our products, are affected by, among other things, prevailing economic conditions, levels of employment, salary levels, wage rates, availability of consumer credit, consumer confidence, and consumer perception of economic conditions. A general slowdown in the United States economy, an uncertain economic outlook, and escalating energy costs have adversely affected consumer spending habits and customer traffic, which has resulted in a reduction in our net sales. A prolonged economic downturn could have a material adverse effect on our business, financial condition, and results of operations.

Maintaining and improving our operating margins are dependent on our ability to successfully control our operating costs.

In order to maintain or improve our operating margins we need to successfully manage our operating costs. Our inability to successfully manage labor costs, increases in certain costs vital to catalog operations, such as postage, paper, and acquisition of prospects, occupancy costs, or other operating costs, or our inability to take advantage of opportunities to reduce operating costs, would adversely affect our operating margins and our results of operations. We are subject to the Fair Labor Standards Act and various state and Federal laws and regulations governing such matters as minimum wages, exempt status classification, overtime, and employee benefits. Changes in Federal or state laws or regulations regarding minimum wages or other employee benefits could cause us to incur additional wage and benefit costs, which could adversely affect our results of operations. In addition, we may be unable to obtain adequate insurance coverage for our operations at a reasonable cost.

During Fiscal 2008 we began the implementation of our plan for the consolidation of operations and a new organizational structure at our CATHERINES brand. In February 2008 we announced additional initiatives and actions designed to: streamline our business operations and further sharpen our focus on our core businesses, including the closing of our full-line PETITE SOPHISTICATE stores; reduce operating expenses and capital expenditures; improve cash flow; and enhance shareholder value. We cannot assure the realization of our anticipated annualized expense savings or other benefits from the implementation of these plans.

We may not be able to obtain sufficient working capital financing.

Our business requires substantial investment in our inventory for a long period before sales of that inventory occur. Consequently, we require significant amounts of working capital financing. We depend on the availability of credit to fund our working capital, including credit we receive from our suppliers and their agents, on our credit card securitization program, and on our revolving credit facility. If we are unable to obtain sufficient financing at an affordable cost, we might be unable to adequately merchandise our stores, E-commerce, or catalog businesses, which could have a material adverse effect on our business, financial condition, and results of operations.

We have traditionally relied upon the securitization market to finance our proprietary credit card receivables. The current disruption in the securitization market caused by, among other things, an increased default rate on residential mortgage loans, an increase in the number of rating downgrades with respect to bonds issued in connection with the securitization of loans, the lack of liquidity in the bond market, and the financial condition of many companies that typically participate in this market may negatively affect our ability to enter into financing arrangements on terms and conditions that are favorable to us. An inability to enter into a favorable securitization series or satisfactory alternative financing arrangements could adversely affect our financial condition.

Table of Contents

Our operating results fluctuate from season to season.

Our retail store and direct-to-consumer operations experience seasonal fluctuations in net sales and consequently in operating income, with peak sales typically occurring during the Easter, Labor Day, and December holiday seasons. In addition, extreme or unseasonable weather can affect our sales. Any decrease in net sales or margins during our peak selling periods, or in the availability of working capital needed in the months before these periods, could have a material adverse effect on our business, financial condition, and results of operations.

We usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, including perishable products for our FIGI'S food and gift catalog, before the peak selling periods. If we are not successful in selling our inventory, especially during our peak selling periods, we may be forced to rely on markdowns or promotional sales to dispose of the inventory or we may not be able to sell the inventory at all, which could have a material adverse effect on our business, financial condition, and results of operations.

We face challenges in managing our recent growth.

Our operating challenges and management responsibilities are increasing as we continue to grow and expand into new store formats and additional distribution channels. Successful growth will require that we continue to expand and improve our internal systems and our operations, including our distribution infrastructure.

Our growth plan for our Retail Stores segment depends on our ability to open and operate new retail stores and to convert, where applicable, the formats of existing stores on a profitable basis. In addition, we will need to identify, hire, and retain a sufficient number of qualified personnel to work in our stores. During Fiscal 2007 we entered the outlet distribution channel and in Fiscal 2008 we expanded the number of stores in this channel. During Fiscal 2008 we also expanded the number of stores using a double-store-front format. In addition, we re-launched our LANE BRYANT credit card program and related loyalty card program during Fiscal 2008.

