

CHARMING SHOPPES INC

Form 10-Q

June 02, 2011

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

FORM 10-Q

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

For the quarterly period ended April 30, 2011

Or

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

For the transition period from _____ to _____

Commission File No. 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.)

3750 STATE ROAD, BENSALEM, PA 19020
(Address of principal executive offices) (Zip
Code)

(215) 245-9100
(Registrant's telephone number,
including Area Code)

NOT APPLICABLE

(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files):

Yes No

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

Non-accelerated Filer

Accelerated Filer

Smaller Reporting Company

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

Yes No

The number of shares outstanding of the issuer's Common Stock (par value \$.10 per share) as of May 27, 2011 was 116,246,911 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CHARMING SHOPPES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| (In thousands, except share amounts) | April 30, 2011 (Unaudited) | January 29, 2011 |
|---|----------------------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 180,403 | \$ 117,482 |
| Accounts receivable, net of allowances of \$6,068 and \$5,667 | 10,178 | 36,568 |
| Merchandise inventories | 304,715 | 282,248 |
| Deferred taxes | 3,153 | 3,153 |
| Prepayments and other | 102,738 | 98,458 |
| Total current assets | 601,187 | 537,909 |
| Property, equipment, and leasehold improvements – at cost | | |
| Less accumulated depreciation and amortization | 1,010,596 | 1,028,843 |
| Net property, equipment, and leasehold improvements | 766,590 | 772,895 |
| Trademarks, tradenames, and internet domain names | 244,006 | 255,948 |
| Goodwill | 187,132 | 187,132 |
| Other assets | 23,436 | 23,436 |
| Total assets | 18,258 | 18,233 |
| | \$ 1,074,019 | \$ 1,022,658 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 137,783 | \$ 107,882 |
| Accrued expenses | 143,625 | 142,002 |
| Current portion – long-term debt | 11,073 | 11,449 |
| Total current liabilities | 292,481 | 261,333 |
| Deferred taxes | 52,352 | 51,466 |
| Other non-current liabilities | 159,733 | 167,089 |
| Long-term debt, net of debt discount of \$22,979 and \$24,679 | 128,815 | 128,350 |
| Stockholders' equity | | |
| Common Stock \$.10 par value: | | |
| Authorized – 300,000,000 shares | | |
| Issued – 154,860,930 shares and 154,185,373 shares | 15,486 | 15,419 |
| Additional paid-in capital | 508,777 | 508,664 |
| Treasury stock at cost – 38,617,180 shares | (348,400) | (348,400) |
| Retained earnings | 264,775 | 238,737 |

| | | |
|--|-------------|-------------|
| Total stockholders' equity | 440,638 | 414,420 |
| Total liabilities and stockholders' equity | \$1,074,019 | \$1,022,658 |

See Notes to Condensed Consolidated Financial Statements

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| (In thousands, except per share amounts) | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | April 30, 2011 | May 1, 2010 |
| Net sales | \$504,353 | \$504,805 |
| Cost of goods sold | 219,032 | 228,216 |
| Gross profit | 285,321 | 276,589 |
| Occupancy and buying expenses | 89,411 | 92,224 |
| Selling, general, and administrative expenses | 155,247 | 159,173 |
| Depreciation and amortization | 14,408 | 16,811 |
| Gain from sale of office premises | (5,185) | 0 |
| Restructuring and other charges/(credits) | (613) | 889 |
| Total operating expenses | 253,268 | 269,097 |
| Income from operations | 32,053 | 7,492 |
| Other income | 141 | 138 |
| Interest expense | (3,776) | (4,474) |
| Income before income taxes | 28,418 | 3,156 |
| Income tax provision/(benefit) | 2,380 | (739) |
| Net income | \$26,038 | \$3,895 |
| Basic net income per share | \$0.22 | \$0.03 |
| Diluted net income per share | \$0.22 | \$0.03 |

See Notes to Condensed Consolidated Financial Statements

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Thirteen Weeks Ended | |
|--|----------------------|----------------|
| | April 30, 2011 | May 1, 2010 |
| Operating activities | | |
| Net income | \$26,038 | \$3,895 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 15,099 | 17,039 |
| Stock-based compensation | 1,031 | 1,074 |
| Accretion of discount on 1.125% Senior Convertible Notes | 1,700 | 2,137 |
| Deferred income taxes | 886 | (1,604) |
| Write-down of capital assets due to restructuring | 558 | 0 |
| Net (gain)/loss from disposition of capital assets | (5,157) | 538 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 26,390 | 24,956 |
| Merchandise inventories | (22,467) | (35,674) |
| Accounts payable | 29,901 | 17,105 |
| Prepayments and other | (4,280) | (10,853) |
| Accrued expenses and other | (2,355) | (4,427) |
| Net cash provided by operating activities | 67,344 | 14,186 |
| Investing activities | | |
| Investment in capital assets | (8,888) | (7,763) |
| Proceeds from sales of capital assets | 7,521 | 0 |
| Proceeds from sales of securities | 0 | 200 |
| (Increase)/decrease in other assets | (594) | 10 |
| Net cash used by investing activities | (1,961) | (7,553) |
| Financing activities | | |
| Repayments of long-term borrowings | (1,611) | (1,543) |
| Net payments of taxes withheld from shares issued under employee stock plans | (851) | (342) |
| Net cash used by financing activities | (2,462) | (1,885) |
| Increase in cash and cash equivalents | 62,921 | 4,748 |
| Cash and cash equivalents, beginning of period | 117,482 | 186,580 |
| Cash and cash equivalents, end of period | \$180,403 | \$191,328 |

See Notes to Condensed Consolidated Financial Statements

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Note 1. Condensed Consolidated Financial Statements

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”). In our opinion, we have made all adjustments (which, except as otherwise disclosed in these notes, include only normal recurring adjustments) necessary to present fairly our financial position, results of operations, and cash flows. We have condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles. These financial statements and related notes should be read in conjunction with our financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2011. The results of operations for the thirteen weeks ended April 30, 2011 and May 1, 2010 are not necessarily indicative of operating results for the full fiscal year. As used in these notes, the terms “the Company,” “we,” “us,” and “our” refer to Charming Shoppes, Inc. and, where applicable, our consolidated subsidiaries.

Segment Reporting

We operate and report in two segments: Retail Stores and Direct-to-Consumer. We determine our operating segments based on the way our chief operating decision-makers review our results of operations. Additional information regarding our segment reporting is included in “Note 9. Segment Reporting” below.

Note 2. Accounts Receivable

Accounts receivable consist of trade receivables from sales through our FIGI’S® catalog and website. Details of our accounts receivable are as follows:

| (In thousands) | April 30, 2011 | January 29, 2011 |
|---------------------------------|-------------------|---------------------|
| Due from customers | \$ 16,246 | \$ 42,235 |
| Allowance for doubtful accounts | (6,068) | (5,667) |
| Net accounts receivable | \$ 10,178 | \$ 36,568 |

Note 3. Long-term Debt

| (In thousands) | April 30, 2011 | January 29, 2011 |
|---|-------------------|---------------------|
| 1.125% Senior Convertible Notes, due May 2014 | \$ 140,451 | \$ 140,451 |
| Capital lease obligations | 5,879 | 6,749 |
| 6.07% mortgage note, due October 2014 | 8,842 | 9,035 |
| 6.53% mortgage note, due November 2012 | 2,100 | 2,450 |
| 7.77% mortgage note, due December 2011 | 5,595 | 5,793 |

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| | | |
|--|------------|------------|
| Total long-term debt principal | 162,867 | 164,478 |
| Less unamortized discount on 1.125% Senior Convertible Notes | (22,979) | (24,679) |
| Long-term debt – carrying value | 139,888 | 139,799 |
| Current portion | (11,073) | (11,449) |
| Net long-term debt | \$ 128,815 | \$ 128,350 |

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 3. Long-term Debt (Continued)

We have a loan and security agreement (the “Agreement”) for a \$225,000,000 senior secured revolving credit facility that provides for committed revolving credit availability through July 31, 2012. The amount of credit available from time to time under the Agreement is determined as a percentage of the value of eligible inventory, accounts receivable, and cash, as reduced by certain reserves. In addition, the Agreement includes an option allowing us to increase our credit facility up to \$300,000,000, based on certain terms and conditions. The credit facility may be used for general corporate purposes, and provides that up to \$100,000,000 of the \$225,000,000 may be used for letters of credit.

The Agreement provides for borrowings under either “Base Rate” loans or “Eurodollar Rate” loans. Borrowings under Base Rate loans will generally accrue interest at a margin ranging from 2.75% to 3.25% over the Base Rate (as defined in the Agreement) and Eurodollar Rate loans will generally accrue interest at a margin ranging from 3.75% to 4.25% over the London Interbank Offered Rate (“LIBOR”). As of April 30, 2011 the applicable rates under the facility were 6.00% (Base Rate plus 2.75%) for Base Rate Loans and 3.96% (LIBOR plus 3.75%) for Eurodollar Rate Loans.

The Agreement provides for customary representations and warranties and affirmative covenants. The Agreement also contains customary negative covenants providing limitations, subject to negotiated exceptions, for sales of assets; encumbrances; indebtedness; loans, advances and investments; acquisitions; guarantees; new subsidiaries; dividends and redemptions; transactions with affiliates; changes in business; limitations or restrictions affecting subsidiaries; credit card agreements; proprietary credit cards; and changes in control of certain of our subsidiaries. At any time during which “Excess Availability” (as defined in the Agreement) is less than \$40,000,000 we will be required to maintain a minimum fixed charge coverage ratio of at least 1.1 to 1 for the then preceding twelve-month fiscal period. The Agreement also provides for certain rights and remedies if there is an occurrence of one or more events of default under the terms of the Agreement. Under certain conditions the maximum amount available under the Agreement may be reduced or terminated by the lenders and the obligation to repay amounts outstanding under the Agreement may be accelerated.

In connection with the Agreement we executed an Amended and Restated Guaranty (the “Amended Guaranty”). Pursuant to the Amended Guaranty, we and most of our subsidiaries jointly and severally guaranteed the borrowings and obligations under the Agreement, subject to standard insolvency limitations. Under the Amended Guaranty, collateral for the borrowings under the Agreement consists of pledges by us and certain of our subsidiaries of the capital stock of each such entity’s subsidiaries. The Agreement also provides for a security interest in substantially all of our assets excluding, among other things, equipment, real property, and stock or other equity and assets of excluded subsidiaries. Excluded subsidiaries are not Guarantors under the Agreement and the Amended Guaranty.

As of April 30, 2011 we had an aggregate total of \$3,072,000 of unamortized deferred debt acquisition costs related to the facility that will be amortized on a straight-line basis over the life of the facility as interest expense. There were no borrowings outstanding under the facility as of April 30, 2011.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 4. Stockholders' Equity

The following table summarizes changes in total stockholders' equity for the period indicated:

| | Thirteen Weeks Ended April 30, 2011 |
|---|---|
| (Dollars in thousands) | |
| Total stockholders' equity, beginning of period | \$414,420 |
| Net income | 26,038 |
| Issuance of common stock (675,557 shares), net of shares withheld for payroll taxes | (851) |
| Stock-based compensation | 1,031 |
| Total stockholders' equity, end of period | \$440,638 |

Note 5. Stock-based Compensation Plans

We have various stock-based compensation plans under which we are currently granting awards, which are more fully described in "Item 8. Financial Statements and Supplementary Data; Note 9. Stock-Based Compensation Plans" of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011. Current grants of stock-based compensation consist primarily of stock appreciation rights ("SARs") and restricted stock units ("RSUs").

Stock option and SARs activity under our various stock-based compensation plans for the thirteen weeks ended April 30, 2011 was as follows:

| | Option/ SARs Shares | Weighted Average Exercise Price | Range of Exercise Prices per Share | | | Aggregate Intrinsic Value(1) (000's) |
|---|---------------------------|--|---------------------------------------|---|----------|---|
| Outstanding at January 29, 2011(2) | 6,098,153 | \$ 3.10 | \$ 1.00 | – | \$ 13.84 | \$ 0 |
| Granted – exercise price equal to market price | 2,295,880 | 3.99 | 3.20 | – | 4.00 | |
| Canceled/forfeited | (537,535) | 5.08 | 1.00 | – | 6.71 | |
| Exercised(3) | (1,566,330) | 1.81 | 1.00 | – | 2.93 | 2,064 (4) |
| Outstanding at April 30, 2011(5) | 6,290,168 | \$ 3.57 | \$ 1.00 | – | \$ 13.84 | 6,011 |
| Exercisable at April 30, 2011(5) | 1,411,244 | \$ 3.38 | \$ 1.00 | – | \$ 13.84 | 1,630 |

- (1) Aggregate market value less aggregate exercise price.
- (2) Includes 1,416,496 shares related to “inducement grants” of SARs in accordance with Nasdaq Marketplace Rule 5635(c)(4).
- (3) Includes 825,000 shares exercised related to “inducement grants” (see note (2) above).
- (4) As of date of exercise.
- (5) Includes 591,496 shares outstanding related to “inducement grants” (see note (2) above), of which 60,000 shares were exercisable.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 5. Stock-based Compensation Plans (Continued)

As of April 30, 2011 the following shares were available for future grants under our stock-based compensation plans:

| | |
|-------------------------------------|-----------|
| 2010 Stock Award and Incentive Plan | 5,566,315 |
| 1994 Employee Stock Purchase Plan | 377,132 |

Total stock-based compensation expense was as follows:

| (In thousands) | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | April 30, 2011 | May 1, 2010 |
| Stock-based compensation expense, excluding cash-settled RSUs | \$1,031 | \$1,074 |
| Stock-based compensation expense, cash-settled RSUs(1) | 0 | 241 |
| Total stock-based compensation expense | \$1,031 | \$1,315 |

(1) During the Fiscal 2009 Second Quarter we granted cash-settled RSUs under our 2003 Non-Employee Directors Compensation Plan. We accounted for these cash-settled RSUs as liabilities and recognized compensation expense over the vesting period of one year from the date of grant. Total compensation expense for these cash-settled RSUs was fully recognized as of the Fiscal 2010 Second Quarter.

We use the Black-Scholes valuation model to estimate the fair value of stock options and SARs. We amortize stock-based compensation on a straight-line basis over the requisite service period of an award except for awards that include a market condition, which are amortized on a graded vesting basis over their derived service period. Estimates and assumptions we use under the Black-Scholes model are more fully described in “Item 8. Financial Statements and Supplementary Data; Note 1. Summary of Significant Accounting Policies; Stock-based Compensation” and “Note 9. Stock-Based Compensation Plans” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

Total stock-based compensation expense not yet recognized, related to the non-vested portion of stock options, SARs, and awards outstanding, was \$13,475,000 as of April 30, 2011. The weighted-average period over which we expect to recognize this compensation expense is approximately 3 years.

Note 6. Customer Loyalty Card Programs

We offer our customers various loyalty card programs. Customers that join these programs are entitled to various benefits, including discounts on purchases, during the membership period. Customers join some of these programs by paying an annual membership fee. For these programs, we recognize revenue as a component of net sales over the life of the membership period based on when the customer earns the benefits and when the fee is no longer refundable. We recognize costs we incur in connection with administering these programs as selling, general, and administrative expenses when incurred. Our loyalty card programs are more fully described in “Item 8. Financial

Statements and Supplementary Data; Note 10. Customer Loyalty Card Programs” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 6. Customer Loyalty Card Programs (Continued)

Additional information with respect to our various loyalty card programs is as follows:

| (In thousands) | Thirteen Weeks Ended | |
|----------------------------------|----------------------|----------------|
| | April 30, 2011 | May 1, 2010 |
| Loyalty card revenues recognized | \$4,575 | \$4,407 |

| (In thousands) | Accrued as of | |
|---|-------------------|---------------------|
| | April 30, 2011 | January 29, 2011 |
| Discounts earned but not yet issued and discounts issued but not yet redeemed | \$1,358 | \$2,277 |

Note 7. Net Income per Share

| (In thousands, except per share amounts) | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | April 30, 2011 | May 1, 2010 |
| Basic weighted average common shares outstanding | 116,176 | 116,003 |
| Dilutive effect of stock options, SARs, and awards | 1,556 | 2,410 |
| Diluted weighted average common shares and equivalents outstanding | 117,732 | 118,413 |
| Net income used to determine basic and diluted net income per share | \$26,038 | \$3,895 |
| Stock options and SARs with weighted average exercise price greater than market price, excluded from computation of diluted net income per share: | | |
| Number of shares | 2,803 | 531 |
| Weighted average exercise price per share | \$4.93 | \$7.31 |

Our 1.125% Notes will not impact our diluted net income per share until the price of our common stock exceeds the conversion price of \$15.379 per share because we expect to settle the principal amount of the 1.125% Notes in cash upon conversion. Our call options are not included in the diluted net income per share calculation as their effect would be anti-dilutive. Should the price of our common stock exceed \$21.607 per share we would also include the dilutive effect of the additional potential shares that may be issued related to the warrants, using the treasury stock method. See "Item 8. Financial Statements and Supplementary Data; Note 7. Long-term Debt" of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011 for further information regarding our 1.125% Notes, call options, and warrants.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Unaudited)

Note 8. Income Taxes

Due to the variability that we have experienced in our pre-tax earnings and the existence of a full valuation allowance on our net deferred tax assets, we have concluded that computing our actual year-to-date effective tax rate (as opposed to estimating our annual effective tax rate) provides an appropriate basis for recording income taxes in our interim periods. Additionally, we record an income tax expense or benefit that does not relate to ordinary income/(loss) in the current fiscal year discretely in the interim period in which it occurs. We also recognize the effects of changes in enacted tax laws or rates in the interim periods in which the changes occur.

In computing the income tax provision/(benefit) we make certain estimates and management judgments, such as estimated annual taxable income or loss, the nature and timing of permanent and temporary differences between taxable income for financial reporting and tax reporting, and the recoverability of deferred tax assets. Our estimates and assumptions may change as new events occur, additional information is obtained, or as the tax environment changes.