During Fiscal 2008 the LANE BRYANT catalog trademark, which was licensed to a third party, reverted to us and we launched our LANE BRYANT WOMAN catalog and a related website. Growth in our Direct-to-Consumer segment is dependent on sufficient response rates to our catalogs and Internet websites and access to new customers, which may not occur.

These objectives have created, and may continue to create, additional demands on our staff and on our operating systems. We cannot assure the successful implementation of our business plan for our Retail Stores and Direct-to-Consumer segments, or that we will achieve our objectives as quickly or as effectively as we hope.

We depend on key personnel and may not be able to retain or replace these employees or recruit additional qualified personnel.

Our success and our ability to execute our business strategy depend largely on the efforts and abilities of our Chief Executive Officer, Dorrit J. Bern, and her management team. The loss of services of one or more of our key personnel could have a material adverse effect on our business, as we may not be able to find suitable management personnel to replace departing executives on a timely basis. We do not maintain key-person life insurance policies with respect to any of our employees.

15

Table of Contents

Our business plan is largely dependent upon continued growth in the plus-size women's apparel market.

Our business is primarily focused on sales of plus-size women's apparel, which represents a majority of our total net sales. Our operating results could be adversely affected by a lack of continued growth in the plus-size women's apparel market.

We could be materially and adversely affected if any of our distribution or fulfillment centers are shut down.

We operate distribution centers in Greencastle, Indiana, and Baltimore County, Maryland, and we operate catalog fulfillment centers in Tucson, Arizona; Marshfield, Wisconsin; Stevens Point, Wisconsin; and Wilmington, North Carolina. In addition, we use third-party freight consolidators and service providers in Indianapolis, Indiana; Abingdon, Maryland; Los Angeles, California; Miami, Florida; and North Bergen, New Jersey. Most of the merchandise we purchase is shipped directly to our distribution and fulfillment centers or freight consolidators where it is prepared for shipment to the appropriate stores or to the customer. If any of our distribution centers, fulfillment centers, or freight consolidators were to shut down or lose significant capacity for any reason, the other locations may not be able to adequately support the resulting additional distribution demands, in part because of capacity constraints and in part because each location services a particular brand or brands. As a result, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores or customers during the time it takes for us to reopen or replace the affected distribution center, fulfillment center, or freight consolidator.

The occurrence of, or threat of, a natural disaster, war, acts of terrorism or other armed conflict on the United States or international economies may negatively impact the availability of merchandise and otherwise adversely impact our business.

The occurrence of, or threat of, a natural disaster, war, acts of terrorism, or other armed conflict could negatively affect our ability to obtain merchandise for sale in our stores or through our direct-to-consumer business. A significant portion of our merchandise is imported from other countries. If imported goods become difficult or impossible to bring into the United States and we cannot obtain such merchandise from other sources at similar costs, our net sales and profit margins may be adversely impacted. If commercial transportation is curtailed or substantially delayed our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution centers, fulfillment centers, freight consolidators, stores, or our direct-to-consumer customers. As a result of the occurrence of, or threat of, a natural disaster or acts of terrorism in the United States we may be required to suspend operations in some or all of our stores, which could have a material adverse impact on our business, financial condition, and results of operations.

Our inability to successfully manage customer service or fulfillment for our E-commerce websites or our catalog business could adversely impact our operating results.

Successful management of our E-commerce and catalog operations is dependent on our ability to maintain efficient and uninterrupted customer service and order fulfillment. Inadequate systems capacity, a disruption or slowdown in telecommunications services, changes in technology, changes in government regulations, systems issues, security breaches, a failure to integrate order management systems, or customer privacy issues could result in reduced sales or increases in operating expenses as a result of our efforts or our inability to remedy such issues. In addition, we may not be able to hire sufficient qualified associates to support our E-commerce or catalog operations during peak periods, especially during the December holiday season. The occurrence of one or more of these events could adversely affect our E-commerce or catalog businesses.