We recognize deferred tax assets for temporary differences that will result in deductible amounts in future years and for net operating loss (“NOL”) and credit carryforwards. We recognize a valuation allowance to reduce deferred tax assets if, based on existing facts and circumstances, it is more-likely-than-not that some portion or all of our deferred tax assets will not be realized. During Fiscal 2008 we evaluated our assumptions regarding the recoverability of our deferred tax assets. Based on all available evidence we determined that the recoverability of our deferred tax assets is more-likely-than-not limited to our available tax loss carrybacks. Accordingly, we established a valuation allowance against our net deferred tax assets. During Fiscal 2009 we increased the valuation allowance and recognized an additional non-cash provision, net of a tax benefit resulting from the carryback of remaining Fiscal 2008 NOLs pursuant to H.R. 3548, the “Worker, Homeownership, and Business Assistance Act of 2009,” which was signed into law on November 6, 2009. During Fiscal 2010 we further increased our valuation allowance and recognized an additional non-cash provision. In future periods we will continue to recognize a valuation allowance until such time as the certainty of future tax benefits can be reasonably assured. When our results of operations demonstrate a pattern of future profitability the valuation allowance may be adjusted, which would result in the reinstatement of all or a part of the net deferred tax assets.

Income taxes receivable, net, which primarily include amended return receivables as of April 30, 2011, and amended return receivables and the NOL carryback for Fiscal 2009 as of January 29, 2011, are included in “Prepayments and other” on our condensed consolidated balance sheets, and were as follows:

| (In thousands) | April 30, 2011 | January 29, 2011 |
|------------------------------|-------------------|---------------------|
| Income taxes receivable, net | \$8,277 | \$10,733 |

The reduction in income taxes receivable during the thirteen weeks ended April 30, 2011 was principally a result of the receipt of \$1,620,000 of net Federal tax refunds that related primarily to our NOL carryback for Fiscal 2009.

As of April 30, 2011 our gross unrecognized tax benefits associated with uncertain tax positions were \$28,230,000. If recognized, the portion of the liabilities for gross unrecognized tax benefits that would decrease our provision for income taxes and increase our net income was \$18,700,000. The accrued interest and penalties as of April 30, 2011 were \$14,194,000.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Unaudited)

Note 8. Income Taxes (Continued)

During the thirteen weeks ended April 30, 2011 the gross unrecognized tax benefits decreased by \$563,000 and the portion of the liabilities for gross unrecognized tax benefits that, if recognized, would decrease our provision for income taxes and increase our net income decreased by \$443,000. Accrued interest and penalties decreased by \$561,000 during the thirteen weeks ended April 30, 2011. These decreases are primarily the result of payments relating to audits of state tax positions, partially offset by additional accruals for uncertain tax positions.

As of April 30, 2011 it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next twelve months by as much as \$2,402,000 as a result of resolutions of audits related to U.S. Federal and state tax positions.

Our U.S. Federal income tax returns for Fiscal 2004 and beyond remain subject to examination by the U.S. Internal Revenue Service (“IRS”) due to statute of limitations and the filing of amended returns and NOL carryback claims. We file returns in numerous state jurisdictions, with varying statutes of limitations. Our state tax returns for Fiscal 2006 and subsequent years, depending upon the jurisdiction, generally remain subject to examination. The statute of limitations on a limited number of returns for years prior to Fiscal 2006 has been extended by agreement between us and the particular state jurisdiction. The earliest year still subject to examination by state tax authorities is Fiscal 2003.

Note 9. Segment Reporting

We operate and report in two segments: Retail Stores and Direct-to-Consumer. We determine our operating segments based on the way our chief operating decision-makers review our results of operations. We consider our retail stores and store-related e-commerce as operating segments that are similar in terms of economic characteristics, production processes, and operations. Accordingly, we have aggregated our retail stores and store-related e-commerce into a single reporting segment (the “Retail Stores” segment). Our catalog and catalog-related e-commerce operations are separately reported under the Direct-to-Consumer segment. Further information regarding our operating segments is included in “Item 8. Financial Statements and Supplementary Data; Note 18. Segment Reporting” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

Selected financial information for our operations by reportable segment and a reconciliation of the information by segment to our consolidated totals is included in the following tables.

| (In thousands) | Retail Stores | Direct-to- Consumer | Corporate and Other | Consolidated |
|---------------------------------------|------------------|------------------------|------------------------|--------------|
| Thirteen weeks ended April 30, 2011 | | | | |
| Net sales | \$490,581 | \$13,772 | \$0 | \$ 504,353 |
| Depreciation and amortization | 11,027 | 254 | 3,127 | 14,408 |
| Income from operations | 55,648 | (1,976) | (21,619) | (1) 32,053 |
| Net interest expense and other income | | | (3,635) | (3,635) |

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| | | | | |
|----------------------|--------|----------|-----------|--------|
| Income tax provision | | | 2,380 | 2,380 |
| Net income | 55,648 | (1,976) | (27,634) | 26,038 |
| Capital expenditures | 3,359 | 745 | 4,784 | 8,888 |

(1) Includes \$(613) of net restructuring and other charges/(credits) (see “Note 10. Restructuring and Other Charges/(Credits)” below) and a \$5,185 gain from the sale of office premises.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 9. Segment Reporting (Continued)

| (In thousands) | Retail Stores | Direct-to- Consumer | Corporate and Other | Consolidated |
|---------------------------------------|------------------|------------------------|------------------------|--------------|
| Thirteen weeks ended May 1, 2010 | | | | |
| Net sales | \$492,074 | \$12,731 | \$0 | \$ 504,805 |
| Depreciation and amortization | 13,119 | 298 | 3,394 | 16,811 |
| Income from operations | 27,949 | (1,666) | (18,791) | 7,492 (1) |
| Net interest expense and other income | | | (4,336) | (4,336) |
| Income tax benefit | | | (739) | (739) |
| Net income | 27,949 | (1,666) | (22,388) | 3,895 |
| Capital expenditures | 5,270 | 0 | 2,493 | 7,763 |

(1) Includes \$889 of restructuring and other charges (see “Note 10. Restructuring and Other Charges/(Credits)” below).

Note 10. Restructuring and Other Charges/(Credits)

The following table summarizes our restructuring and other charges/(credits):

| (In thousands) | Costs Incurred as of January 29, 2011 | Costs Incurred for Thirteen Weeks Ended April 30, 2011 | Estimated Remaining Costs To be Incurred | Total Estimated/ Actual Costs as of April 30, 2011 |
|--|---|---|--|---|
| Fiscal 2010 Announcements | | | | |
| Closing of under-performing stores: | | | | |
| Non-cash impairment charge for | | | | |
| CATHERINES® stores in outlet locations | \$3,210 | \$0 | \$0 | \$3,210 |
| Store lease termination and other charges | 0 | (520) | 6,100 | 5,580 |
| Severance for departure of former CEO | 2,898 | 0 | 0 | 2,898 |
| Fiscal 2009 Announcements | | | | |
| Closing of PETITE SOPHISTICATE OUTLET® stores: | | | | |
| Non-cash accelerated depreciation | 612 | 0 | 0 | 612 |
| Store lease termination charges | 1,070 | 0 | 0 | 1,070 |

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| | | | | |
|---|----------|----------|-----------|----------|
| Other non-cash costs | 195 | 0 | 0 | 195 |
| Closing of under-performing stores: | | | | |
| Store lease termination charges | 2,691 | 0 | 3,300 | 5,991 |
| Fiscal 2007 and Fiscal 2008 Announcements | | | | |
| Lease termination and accretion charges | 11,575 | (100) | 1,855 (1) | 13,330 |
| Severance, retention, and other costs | 5,123 | 7 | 0 | 5,130 |
| Closing of under-performing stores: | | | | |
| Store lease termination charges | 8,305 | 0 | 0 | 8,305 |
| Total | \$35,679 | \$(613) | \$11,255 | \$46,321 |

(1) Accretion charges related to lease termination liability for retained non-core misses apparel assets.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Unaudited)

Note 10. Restructuring and Other Charges/(Credits) (Continued)

The following table summarizes our accrued restructuring and other charges:

| (In thousands) | Accrued as of January 29, 2011(1) | Thirteen Weeks Ended April 30, 2011 Costs Incurred | Payments/ Settlements | Accrued as of April 30, 2011(1) |
|--|--|---|--------------------------|--|
| Fiscal 2010 Announcements | | | | |
| Severance for departure of former CEO | \$1,910 | \$0 | \$(267) | \$1,643 |
| Closing of under-performing stores: | | | | |
| Store lease termination charges | 0 | 900 | 0 | 900 |
| Fiscal 2009 Announcements | | | | |
| Closing of PETITE SOPHISTICATE OUTLET stores: | | | | |
| Store lease termination charges | 599 | 0 | (44) | 555 |
| Closing of under-performing stores: | | | | |
| Store lease termination charges | 1,104 | 0 | (12) | 1,092 |
| Fiscal 2007 and Fiscal 2008 Announcements | | | | |
| Non-core misses apparel assets: | | | | |
| Lease termination charges | 7,074 | (100) | (907) | 6,067 |
| Other costs | 153 | 0 | (0) | 153 |
| Transformational initiatives: | | | | |
| Severance and retention costs | 117 | 7 | (87) | 37 |
| Closing of under-performing stores: | | | | |
| Store lease termination charges | 798 | 0 | (99) | 699 |
| Total | \$11,755 | \$807 | \$(1,416) | \$11,146 |

(1) Included in "Accrued expenses" in the accompanying condensed consolidated balance sheets.

The net restructuring and other charges/(credits) for the Fiscal 2011 First Quarter consisted primarily of adjustments to store-related deferred allowances as a result of the closure of under-performing stores identified for closure during the Fiscal 2010 Fourth Quarter and the settlement of a minor lease obligation for facilities retained in connection with the sale of our Crosstown Traders apparel catalogs, partially offset by lease termination costs, non-cash accelerated depreciation, and cash severance and retention costs related to under-performing stores identified for closure during the Fiscal 2010 Fourth Quarter.

Restructuring and other charges for the Fiscal 2010 First Quarter consisted primarily of lease termination costs for the closing of under-performing stores identified during the Fiscal 2009 Fourth Quarter.

See “Item 8. Financial Statements and Supplementary Data; Note 13. Restructuring and Other Charges” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011 for further information regarding our restructuring and other charges.

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CHARMING SHOPPES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Unaudited)

Note 11. Fair Value of Financial Instruments

The carrying amounts and estimated fair values of our financial instruments are as follows:

| (In thousands) | April 30, 2011 | | January 29, 2011 | |
|---|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets: | | | | |
| Cash and cash equivalents | \$180,403 | \$180,403 | \$117,482 | \$117,482 |
| Liabilities: | | | | |
| 1.125% Senior Convertible Notes, due May 2014 | 117,472 | (1) 124,299 | 115,772 | (1) 118,681 |
| 6.07% mortgage note, due October 2014 | 8,842 | 8,699 | 9,035 | 8,887 |
| 6.53% mortgage note, due November 2012 | 2,100 | 2,100 | 2,450 | 2,451 |
| 7.77% mortgage note, due December 2011 | 5,595 | 5,707 | 5,793 | 5,921 |

(1) Net of unamortized discount of \$22,979 at April 30, 2011 and \$24,679 at January 29, 2011 (see “Note 3. Long-term Debt” above).

The fair value of cash and cash equivalents approximates their carrying amount because of the short maturities of such instruments. The fair value of the 1.125% Senior Convertible Notes is based on quoted market prices for the securities. The fair values of the mortgage notes and other long-term debt are based on estimated current interest rates that we could obtain on similar borrowings.

Note 12. Gain from Sale of Office Premises

During the Fiscal 2011 First Quarter we sold office premises in Hong Kong, which served as the home office for our international sourcing operations, for gross proceeds of \$7,512,000 and recognized a gain on the sale of \$5,185,000. Our international sourcing operations now utilize leased space in Hong Kong.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and accompanying notes included in Item 1 of this report. It should also be read in conjunction with the management's discussion and analysis of financial condition and results of operations, financial statements, and accompanying notes appearing in our Annual Report on Form 10-K for the fiscal year ended January 29, 2011. As used in this management's discussion and analysis, the terms "Charming Shoppes," "the Company," "we," "us," and "our" refer to Charming Shoppes, Inc. and its consolidated subsidiaries except where the context otherwise requires or as otherwise indicated.

FORWARD-LOOKING STATEMENTS

With the exception of historical information, the matters contained in the following analysis and elsewhere in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include, but are not limited to, projections of revenues, income or loss, cost reductions, capital expenditures, liquidity, divestitures, financing needs or plans, store closings and openings, merchandise strategy, and plans for future operations, as well as assumptions relating to the foregoing. The words "expect," "could," "should," "project," "estimate," "predict," "anticipate," "plan," "intend," "believes," and similar expressions are also used to identify forward-looking statements.

We operate in a rapidly changing and competitive environment. New risk factors emerge from time to time and it is not possible for us to predict all risk factors that may affect us. Forward-looking statements are inherently subject to risks and uncertainties, some of which we cannot predict or quantify. Future events and actual results, performance, and achievements could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements, which speak only as of the date on which they were made. Given those risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We assume no obligation to update or revise any forward-looking statement to reflect actual results or changes in, or additions to, the factors affecting such forward-looking statements.

Factors that could cause our actual results of operations or financial condition to differ from those described in this report include, but are not necessarily limited to, the following, and the other factors discussed in more detail in "PART I; Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011 and in our other filings with the Securities and Exchange Commission:

ongoing economic conditions, including unemployment levels;

our ability to accurately predict rapidly changing fashion trends, customer preferences, and other fashion-related factors and our ability to effectively manage our inventory levels;

competitive conditions in the women's specialty retail apparel and direct-to-consumer markets;

the continuation of growth in the plus-size women's apparel market;

our ability to attract, hire, and retain qualified officers and management;

our ability to successfully execute and realize the benefits of our business plans;

our ability to successfully manage labor costs, occupancy costs, transportation costs, and other operating costs, particularly in the face of inflationary pressures;

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the availability and price volatility of key raw materials in our products, such as cotton, wool, and synthetic fabrics;

our continued access to sufficient financing at an affordable cost;

recent significant changes in our private-label credit card programs and the impact of Federal and state laws on the availability and cost of providing credit to our cardholders;

seasonal fluctuations in net sales and extreme or unseasonable weather conditions;

our reliance on technology outsourced to third parties and such third parties' failure to observe proper internal control practices and procedures;

our ability to maintain efficient and uninterrupted customer service and fulfillment operations through our distribution and fulfillment centers and our third-party freight consolidators and service providers;

natural disasters, acts of terrorism or other armed conflict, or the threat of any such event;

our ability to successfully operate our e-commerce websites and our catalog business and the failure to manage and remedy disruptions in technology, including security breaches;

our dependence on foreign sources of production;

litigation and regulatory actions relating to our business;

our ability to develop and profitably operate new retail stores, and to maintain good relationships with all of our landlords;

our ability to effectively implement our plan for closing under-performing stores;

the failure to integrate and manage acquired businesses successfully or to manage the risks associated with divestitures, joint ventures, or other alliances;

the failure to maintain effective internal control over financial reporting; and

changes to existing accounting rules or the adoption of new rules.

CRITICAL ACCOUNTING POLICIES

We have prepared the financial statements and accompanying notes included in "Item 1. Financial Statements" of this report in conformity with United States generally accepted accounting principles. This requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. These estimates and assumptions are based on historical experience, analysis of current trends, and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from those estimates under different

assumptions or conditions.

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We periodically reevaluate our accounting policies, assumptions, and estimates and make adjustments when facts and circumstances warrant. Our significant accounting policies are described in “Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 1. Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011. The accounting policies and related assumptions that we consider to be more critical to the preparation of our financial statements and accompanying notes and involve the most significant management judgments and estimates are described in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations; Critical Accounting Policies” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011. There were no material changes in, or additions to, our critical accounting policies or in the assumptions or estimates we used to prepare the financial information appearing in this report.

OVERVIEW

This overview of our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) presents a high-level summary of more detailed information contained elsewhere in this Report on Form 10-Q. The intent of this overview is to put this detailed information into perspective and to introduce the discussion and analysis contained in this MD&A. Accordingly, this overview should be read in conjunction with the remainder of this MD&A and with the financial statements and other detailed information included in this Report on Form 10-Q and should not be separately relied upon.

During the Fiscal 2011 First Quarter we continued to build on the operating improvements we experienced during the Fiscal 2010 Fourth Quarter, with increases in our consolidated Retail Stores segment comparable store sales and adjusted EBITDA (see “RESULTS OF OPERATIONS; EBITDA and Adjusted EBITDA” below). The improvement was led by LANE BRYANT, with a 7% comparable store sales increase, and by e-commerce sales, which increased 16% for the quarter. A more fashionable apparel assortment, aggressive inventory management across all of our brands, and increased conversion rates that reflected our customers’ acceptance of our Spring assortments contributed to our Fiscal 2011 First Quarter results. Our performance in the Fiscal 2010 First Quarter was negatively impacted by higher-than-planned markdowns to liquidate high levels of seasonal merchandise as a result of poor customer responses to our Spring non-core product offerings.

Our gross profit improved both in dollars and as a percent of sales for the Fiscal 2011 First Quarter as compared to the Fiscal 2010 First Quarter, driven by incremental gross profit dollars on higher sales at LANE BRYANT and strong gross margin improvement at FASHION BUG. Gross profit also benefited from improved assortments and inventory management, which resulted in fewer markdowns as compared to the prior-year period and faster turnover of Spring merchandise. Consolidated gross profit increased by \$8.7 million and increased 180 basis points as a percentage of net sales for the Fiscal 2011 First Quarter as compared to the Fiscal 2010 First Quarter. Our operating expenses (excluding a gain on the sale of office premises of \$5.2 million and net restructuring and other credits of \$0.6 million) decreased by \$9.1 million and decreased by 170 basis points as a percent of sales, driven primarily by improvements at our LANE BRYANT brand.