Table of Contents

We rely on foreign sources of production.

We purchase a significant portion of our apparel directly in foreign markets and indirectly through domestic vendors with foreign sources. We face a variety of risks generally associated with doing business in foreign markets and importing merchandise from abroad. Such risks include (but are not necessarily limited to):

- political instability;
- increased security requirements applicable to imported goods;
- trade restrictions;
- imposition of or changes in duties, quotas, taxes, and other charges on imports;
- currency and exchange risks;
- issues relating to compliance with domestic or international labor standards;
- concerns over anti-dumping;
- delays in shipping; or
- increased costs of transportation.

New requirements could be proposed that would have an impact on the trading status of certain countries and could include retaliatory duties or other trade sanctions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries. In addition, the decreased value of the U.S. dollar against foreign currencies has increased the cost of products that we purchase from foreign markets and additional weakening of the U.S. dollar in relation to those foreign currencies will further increase our costs. The future performance of our business will depend on our foreign suppliers and may be adversely affected by the factors listed above, which are beyond our control.

Issues of global workplace conditions may adversely affect our business.

If any one of our manufacturers or vendors fails to operate in compliance with applicable laws and regulations, is perceived by the public as failing to meet certain labor standards in the United States, or employs unfair labor practices, our business could be adversely affected. Current global workplace concerns of the public include perceived low wages, poor working conditions, age of employees, and various other employment standards. These globalization issues may affect the available supply of certain manufacturers' products, which may result in increased costs to us. Furthermore, a negative customer perception of any of our key vendors or their products may result in a lower customer demand for our apparel.

We depend on strip shopping center and mall traffic and our ability to identify suitable store locations for our Retail Stores segment.

Our sales are dependent in part on a high volume of strip shopping center and mall traffic. Strip shopping center and mall traffic may be adversely affected by, among other things, economic downturns, the closing of anchor stores, or changes in customer shopping preferences. A decline in the popularity of strip shopping center or mall shopping among our target customers could have a material adverse effect on our business. To take advantage of customer traffic and the shopping preferences of our customers we need to maintain or acquire stores in desirable locations. We cannot assure that desirable store locations will continue to be available. Acquisition of additional store locations is also dependent on our ability to successfully negotiate lease terms for such locations. In addition, the timely opening of new store locations could be adversely affected by delays in obtaining necessary permits and approvals, lack of availability of construction materials and labor, or work stoppages.

Table of Contents

We may be unable to protect our trademarks and other intellectual property rights.

We believe that our trademarks and servicemarks are important to our success and our competitive position due to their name recognition with our customers. We devote substantial resources to the establishment and protection of our trademarks and servicemarks on a worldwide basis. Nevertheless, there can be no assurance that the actions we have taken to establish and protect our trademarks and servicemarks will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of their trademarks, servicemarks, or proprietary rights. Also, others may assert rights in, or ownership of, our trademarks and other proprietary rights and we may not be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States.

We may acquire or divest businesses or enter into joint ventures or strategic alliances, which may materially affect our business, financial condition, and operating results.

We continually evaluate our portfolio of businesses and may decide to buy or sell businesses or enter into joint ventures or other strategic alliances. Significant acquisitions and alliances may increase demands on management, financial resources, and information and internal control systems. Our success with respect to acquisitions and alliances will depend, in part, on our ability to manage and integrate acquired businesses and alliances with our existing businesses and to successfully implement, improve, and expand our systems, procedures, and controls. In addition, we may divest existing businesses, which would cause a decline in revenues and may make our financial results more volatile. If we fail to integrate and manage acquired businesses successfully or to manage the risks associated with divestitures, joint ventures, or other alliances, our business, financial condition, and operating results could be materially and adversely affected.

OTHER RISKS

Anti-takeover provisions in our governing documents and Pennsylvania law may discourage other companies from attempting to acquire us.

Some provisions of our articles of incorporation and bylaws and of Pennsylvania law may discourage some transactions where we would otherwise experience a change in control. For example, our articles of incorporation and bylaws contain provisions that:

- classify our board into three classes, with one class being elected each year;
- do not permit cumulative voting;
- permit our board to issue "blank check" preferred stock without shareholder approval;
- require certain advance notice procedures with regard to the nomination of candidates for election as directors, other than nominations by or at the direction of our board;
- prohibit us from engaging in some types of business combinations with a holder of 10% or more of our voting securities without super-majority shareholder or board approval;
- prevent our directors from being removed without cause except upon super-majority shareholder approval; and
- prevent a holder of 20% or more of our common stock from taking certain actions without certain approvals.

18

Table of Contents

We also have adopted a Shareholder Rights Plan. This plan may make it more difficult and more expensive to acquire us, and may discourage open market purchases of our common stock or a non-negotiated tender or exchange offer for such stock and, accordingly, may limit a shareholder's ability to realize a premium over the market price of our common stock in connection with any such transaction.

Failure to comply with the provisions of the Sarbanes-Oxley Act of 2002 could adversely affect our business.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 we are required to include our assessment of the effectiveness of our internal control over financial reporting in our annual reports. Our independent registered public accounting firm is required to report on whether or not they believe that we maintained, in all material respects, effective internal control over financial reporting. If we are unable to maintain effective internal control over financial reporting, we could be subject to regulatory sanctions and a possible loss of public confidence in the reliability of our financial reporting. Such a failure could result in our inability to provide timely and/or reliable financial information and could adversely affect our business.

We could be required to repurchase our 1.125% Senior Convertible Notes due May 1, 2014 for cash prior to maturity of the notes.

During Fiscal 2008 we issued $275.0 million principal amount of 1.125% Senior Convertible Notes due May 1, 2014 (the “1.125% Notes”) in a private offering for resale to qualified institutional buyers pursuant to Rule 144A under The Securities Act of 1933. The holders of the 1.125% Notes could require us to repurchase the principal amount of the notes for cash before maturity of the notes under certain circumstances (see “Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; NOTE 8. LONG-TERM DEBT” below). Such a repurchase would require significant amounts of cash and could adversely affect our financial condition.

New accounting rules or regulations or changes in existing rules or regulations could adversely impact our reported results of operations.

Changes to existing accounting rules or the adoption of new rules could have an adverse effect on our reported results of operations. The Financial Accounting Standards Board (“FASB”) has issued a proposed FASB Staff Position (“FSP”) that, if adopted, would apply to any convertible debt instrument that may be settled in whole or in part with cash upon conversion, which would include our 1.125% Senior Convertible Notes due May 2014. If the proposed FSP is approved in 2008 we would be required to adopt the proposal as of February 3, 2009 (the beginning of Fiscal 2010), with retrospective application to financial statements for periods prior to the date of adoption. As compared to our current accounting for the 1.125% Notes, adoption of the proposal would reduce long-term debt, increase stockholders’ equity, and reduce net income and earnings per share. Adoption of the proposal would not affect our cash flows.

Table of Contents

Changes in estimates related to our evaluation of property, plant, equipment, goodwill, or intangible assets for impairment could adversely affect our reported results of operations.

We make certain significant assumptions, estimates, and projections related to the useful lives of our property, plant, and equipment and the valuation of goodwill and intangible assets related to acquisitions. The carrying amount and/or useful life of these assets are subject to periodic valuation tests for impairment. Impairment results when the carrying value of an asset exceeds the undiscounted (or for goodwill and indefinite-lived intangible assets the discounted) future cash flows associated with the asset. If actual experience were to differ materially from the assumptions, estimates, and projections used to determine useful lives or the valuation of property, plant, equipment, goodwill, or intangible assets, a write-down for impairment of the carrying value of the assets, or acceleration of depreciation or amortization of the assets, could result. Such a write-down or acceleration of depreciation or amortization could have an adverse impact on our reported results of operations. During Fiscal 2008 we recognized non-cash impairment charges of $86.8 million related to our Crosstown Traders goodwill and $11.4 million related to our Crosstown Traders trademarks.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We lease all our stores with the exception of three stores that we own. Typically, our store leases have initial terms of 5 to 20 years and generally contain provisions for co-tenancies, renewal options, additional rents based on a percentage of sales, and payment of real estate taxes and common area charges. In addition, we lease certain of our corporate office, distribution center, warehouse, and other administrative facilities. Additional information with respect to our real estate leases is included in "Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements; NOTE 18. LEASES" below.