For the Fiscal 2011 First Quarter, our income from operations improved by \$24.6 million to \$32.1 million as compared to \$7.5 million for the Fiscal 2010 First Quarter and our Adjusted EBITDA improved by \$15.5 million to \$40.7 million as compared to \$25.2 million for the Fiscal 2010 First Quarter, primarily reflecting the improvements in gross profit and operating expenses as a result of our improved merchandise assortments, which were well received by, and continued to resonate with, our customer.

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Results of Operations

Consolidated net sales for the Fiscal 2011 First Quarter reflect increases of 2% in consolidated comparable store sales and 16% in e-commerce net sales as compared to the Fiscal 2010 First Quarter, which were offset by the impact of 139 net store closings during the preceding 12-month period. The improvement in comparable store sales, which was primarily attributable to our LANE BRYANT brand, was driven by a more fashionable apparel assortment and aggressive inventory management across all of our brands.

The improvement in gross profit was driven primarily by incremental gross profit dollars and higher sales at our LANE BRYANT brand, and reflected strong gross margin improvement at FASHION BUG. Improved assortments and our aggressive inventory management resulted in fewer markdowns and faster turnover of Spring merchandise during the Fiscal 2011 First Quarter as compared to the prior-year period.

Our occupancy and buying expenses decreased both in dollar amount and as a percentage of net sales for the Fiscal 2011 First Quarter as compared to the prior-year period, primarily related to lower rent expense as a result of the operation of fewer stores and the negotiation of store lease terms in the prior year. Selling, general, and administrative expenses decreased both in dollar amount and as a percentage of net sales for the Fiscal 2011 First Quarter as compared to the prior-year period, primarily as a result of a combination of higher credit income, lower advertising expenses, lower store payroll as a result of operating fewer stores, and leverage from the increase in comparable store sales at our LANE BRYANT brand.

Depreciation and amortization expenses decreased by \$2.4 million for the Fiscal 2011 First Quarter as compared to the prior-year period primarily as a result of the operation of fewer stores and the write-down of store assets during the Fiscal 2010 Fourth Quarter. In addition, we recognized a gain of \$5.2 million from the sale of office premises during the Fiscal 2011 First Quarter.

Restructuring and other charges/(credits) for the Fiscal 2011 First Quarter decreased as compared to the Fiscal 2010 First Quarter primarily as a result of adjustments to store-related deferred allowances recognized in connection with our store closing program, which more than offset lease termination costs, accelerated depreciation, and severance and retention costs for the closing of under-performing stores. During the Fiscal 2010 First Quarter we recognized charges primarily for lease termination costs.

We remain concerned about cost increases associated with cotton, wool, and synthetic fabrics and the continued challenge of increases in labor costs and inflation in developing countries. These cost increases had a modest impact on our Fiscal 2011 First Quarter results but will have a greater impact on our Fall and Holiday seasons. We have only partially mitigated these price increases through value engineering product, shifting production to lower-cost countries, and adjusting our product mix. Additionally each of our brands has strategically increased initial ticket pricing. We are aware that our customers are facing a number of inflationary pressures, including food and gasoline prices, which may affect the level of their discretionary apparel purchases and their willingness to pay higher prices. We will make price adjustments as warranted to ensure an appropriate value proposition for our customer.

Our Spring assortments of both core and fashion apparel are resonating with our customer, as evidenced by our increased conversion rates. However, traffic levels at our stores were down on a year-over-year basis and were below our expectations. Typical increases in sales and traffic did not materialize, particularly in the latter half of the quarter, related to a late Easter. In response to these traffic trends, we will be more aggressive with our marketing efforts in an attempt to drive additional traffic to our stores and our websites. We will continue to manage inventories tightly in order to protect our gross margins and operating results.

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Financial Position

We ended the Fiscal 2011 First Quarter with \$180 million of cash as compared to \$117 million as of the end of Fiscal 2010 and ended the quarter with a net cash position as compared to a net debt position as of the end of Fiscal 2010. Our cash position increased primarily as a result of improved operating results during the Fiscal 2011 First Quarter, collections of accounts receivable generated from December 2010 holiday season sales by our Direct-to-Consumer segment, and proceeds of \$7.5 million from the sale of office premises. While our comparable store inventories increased 4% on a cost basis as of the end of the Fiscal 2011 First Quarter, our seasonal Spring inventories were down mid-single digits. We ended the quarter with no borrowings against our \$225 million committed revolving credit facility and as of April 30, 2011 our available borrowing capacity under the facility was approximately \$190 million, resulting in a total liquidity position (cash plus borrowing capacity) of approximately \$370 million.

Management Initiatives

In March 2011 we announced the following areas of focus designed to further position the Company for a return to profitability (see “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations; OVERVIEW” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011 for further discussion of these initiatives):

intensify our focus on our primary target customers specific to each of our brands;

increase inventory productivity both qualitatively and quantitatively;

improve the overall profitability by brand and at the enterprise level; and

build a “winning” culture.

Our Fiscal 2011 First Quarter results reflect the beginning of the execution of the above initiatives. Our intensified focus on our primary target customer has led to improved fashion assortments, which are resonating with our target customer and are resulting in improved conversion rates. The improved assortments are generating increased inventory productivity and improved gross margins, which have led to improved overall profitability and increased adjusted EBITDA.

We are encouraged by our progress and improved first quarter financial results. However, we have a number of challenges to address, including generating additional traffic and continued optimization of our inventory mix, which are further complicated by the current macro-economic environment. We recognize that the real measure of success will be consistent, improving performance. We will continue to execute on these initiatives throughout the remainder of Fiscal 2011.

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RESULTS OF OPERATIONS

EBITDA and Adjusted EBITDA

We believe that Adjusted EBITDA, along with other measures, provides a useful pre-tax measure of our ongoing operating performance and our ability to meet debt service and capital requirements on a comparable basis excluding the impact of certain items and capital-related non-cash charges. We use Adjusted EBITDA to monitor and evaluate the performance of our business operations and we believe that it enhances our investors' ability to analyze trends in our business, compare our performance to other companies in our industry, and evaluate our ability to service our debt and capital needs. In addition, we use Adjusted EBITDA as a performance metric our compensation programs.

Although Adjusted EBITDA provides useful information on an operating cash flow basis, it is a limited measure in that it excludes the impact of cash requirements for interest expense, income taxes, capital expenditures, and certain other items requiring cash outlays or generating cash receipts. Therefore, Adjusted EBITDA should be used as a supplement to results of operations and cash flows as reported under GAAP and should not be used as a singular measure of operating performance or as a substitute for GAAP results.

Further information regarding our definition of EBITDA and Adjusted EBITDA is included in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Results of Operations; EBITDA and Adjusted EBITDA" of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

The tables on the following pages show details of our consolidated net sales and a reconciliation of our income/(loss) from continuing operations to EBITDA and Adjusted EBITDA for the periods indicated.

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Net Sales and Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA

| (In millions) | LANE BRYANT(1) | FASHION BUG | CATHERINES | Total Retail Stores |
|---|-------------------|----------------|------------|---------------------------|
| Thirteen weeks ended April 30, 2011 | | | | |
| Net sales | \$ 262.8 | \$ 150.0 | \$ 77.8 | \$ 490.6 |
| Net income | 41.6 | 8.6 | 5.5 | 55.7 |
| Income tax provision | — | — | — | — |
| Net interest expense/(other income) | — | — | — | — |
| Depreciation and amortization | 7.4 | 2.0 | 1.6 | 11.0 |
| EBITDA | 49.0 | 10.6 | 7.1 | 66.7 |
| Gain from sale of office premises | — | — | — | — |
| Restructuring and other charges/(credits) | — | — | — | — |
| Adjusted EBITDA | \$ 49.0 | \$ 10.6 | \$ 7.1 | \$ 66.7 |
| Adjusted EBITDA as a % of net sales | 18.6 | % 7.1 | % 9.1 | % 13.6 |

(1) Includes LANE BRYANT OUTLET® stores, with net sales of \$29.2 and Adjusted EBITDA of \$4.4.

| (In millions) | Direct-to- Consumer(2) | Corporate And Other | Consolidated |
|---|---------------------------|------------------------|--------------|
| Thirteen weeks ended April 30, 2011 | | | |
| Net sales | \$ 13.8 | \$ 0.0 | \$ 504.4 |
| Net income | (2.0) | (27.7) | 26.0 |
| Income tax provision | — | 2.4 | 2.4 |
| Net interest expense/(other income) | — | 3.7 | 3.7 |
| Depreciation and amortization | 0.3 | 3.1 | 14.4 |
| EBITDA | (1.7) | (18.5) | 46.5 |
| Gain from sale of office premises | — | (5.2) | (5.2) |
| Restructuring and other charges/(credits) | — | (0.6) | (0.6) |
| Adjusted EBITDA | \$ (1.7) | \$ (24.3) | \$ 40.7 |
| Adjusted EBITDA as a % of net sales | (12.3)% | — (3) | 8.1 % |

(2) Primarily FIGI'S catalog business. A substantial portion of FIGI's sales occur during the December holiday season.

(3) Not meaningful.