With respect to leased stores open as of February 2, 2008 the following table shows the number of store leases expiring during the calendar periods indicated, assuming the exercise of our renewal options:

Period	Number of Leases Expiring(1)
2008	153(2)
2009 – 2013	654
2014 – 2018	561
2019 – 2023	606
2024 – 2028	373
2029 – 2033	45
Thereafter	14

(1) Excludes 2 Crosstown Traders outlet stores.

(2) Includes 77 stores on month-to-month leases.

Table of Contents

Additional information with respect to facilities that we own or lease is as follows:

Size in Sq. Feet	Location	Leased/ Owned	Description
1,000,000	Greencastle, IN	Owned	FASHION BUG, LANE BRYANT OUTLET, and PETITE SOPHISTICATE OUTLET distribution center
513,000	White Marsh, MD	Owned	LANE BRYANT and CATHERINES distribution center
288,000	Tucson, AZ	Leased	Crosstown Traders distribution center
240,000	Wilmington, NC	Leased	Crosstown Traders distribution center
213,000	Memphis, TN	Owned	Warehouse (currently leased to a third party)
145,000	Bensalem, PA	Owned	Corporate headquarters, technology center, and administrative offices
142,000	Bensalem, PA	Leased	FASHION BUG, CATHERINES, and outlet division home offices and corporate administrative offices
135,000	Columbus, OH	Leased	LANE BRYANT home office
125,000	Marshfield, WI	Owned	Crosstown Traders distribution center
122,000	Stevens Point, WI	Leased	Crosstown Traders distribution and call centers
108,000	Tucson, AZ	Leased	Crosstown Traders distribution center
71,000	Marshfield, WI	Owned	Crosstown Traders warehouse
64,000	Marshfield, WI	Owned	Crosstown Traders administrative offices and call center
63,000	Memphis, TN	Owned	Currently idle
52,000	Tucson, AZ	Leased	Crosstown Traders offices
46,000	Neillsville, WI	Owned	Crosstown Traders distribution center
40,000	Marshfield, WI	Owned	Crosstown Traders warehouse
36,000	Tucson, AZ	Leased	Crosstown Traders offices
30,000	Miami Township, OH	Leased	Spirit of America National Bank (our wholly-owned credit card bank subsidiary) and credit operations
23,000	Hong Kong, PRC	Owned	International sourcing offices
17,000	New York, NY	Leased	E-commerce operations
16,000	Marshfield, WI	Owned	Crosstown Traders manufacturing facility
15,000	Tucson, AZ	Leased	Crosstown Traders offices
12,000	Hangzhou, PRC	Leased	International sourcing offices

Item 3. Legal Proceedings

On March 7, 2008 we filed a lawsuit against Crescendo Partners II, L.P. and its general partner Crescendo Investments II, LLC; Crescendo Partners III, L.P. and its general partner Crescendo Investments III, LLC; and Myca Master Fund, Ltd. and its investment manager Myca Partners, Inc. operating jointly under the name of The Charming Shoppes Full Value Committee, and certain of their principals and nominees for election to our Board of Directors, 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, we asserted that the defendants 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 our board of directors. On March 25, 2008 we 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 the defendants' nominees to the board would violate Section 8 of the Clayton Antitrust Act.

21

Table of Contents

We have asked the Court to enjoin the defendants 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 our stock that they unlawfully acquired in violation of the Federal securities laws.

Other than the foregoing and other ordinary routine litigation incidental to our business, there are no pending material legal proceedings that we or any of our subsidiaries are a party to, or of which any of their property is the subject. There are no proceedings that are expected to have a material adverse effect on our financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Additional Part I Information –Executive Officers of the Registrant

The following list contains certain information relative to our executive officers. There are no family relationships among any of our executive officers.