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Net Sales and Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA
(Continued)

| (In millions) | LANE BRYANT(1) | FASHION BUG | CATHERINES | Total Retail Stores |
|-------------------------------------|-------------------|----------------|------------|---------------------------|
| Thirteen weeks ended May 1, 2010 | | | | |
| Net sales | \$ 246.2 | \$ 165.9 | \$ 80.0 | \$ 492.1 |
| Net income | 25.7 | (1.0) | 3.2 | 27.9 |
| Income tax benefit | – | – | – | – |
| Net interest expense/(other income) | – | – | – | – |
| Depreciation and amortization | 8.4 | 2.7 | 2.0 | 13.1 |
| EBITDA | 34.1 | 1.7 | 5.2 | 41.0 |
| Restructuring and other charges | – | – | – | – |
| Adjusted EBITDA | \$ 34.1 | \$ 1.7 | \$ 5.2 | \$ 41.0 |
| Adjusted EBITDA as a % of net sales | 13.9 | % 1.0 | % 6.5 | % 8.3 |

(1) Includes LANE BRYANT OUTLET stores, with net sales of \$27.0 and Adjusted EBITDA of \$3.9.

| (In millions) | Direct-to- Consumer(2) | Corporate And Other(3) | Consolidated |
|-------------------------------------|---------------------------|------------------------------|--------------|
| Thirteen weeks ended May 1, 2010 | | | |
| Net sales | \$ 12.7 | \$ 0.0 | \$ 504.8 |
| Net income | (1.6) | (22.4) | 3.9 |
| Income tax benefit | – | (0.7) | (0.7) |
| Net interest expense/(other income) | – | 4.3 | 4.3 |
| Depreciation and amortization | 0.3 | 3.4 | 16.8 |
| EBITDA | (1.3) | (15.4) | 24.3 |
| Restructuring and other charges | – | 0.9 | 0.9 |
| Adjusted EBITDA | \$ (1.3) | \$ (14.5) | \$ 25.2 |
| Adjusted EBITDA as a % of net sales | (10.2)% | – (4) | 5.0 % |

(2) Primarily FIGI'S catalog business. A substantial portion of FIGI's sales occur during the December holiday season.

(3) Corporate and Other includes the results of our direct sourcing operation. In the Fiscal 2010 First Quarter the results of our Corporate and Other segment included the favorable impact of buying efficiencies gained from buying a higher percentage of apparel products through our direct sourcing operation.

(4) Not meaningful.

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The following table shows information related to the change in our Retail Stores segment net sales:

| | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | April 30, 2011 | May 1, 2010 |
| Increase/(decrease) in comparable store sales(1) : | | |
| Consolidated retail stores | 2 | % (2)% |
| LANE BRYANT(2) | 7 | (3) |
| FASHION BUG® | (3) | (2) |
| CATHERINES | (2) | (3) |
| Sales from new stores as a percentage of prior-period consolidated net sales(3): | | |
| LANE BRYANT(2) | 1 | 2 |
| FASHION BUG | 0 | 0 |
| CATHERINES(4) | 0 | 1 |
| Prior-period sales from closed stores as a percentage of prior-period consolidated net sales: | | |
| LANE BRYANT(2) | (1) | (1) |
| FASHION BUG | (2) | (3) |
| CATHERINES | 0 | 0 |
| Other retail stores(5) | 0 | (1) |
| Increase/(decrease) in Retail Stores segment net sales | 0 | (5) |

(1) “Comparable store sales” is not a measure that has been defined under generally accepted accounting principles. The method of calculating comparable store sales varies across the retail industry and, therefore, our calculation of comparable store sales is not necessarily comparable to similarly-titled measures reported by other companies. We define comparable store sales as sales from stores operating in both the current and prior-year periods. Sales from new stores are added to the comparable store sales base 13 months after their open date. Sales from stores that are relocated within the same mall or strip-center, remodeled, or have a square footage change of less than 20% are included in the calculation of comparable store sales. Sales from stores that are relocated outside the existing mall or strip-center, or have a square footage change of 20% or more, are excluded from the calculation of comparable store sales until 13 months after the relocated store is opened. Stores that are temporarily closed for a period of 4 weeks or more are excluded from the calculation of comparable store sales for the applicable periods in the year of closure and the subsequent year. Non-store sales, such as catalog and internet sales, are excluded from the calculation of comparable store sales.

(2) Includes LANE BRYANT OUTLET stores.

(3) Includes incremental Retail Stores segment e-commerce sales.

(4) Includes CATHERINES stores in outlet locations, which were converted from PETITE SOPHISTICATE OUTLET stores during the Fiscal 2009 Fourth Quarter and Fiscal 2010 First Quarter.

(5) Includes PETITE SOPHISTICATE OUTLET stores, which were closed or converted to CATHERINES stores in outlet locations during the Fiscal 2009 Fourth Quarter and Fiscal 2010 First Quarter.

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Retail Store Activity for Fiscal 2011

| | LANE BRYANT(1) | FASHION BUG | CATHERINES | Total |
|--------------------------------|-------------------|----------------|------------|---------|
| Fiscal 2011 Year-to-Date: | | | | |
| Stores at January 29, 2011 | 846 | 743 | 475 | 2,064 |
| Stores opened | 2 | 1 | 0 | 3 |
| Stores closed(2) | (21) | (46) | (11) | (78) |
| Net change in stores | (19) | (45) | (11) | (75) |
| Stores at April 30, 2011 | 827 | 698 | 464 | 1,989 |
| Stores relocated during period | 2 | 0 | 0 | 2 |
| Fiscal 2011 Plan: | | | | |
| Store openings | 5-7 | 1 | 0 | 6-8 |
| Store closings(3) | 55-60 | 135-140 | 40-45 | 230-245 |
| Store relocations | 10-13 | 0 | 0 | 10-13 |

(1) Includes LANE BRYANT OUTLET stores.

(2) Primarily includes stores closed as part of our previously announced store closing initiatives.

(3) Includes 215 under-performing stores and 15 CATHERINES stores in outlet locations (see "Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; NOTE 13. RESTRUCTURING AND OTHER CHARGES" of our annual report on Form 10-K for the fiscal year ended January 29, 2011).

Comparison of Thirteen Weeks Ended April 30, 2011 and May 1, 2010

Net Sales

| (Dollars in millions) | Thirteen Weeks Ended April 30, 2011 | % of Net Sales | Thirteen Weeks Ended May 1, 2010 | % of Net Sales | Change From Prior Period | |
|------------------------|---|----------------------|--|----------------------|-----------------------------|---------|
| | | | | | Dollars | Percent |
| LANE BRYANT(1) | \$262.8 | 52.1 % | \$246.2 | 48.8 % | \$16.6 | 6.7 % |
| FASHION BUG | 150.0 | 29.8 | 165.9 | 32.9 | (15.9) | (9.6) |
| CATHERINES | 77.8 | 15.4 | 80.0 | 15.8 | (2.2) | (2.8) |
| Total Retail Stores | 490.6 | 97.3 | \$492.1 | 97.5 | (1.5) | (0.3) |
| Direct-to-Consumer | 13.8 | 2.7 | 12.7 | 2.5 | 1.1 | 8.7 |
| Consolidated net sales | \$504.4 | 100.0 % | \$504.8 | 100.0 % | \$(0.4) | (0.1)% |

(1) Includes LANE BRYANT OUTLET stores.

A 2% increase in Retail Stores segment comparable store sales and a 16% increase in store-related e-commerce net sales for the Fiscal 2011 First Quarter as compared to the Fiscal 2010 First Quarter were offset by the impact of 139

net store closings during the preceding 12-month period. As discussed in the overview above, the improvement in our comparable store sales was primarily attributable to our LANE BRYANT brand and was driven by a more fashionable apparel assortment and aggressive inventory management across all of our brands.

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LANE BRYANT sales increased as compared to the prior-year period primarily as a result of a 7% increase in comparable store sales and a 17% increase in store-related e-commerce net sales, partially offset by 33 net store closings during the preceding 12-month period. Comparable store sales were positive for the last four consecutive quarters as a result of our efforts to improve merchandise assortments at LANE BRYANT. Traffic levels, conversion rate, units per transaction, and average dollar sale improved at LANE BRYANT as compared to the prior-year period.

FASHION BUG sales decreased primarily as a result of 86 net store closings during the preceding 12-month period and a 3% decrease in comparable store sales, partially offset by a 6% increase in store-related e-commerce net sales. A decrease in traffic levels as compared to the prior-year period was partially offset by improvements in conversion rate, units per transaction, and average dollar sale.

CATHERINES sales decreased as compared to the prior-year period primarily as a result of 20 net store closings during the preceding 12-month period and a 2% decrease in comparable store sales, which were partially offset by a 25% increase in store-related e-commerce net sales. A decrease in traffic levels as compared to the prior-year period was partially offset by improvements in units per transaction and average dollar sale. The conversion rate for CATHERINES was comparable to the prior-year period.

Retail Stores segment e-commerce net sales for the Fiscal 2011 First Quarter represented 7% of Retail Stores segment net sales for the current-year period as compared to 6% of Retail Stores segment net sales for the prior-year period. The improvement in e-commerce net sales reflects our continuing efforts to enhance our customers' on-line shopping experience, which began in Fiscal 2009 with the redesign of our websites and conversion to a new technology platform and continued with the introduction in Fiscal 2010 of a universal shopping cart with customer-friendly shipping options. We also added new search and navigation technology during the Fiscal 2010 Third Quarter, making it easier for our customers to search our product offerings.