Dorrit J. Bern, 57, has served as Chairman of the Board of Directors since January 1997. She has also served as President and Chief Executive Officer since September 1995. Ms. Bern's term as a Director expires in June 2008. With effect from February 1, 2008 we entered into an employment agreement with Ms. Bern describing her duties and obligations as Chief Executive Officer.

Joseph M. Baron, 60, has served as Executive Vice President and Chief Operating Officer since 2002.

James G. Bloise, 64, has served as Executive Vice President – Supply Chain Management, Information Technology, and Shared Business Services since December 2005 and as Senior Vice President – Supply Chain Management from 2002 to December 2005.

Michel Bourlon, 48, has served as Executive Vice President – Sourcing since March 2004. Before that, he served as Managing Director of Eddie Bauer International (Hong Kong) Ltd., from September 1997 to February 2004.

Anthony A. DeSabato, 59, has served as Executive Vice President – Corporate and Labor Relations, and Business Ethics since July 2003. Before that, he served as Executive Vice President and Corporate Director of Human Resources since 1990, and he has been employed by us since 1987.

Eric M. Specter, 50, has served as Executive Vice President – Chief Financial Officer since January 1997, and he has been employed by us since 1983.

Colin D. Stern, 59, has served as Executive Vice President and General Counsel since 1990, and he has been employed by us since 1989. He has also served as Secretary since February 1998.

22

Table of Contents

Gale H. Varma, 57, has served as Executive Vice President – Human Resources since July 2003. Before that, she served as Division Vice President – Human Resources and Ethics Officer for the Prudential Institutional Employee Benefits division of Prudential Financial Services, a division of Prudential Insurance Company of America, from September 1997 to April 2003.

Timothy M. White, 49, has served as Executive Vice President – Chief Marketing Officer since October 2007 and as Senior Vice President – Marketing from July 2006 to October 2007. Before that he served as Senior Vice President – Marketing for Linens-N-Things from June 2002 to June 2006.

John J. Sullivan, 61, has served as Senior Vice President – Corporate Controller since April 2007 and as Vice President – Corporate Controller since October 1998.

23

Table of Contents

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Our common stock is traded on the over-the-counter market and quoted on the NASDAQ National Market ("NASDAQ") under the symbol "CHRS," and is listed and traded on the Chicago Board Options Exchange ("CBOE") and Pacific Stock Exchange ("PCX") under the symbol "QSR." The following table sets forth the high and low sale prices for our common stock during the indicated periods, as reported by NASDAQ.

	Fiscal 2008		Fiscal 2007	
	High	Low	High	Low
1st Quarter	$ 13.38	$ 11.33	$ 15.18	$ 11.90
2nd Quarter	12.92	9.16	14.90	9.97
3rd Quarter	9.72	6.79	15.35	9.69
4th Quarter	7.34	4.01	15.57	12.30

The approximate number of holders of record of our common stock as of March 24, 2008 was 1,689. This number excludes individual stockholders holding stock under nominee security position listings.

We have not paid any dividends since 1995 and we do not expect to declare or pay any dividends on our common stock in the near future. The payment of future dividends is within the discretion of our Board of Directors and will depend upon our future earnings, if any, our capital requirements, our financial condition, and other relevant factors. Our existing revolving credit facility allows the payment of dividends on our common stock subject to maintaining a minimum level of Excess Availability (as defined in the facility agreement) for 30 days before and immediately after the payment of such dividends. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; FINANCIAL CONDITION; Financing; Long-term Debt" and "Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; NOTE 8. LONG-TERM DEBT" below).

Information regarding our equity compensation plans appears in "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" below.