During the Fiscal 2011 First Quarter we recognized revenues of \$4.6 million in connection with our loyalty card programs as compared to revenues of \$4.4 million during the Fiscal 2010 First Quarter.

For our Direct-to-Consumer segment, the increase in net sales was attributable to a planned increase in the circulation of our FIGI'S Spring season and Gallery catalogs. The Direct-to-Consumer segment generates a substantial portion of its sales during the December holiday season.

Gross Profit

| (Dollars in millions) | Thirteen | % of | Thirteen | % of | Change as a Percentage of Net Sales |
|---------------------------|-------------------|--------------|----------------|--------------|---|
| | Weeks Ended | | Weeks Ended | | |
| | April 30, 2011 | Net Sales | May 1, 2010 | Net Sales | |
| Consolidated gross profit | \$285.3 | 56.6 | % \$276.6 | 54.8 | % 1.8 |

Consolidated gross profit as a percentage of net sales increased primarily as a result of improvements in gross margins from improved assortments and inventory management. We were more promotional in the Fiscal 2010 First Quarter to sell through slow-moving Spring inventory, which negatively impacted gross margins in the prior-year period. The Fiscal 2011 First Quarter gross margin was modestly affected by cost increases associated with cotton, wool, and synthetic fabrics, as discussed in the overview above.

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For our Retail Stores segment, gross profit as a percentage of Retail Stores net sales increased 280 basis points as compared to the prior-year period. Gross profit as a percentage of net sales increased 630 basis points for FASHION BUG and 280 basis points for CATHERINES as compared to the prior-year period, and was comparable to the prior-year period's gross profit as a percentage of net sales for LANE BRYANT. As noted in the overview above, the increase in Retail Stores segment gross profit was primarily the result of improved assortments and aggressive inventory management, which resulted in faster inventory turnover of Spring merchandise and fewer markdowns during the current-year period. Additionally, FASHION BUG and CATHERINES were less promotional in the current-year period as compared to the prior-year period as a result of improved sell through of our Spring inventory.

Gross profit for the Direct-to-Consumer segment increased as a result of the increase in Direct-to-Consumer segment net sales but was essentially flat as a percentage of net sales primarily due to a change in the mix of food and non-food catalog sales for Fiscal 2011.

Occupancy and Buying

| (Dollars in millions) | Thirteen | | Thirteen | | Change as | | |
|-----------------------------------|-----------|-------|----------|-------|------------|-------|---|
| | Weeks | % of | Weeks | % of | a | | |
| | Ended | | Ended | | Percentage | | |
| | April 30, | Net | May 1, | Net | of | | |
| | 2011 | Sales | 2010 | Sales | Net Sales | | |
| Consolidated occupancy and buying | \$89.4 | 17.7 | % \$92.2 | 18.3 | % | (0.6) | % |

Consolidated occupancy and buying expenses decreased both in dollar amount and as a percentage of net sales primarily as a result of 139 net store closings during the preceding twelve-month period as part of our initiative to close under-performing stores, as well as from rent reductions secured from landlords as a result of lease negotiations in the prior year.

Occupancy and buying expenses for our Retail Stores segment as a percentage of Retail Stores net sales decreased 80 basis points. Occupancy and buying expenses as a percentage of net sales decreased 160 basis points for LANE BRYANT, primarily as a result of leverage from the increase in comparable store sales, and 30 basis points for CATHERINES. For FASHION BUG, buying and occupancy expenses decreased in dollar amount but increased 20 basis points as a percentage of net sales as a result of negative leverage from the decrease in comparable store sales.

Occupancy and buying expenses for our Direct-to-Consumer segment were comparable to the prior-year period.

Selling, General, and Administrative

| (Dollars in millions) | Thirteen | | Thirteen | | Change as | | |
|---|-----------|-------|-----------|-------|------------|-------|---|
| | Weeks | % of | Weeks | % of | a | | |
| | Ended | | Ended | | Percentage | | |
| | April 30, | Net | May 1, | Net | of | | |
| | 2011 | Sales | 2010 | Sales | Net Sales | | |
| Consolidated selling, general, and administrative | \$155.2 | 30.8 | % \$159.2 | 31.5 | % | (0.7) | % |

Consolidated selling, general, and administrative expenses decreased as a percentage of net sales and in dollar amount primarily as a result of a combination of higher credit income as a result of higher penetration in usage of our private-label credit cards across all brands, lower advertising expenses, and lower store payroll as a result of operating fewer stores.

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Retail Stores segment selling, general, and administrative expenses decreased 160 basis points as a percentage of Retail Stores net sales as compared to the prior-year period. Selling, general, and administrative expenses as a percentage of net sales decreased 320 basis points for LANE BRYANT, primarily as a result of leverage from the increase in comparable store sales, but increased 10 basis points for FASHION BUG and 40 basis points for CATHERINES as a result of negative leverage from the decrease in their comparable store sales.

Selling, general, and administrative expenses for our Direct-to-Consumer segment increased as compared to the prior-year period primarily as a result of selling expenses related to our SONSI® social media website, which was launched in the latter part of Fiscal 2010.

Depreciation and Amortization

| (Dollars in millions) | Thirteen | | Thirteen | | Change as | | |
|-------------------------------|-----------|-------|----------|-------|------------|-------|---|
| | Weeks | % of | Weeks | % of | a | | |
| | Ended | Net | Ended | Net | Percentage | | |
| | April 30, | Sales | May 1, | Sales | of | | |
| | 2011 | | 2010 | | Net Sales | | |
| Depreciation and amortization | \$14.4 | 2.9 | % \$16.8 | 3.3 | % | (0.4) | % |

Depreciation and amortization expense decreased primarily as a result of our operation of fewer stores in the current-year period as compared to the prior-year period and the write-down of store assets during the Fiscal 2010 Fourth Quarter.

Gain from Sale of Office Premises

During the Fiscal 2011 First Quarter we sold office premises in Hong Kong, which served as the home office for our international sourcing operations, for gross proceeds of \$7.5 million and recognized a gain on the sale of \$5.2 million. Our international sourcing operations now utilize leased space in Hong Kong.

Restructuring and Other Charges/(Credits)

The net restructuring and other charges/(credits) for the Fiscal 2011 First Quarter consisted primarily of adjustments to store-related deferred allowances as a result of the closure of under-performing stores identified for closure during the Fiscal 2010 Fourth Quarter and the settlement of a minor lease obligation for facilities retained in connection with the sale of our Crosstown Traders apparel catalogs. These adjustments and settlement were partially offset by lease termination costs, non-cash accelerated depreciation, and cash severance and retention costs related to under-performing stores identified for closure during the Fiscal 2010 Fourth Quarter.

Restructuring and other charges for the Fiscal 2010 First Quarter consisted primarily of lease termination costs for the closing of under-performing stores identified during the Fiscal 2009 Fourth Quarter.

Income Tax Provision/(Benefit)

The income tax provision/(benefit) continues to reflect the impact of a valuation allowance recorded against our net deferred tax assets, as well as the availability of net operating loss carryforwards. Accordingly, the income tax

provision for the Fiscal 2011 First Quarter resulted primarily from certain state and foreign income taxes payable as well as required deferred taxes and an increase in our liability for unrecognized tax benefits, interest, and penalties associated with uncertain tax positions. The income tax benefit for the fiscal 2010 First Quarter was primarily a result of certain state and foreign income taxes payable as well as required deferred taxes, offset by a benefit resulting from a reduction in our valuation allowance associated with our net operating loss carryback.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of funding for our working capital requirements are our available cash balances, cash flow from operations (including our private-label credit card programs), and our revolving credit facility. The following table highlights certain information related to our liquidity and capital resources:

| (Dollars in millions) | April 30, 2011 | January 29, 2011 | | |
|--|-------------------|---------------------|------|---|
| Cash and cash equivalents | \$180.4 | \$117.5 | | |
| Available borrowing capacity under revolving credit facility | \$189.8 | \$153.8 | | |
| Working capital | \$308.7 | \$276.6 | | |
| Current ratio | 2.1 | 2.1 | | |
| Long-term debt to equity ratio | 37.0 | % | 39.7 | % |

Cash Provided by Operating Activities

Our net cash provided by operating activities was \$67.3 million for the Fiscal 2011 First Quarter as compared to cash provided by operating activities of \$14.2 million for the Fiscal 2010 First Quarter. The increase in cash provided by operating activities as compared to the prior-year period was primarily the result of improved operating results, a reduction in our investment in inventories net of accounts payable in the current-year period, and a favorable impact from the timing of payments for prepayments and accrued expenses. Overall, inventories increased 4% on a comparable store cost basis, while our seasonal Spring inventories were down mid-single digits.

Cash Used by Investing Activities

Gross capital expenditures, excluding construction allowances received from landlords, were \$8.9 million for the Fiscal 2011 First Quarter as compared to \$7.8 million for the Fiscal 2010 First Quarter. Capital expenditures net of construction allowances received from landlords were \$8.8 million for the Fiscal 2011 First Quarter as compared to \$6.7 million for the Fiscal 2010 First Quarter. During the Fiscal 2011 First Quarter we received proceeds of \$7.5 million from the sale of office premises in Hong Kong.