Table of Contents

Purchases of Equity Securities by the Issuer and Affiliated Purchasers:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
November 4, 2007 through December 1, 2007	503,097(1)	$ 7.05	500,000(4)	
December 2, 2007 through January 5, 2008	801,074(2)	5.12	800,000(4)	
January 6, 2008 through February 2, 2008	958,185(3)	4.94	953,132(4)	
Total	2,262,356	$ 5.48	2,253,132	(4)(5)

(1) Includes 3,097 shares ($6.55 average price paid per share) withheld for the payment of payroll taxes on employee stock awards that vested during the period and 500,000 shares ($7.06 average price paid per share) purchased in the open market (see Note (4) below).

(2) Includes 1,074 shares ($4.82 average price paid per share) withheld for the payment of payroll taxes on employee stock awards that vested during the period and 800,000 shares ($5.12 average price paid per share) purchased in the open market (see Note (4) below)

(3) Includes 5,053 shares ($4.94 average price paid per share) withheld for the payment of payroll taxes on employee stock awards that vested during the period and 953,132 shares ($4.94 average price paid per share) purchased in the open market (see Note (4) below)

(4) In Fiscal 1998 we publicly announced that our Board of Directors granted authority to repurchase up to 10,000,000 shares of our common stock. In Fiscal 2000 we publicly announced that our Board of Directors granted authority to repurchase up to an additional 10,000,000 shares of our common stock. In Fiscal 2003 the Board of Directors granted an additional authorization to repurchase 6,350,662 shares of common stock issued to Limited Brands, Inc. ("Limited Brands") in connection with our acquisition of LANE BRYANT. From Fiscal 1998 through November 3, 2007 we repurchased a total of 22,597,969 shares of stock, which included shares purchased on the open market as well as shares repurchased from Limited Brands. During the period from November 4, 2007 through February 2, 2008 we repurchased a total of 2,253,132 shares of stock ($5.48 average price paid per share) in the open market under these programs. As of February 2, 2008, 1,499,561 shares of our common stock remain available for repurchase under these programs. The repurchase programs have no expiration date.

(5) On November 8, 2007 we publicly announced that our Board of Directors granted authority to repurchase shares of our common stock up to an aggregate value of $200 million. Shares may be purchased in the open market or through privately-negotiated transactions, as market conditions allow. As of February 2, 2008 no shares have been purchased under this plan. This repurchase program has no expiration date.

Table of Contents

The following graph shows a five-year comparison of cumulative total returns on our Common Stock, the Russell 2000 Composite Index, and the Dow Jones U.S. Retailers – Apparel Index:

The above chart was plotted using the following data:

	2/1/03	1/31/04	1/29/05	1/28/06	2/3/07	2/2/08
Charming Shoppes, Inc.	$100	$176	$240	$375	$394	$205
Russell 2000 Composite Index	100	105	112	135	151	138
Dow Jones U.S. Retailers – Apparel Index	100	134	162	184	223	176

Table of Contents

Item 6. Selected Financial Data

The following table presents selected financial data taken from our audited financial statements for our five fiscal years ended as of January 31, 2004 through February 2, 2008 and should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

CHARMING SHOPPES, INC. AND SUBSIDIARIES
FIVE-YEAR COMPARATIVE SUMMARY

			Year Ended		
	Feb. 2,	Feb. 3,	Jan. 28,	Jan. 29,	Jan. 31,
(Dollars in thousands, except per share amounts)	2008(1)	2007(1)(2)	2006(1)	2005	2004
Operating Statement Data:					
Net sales	$ 3,009,953	$ 3,067,517	$ 2,755,725	$ 2,334,736	$ 2,288,363
Cost of goods sold, buying, catalog, and occupancy expenses	2,198,865	2,141,884	1,914,347	1,642,650	1,645,499
Selling, general, and administrative expenses	777,461	753,109	678,753	577,301	558,248
Impairment of goodwill and trademarks	98,219(3)	0	0	0	0
Restructuring charges	14,357(4)	0	0	0	0
Expenses related to cost reduction plan	0	0	0	605(5)	11,534(5)
Total operating expenses	3,088,902	2,894,993	2,593,100	2,220,556	2,215,281
Income/(loss) from operations	(78,949)	172,524	162,625	114,180	73,082
Other income	8,793	8,345	7,687	3,098	2,192
Interest expense	(10,552)	(14,746)			