We anticipate that our projected gross capital expenditures for Fiscal 2011 will be approximately \$37-\$40 million before construction allowances received from landlords as compared to gross capital expenditures of \$35.8 million for Fiscal 2010. We anticipate that our Fiscal 2011 capital expenditures, net of construction allowances received from landlords, will be approximately \$35-\$38 million as compared to net capital expenditures of \$32.8 million for Fiscal 2010. We expect to make these expenditures according to disciplined return on investment criteria for 5-7 new store openings, store remodels, and store refurbishments; for fixturing for new merchandise assortments; to test brand combinations and conversions; and for the implementation of information technology tools to assist in improving our business results. We expect to finance these capital expenditures primarily through internally-generated funds.

Cash Used by Financing Activities

During the Fiscal 2011 First Quarter we used \$1.6 million of cash and during the Fiscal 2010 First Quarter we used \$1.5 million of cash for scheduled repayments of long-term borrowings.

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Repurchases of Common Stock

In November 2007 our Board of Directors authorized a \$200 million share repurchase program to make share purchases from time to time in the open market or through privately-negotiated transactions. The timing of such repurchases and the number of shares repurchased will depend on market conditions and we intend to hold shares repurchased as treasury shares. We have not repurchased any shares of common stock subsequent to the Fiscal 2008 First Quarter.

Our revolving credit facility allows the repurchase of our common stock subject to maintaining a minimum level of “Excess Availability” (as defined in the facility agreement) for 30 days before such repurchase, immediately after such repurchase, and on a projected pro-forma basis for the 12 consecutive fiscal months thereafter. See “PART II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds” below for additional information regarding the share-repurchase program announced in November 2007.

Dividends

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 foreseeable 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 revolving credit facility allows the payment of dividends on our common stock not to exceed \$15 million in any fiscal year. Such payments are subject to maintaining a minimum level of “Excess Availability” (as defined in the facility agreement) for 30 days before the payment of such dividends, immediately after the payment of such dividends, and on a projected pro-forma basis for the 12 consecutive fiscal months thereafter.

FINANCING

Operating Leases

We lease substantially all of our operating stores and certain administrative facilities under non-cancelable operating lease agreements. Additional details on these leases, including minimum lease commitments, are included in “Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 17. Leases” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

Revolving Credit Facility

We have a loan and security agreement (the “agreement”) that provides for a \$225 million senior secured revolving credit facility (the “credit facility”) through July 31, 2012. The credit facility includes an option allowing us to increase the facility up to \$300 million, based on certain terms and conditions. The credit facility may be used for general corporate purposes, and provides that up to \$100 million of the \$225 million may be used for letters of credit. See “Item 1. Notes to Condensed Consolidated Financial Statements (Unaudited); Note 3. Long-term Debt” above for further details regarding the credit facility. There were no borrowings outstanding under the credit facility as of April 30, 2011.

The agreement provides for customary representations and warranties and affirmative covenants, and contains customary negative covenants. The agreement also provides for certain rights and remedies if there is an occurrence of one or more events of default under the terms of the agreement. Under certain conditions the maximum amount available under the agreement may be reduced or terminated by the lenders and the obligation to repay amounts

outstanding under the agreement may be accelerated. At any time during which Excess Availability (as defined in the agreement) is less than \$40 million, we will be required to maintain a fixed charge coverage ratio of at least 1.1 to 1 for the then preceding twelve-month fiscal period. As of April 30, 2011 the Excess Availability under the credit facility was \$197.7 million and we were in compliance with all of the covenants included in the facility.

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Long-term Debt

See “FORWARD-LOOKING STATEMENTS” above and “PART I; Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011 for a discussion of the potential impact to our liquidity as a result of the occurrence of a “fundamental change” as defined in the prospectus filed in connection with our 1.125% Senior Convertible Notes due May 1, 2014.

Additional information regarding our long-term borrowings is included in “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations; Financing; Long-term Debt” and “Part II, Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 7. Long-term Debt” of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

In Fiscal 2011 we plan to continue to utilize our combined financial resources to fund our inventory and inventory-related purchases, advertising and marketing initiatives, and our store development and infrastructure strategies. We believe our cash and cash equivalents, our operating agreements with Alliance Data related to our proprietary credit cards, and our revolving credit facility will provide adequate liquidity for our business operations and growth opportunities during Fiscal 2011. However, our liquidity is affected by many factors, including some that are based on normal operations and some that are related to our industry and the economy.

We may seek, as we believe appropriate, additional debt or equity financing to provide capital for corporate purposes or to fund strategic business opportunities. We may also elect to redeem debt financing prior to maturity or to purchase additional 1.125% Senior Convertible Notes under circumstances that we believe to be favorable to us. At this time we cannot determine the timing or amount of such potential capital requirements, which will depend on a number of factors, including demand for our merchandise, industry conditions, competitive factors, the market value of our outstanding debt, the condition of financial markets, and the nature and size of strategic business opportunities that we may elect to pursue.

MARKET RISK

As of April 30, 2011 there were no borrowings outstanding under our revolving credit facility. Future borrowings made under the facility, if any, could be exposed to variable interest rates.

We are not subject to material foreign exchange risk, as our foreign transactions are primarily U.S. Dollar-denominated and our foreign operations do not constitute a material part of our business.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

Not applicable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations; MARKET RISK,” above.

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Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate and in such a manner as to allow timely decisions regarding required disclosure. Our Disclosure Committee, which is made up of several key management employees and reports directly to the CEO and CFO, assists our management, including our CEO and CFO, in fulfilling their responsibilities for establishing and maintaining such controls and procedures and providing accurate, timely, and complete disclosure.

As of the end of the period covered by this report on Form 10-Q (the “Evaluation Date”), our Disclosure Committee, under the supervision and with the participation of management, including our CEO and CFO, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our management, including our CEO and CFO, has concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective. Furthermore, there has been no change in our internal control over financial reporting that occurred during the period covered by this report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 \$200,000,000. Shares may be purchased in the open market or through privately-negotiated transactions, as market conditions allow. During Fiscal 2008 we repurchased a total of 505,406 shares of stock (\$5.21 average price paid per share) in the open market under this program. We have not repurchased any shares of our common stock under this program subsequent to Fiscal 2008. As of April 30, 2011, \$197,365,000 was available for future repurchases under this program. This repurchase program has no expiration date.

Item 6. Exhibits

The following is a list of Exhibits filed as part of this Quarterly Report on Form 10-Q. Where so indicated, Exhibits that were previously filed are incorporated by reference. For Exhibits incorporated by reference, the location of the Exhibit in the previous filing is indicated in parentheses.

- 3.1 Restated Articles of Incorporation, incorporated by reference to Form 10-Q of the Registrant for the quarter ended August 2, 2008 (File No. 000-07258, Exhibit 3.1).
- 3.2 Bylaws, as Amended and Restated, incorporated by reference to Form 10-K of the Registrant for the fiscal year ended January 31, 2009 (File No. 000-07258, Exhibit 3.2).
- 10.1 Stock Appreciation Rights Agreement for grant of 400,000 SARs to Anthony M. Romano dated as of March 29, 2011, incorporated by reference to Form 8-K of the Registrant dated March 23, 2011, filed on March 29, 2011 (File No. 000-07258, Exhibit 10.1).
- 10.2 Second Amendment to Severance Agreement dated as of March 28, 2011 between Charming Shoppes, Inc. and Anthony M. Romano, incorporated by reference to Form 8-K of the Registrant dated March 23, 2011, filed on March 29, 2011 (File No. 000-07258, Exhibit 10.4).
- 10.3 Form of Stock Appreciation Rights Agreement for executive officers dated as of March 29, 2011, incorporated by reference to Form 8-K of the Registrant dated March 23, 2011, filed on March 29, 2011 (File No. 000-07258, Exhibit 10.5).
- 10.4 Charming Shoppes, Inc. 2003 Non-Employee Directors Compensation Plan (A Subplan under the 2010 Stock Award and Incentive Plan). Amended and Restated Effective June 24, 2010.
- 10.5 Charming Shoppes, Inc. 2003 Non-Employee Directors Compensation Plan (A Subplan under the 2010 Stock Award and Incentive Plan) Restricted Share Units Agreement – Share Settled.
- 31.1 Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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| | |
|---------|---|
| 101.INS | XBRL Instance Document.* |
| 101.SCH | XBRL Taxonomy Extension Schema.* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase.* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase.* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase.* |

* Pursuant to Rule 406T of Regulation S-T, the XBRL-related information in Exhibits 101 to this Annual Report on Form 10-K shall not be deemed “filed” as a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHARMING SHOPPES, INC.
(Registrant)

Date: June 2, 2011

/S/ ANTHONY M. ROMANO
Anthony M. Romano
President
Chief Executive Officer

Date: June 2, 2011

/S/ ERIC M. SPECTER
Eric M. Specter
Executive Vice President
Chief Financial Officer

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EXHIBIT INDEX

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