

**PREPARED REMARKS FOR CHARMING SHOPPES, INC.**  
**FOURTH QUARTER FISCAL 2009 EARNINGS CONFERENCE CALL –**

Wednesday, March 18, 2009, 9:15am

Thank you everyone for joining us this morning. With us today are Alan Rosskamm, Chairman and Interim CEO of Charming Shoppes, Eric Specter, Executive Vice President and Chief Financial Officer and Jay Levitt, President of our Fashion Bug retail brand.

Today's discussion contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning appointments of executives, the Company's operations, performance, financial condition, and the Company's plans relating to cost reductions, store closings and merchandise strategy. Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those indicated. Such risks and uncertainties may include, but are not limited to: the failure to find a suitable permanent replacement for the Company's former Chief Executive Officer within a reasonable time period, the failure to consummate our identified strategic solution for our other non-core assets, the failure to effectively implement our planned consolidation, cost and capital budget reduction plans and store closing plans, the failure to implement the Company's business plan for increased profitability and growth in the Company's retail stores and direct-to-consumer segments, the failure to effectively implement the Company's plans for a new organizational structure and enhancements in the Company's merchandise and marketing, the failure to effectively implement the Company's plans for the transformation of its brands to a vertical specialty store model, the failure to achieve increased profitability through the adoption by the Company's brands of a vertical specialty store model, the failure to achieve

improvement in the Company's competitive position, the failure to continue receiving financing at an affordable cost through the availability of our credit card securitization facilities and through the availability of credit we receive from our suppliers and their agents, the failure to maintain efficient and uninterrupted order-taking and fulfillment in our direct-to-consumer business, changes in or miscalculation of fashion trends, extreme or unseasonable weather conditions, economic downturns, escalation of energy costs, a weakness in overall consumer demand, the failure to find suitable store locations, increases in wage rates, the ability to hire and train associates, trade and security restrictions and political or financial instability in countries where goods are manufactured, the interruption of merchandise flow from the Company's centralized distribution facilities, competitive pressures, and the adverse effects of natural disasters, war, acts of terrorism or threats of either, or other armed conflict, on the United States and international economies. These, and other risks and uncertainties, are detailed in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008, our Quarterly Reports on Form 10-Q and other Company filings with the Securities and Exchange Commission. Charming Shoppes assumes no duty to update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

At this time, Alan Rosskamm, our Chairman of the Board and Interim CEO, would like to share his remarks about our business, our financial condition, and progress on our ongoing initiatives. Alan?

**Alan Rosskamm, Chairman of the Board and Interim Chief Executive Officer**

Good morning. I would like to briefly review our quarterly results, then comment on our liquidity and cash position and provide an update on a number of the initiatives underway at Charming that we feel will not only enhance our cash flows, but will also provide the focus to build an exciting and successful future based on our unique position as the nation's largest specialty retailer serving the plus size women's apparel market. Then, Jay Levitt, the President of our Fashion Bug division, will provide his thoughts and plans on transforming Fashion Bug into a value apparel retailer focusing on a more sharply-defined customer audience. Finally, Eric Specter will provide a deeper review of our operating results, as well as an update on our credit securitization program. Although we will do our best to anticipate some of your concerns in our prepared remarks, we will then open the call for your questions.

Our fourth quarter results, on an operating basis, were in line with our November guidance. Improvements in the merchandising margin at Lane Bryant and Fashion Bug and our aggressive management of expenses allowed us to meet our operating plan, despite lower than planned revenues during the quarter.

We achieved our goal to end the year with clean inventories, which were down 16% on a same store basis. Our plans, moving into fiscal 2010, include continued focus on driving inventories down in order to drive gross margin improvement and increase inventory turns. This will also enable us to provide our customer with an exciting, consistent flow of new fashion product throughout the year.

Our strong liquidity position at the end of the year includes \$100 million in cash, cash equivalents and available for sale securities, compared to \$74 million a year ago. We generated approximately \$26 million in cash in this very difficult climate through

aggressive efforts to liquidate inventory, significant reductions in capital spending, and realized cost savings from previously announced initiatives, as well as from the sale of the non-core misses apparel catalogs.

We again ended the quarter with no borrowings on our revolving credit facility. This facility is committed through July 2010, and as of January 31, 2009, the available borrowing capacity on this facility was \$206 million, which is a source of liquidity above and beyond our substantial cash balances.

Looking ahead, we expect to generate positive free cash flow during fiscal year 2010. Our analysis assumes growth in working capital through continued inventory management, gross margin improvement, further paring-down capital expenditures, and the achievement of substantial savings through our cost reduction program, which I'll provide more color on in just a moment.

I am pleased to announce today, the renewal of our \$50.0 million asset securitization funding facility for another year. When combined with other existing asset securitization facilities, the availability for our credit card receivables program is expected to exceed our needs during fiscal 2010. Eric will present this information more fully later in the call.

On a GAAP basis, we posted a significant loss for Charming Shoppes for the full year. Ironically, just two years ago, we posted record earnings. I would like to spend the rest of my time on the call reviewing the aggressive actions we are taking to right size our expense structure and to improve our strategies for providing a merchandising and marketing program that will focus exclusively on our core brands and quickly return us to profitability.

In November, we announced a significant restructuring plan, geared toward optimizing our cash flow and operating efficiency, with a targeted total expense savings goal over two years of \$100 to \$125 million, with \$75 million expected to be realized in fiscal year 2010. Results to date have been favorable, and I am pleased to report that we are ahead of schedule. We now expect to realize cost savings of approximately \$125 million in the current fiscal year. Our effort addresses all selling, general and administrative spend areas, including corporate overhead, indirect expenses, store operations, as well as store occupancy and supply chain. At this time, I would like to offer more color on how we are getting there.

Reductions in overhead are focused on right-sizing our expense structure to reflect a leaner, simpler business model, and have resulted in a meaningful workforce reduction, primarily at our corporate and divisional headquarter offices. Savings pursued within indirect expenses will come from renegotiating all “not for re-sale” goods and services, including everything from store supplies and services, to printing and paper, to professional services. In selling expense, significant savings are planned in store labor, based on efficiencies planned from implementing new labor scheduling models and better leveraging and re-aligning our field management as a result of store closures. Efforts in our supply chain include changes in frequency of store deliveries, cost reductions in domestic and international freight, and reflect a reduced and smoother flow of merchandise receipts.

We have identified stores that are generating negative cash flow at the store level and have received a number of rent reductions from our landlords to enable many of those locations to become cash flow positive. We will reduce occupancy expense through more such rent reductions, or by closing the majority of those stores where our rent

reduction efforts are unsuccessful. Currently, we expect to close approximately 100 stores; however, this number will likely fluctuate relative to the degree of success we have in our discussions with our landlords.

We have made additional progress on our strategy to remove distractions and non-core assets as we simplify our business. Our Figure Magazine, which launched in 2003, has been discontinued, and our last issue is on newsstands now. Our Lane Bryant Woman catalog is in liquidation mode, with the last catalog having been mailed in February. We expect to move through the remaining inventory in the next few months. We've also made the decision to discontinue our online shoetrader.com business, and expect to close the website by September.

Much of today's discussion quite appropriately focuses on playing effective defense, including inventory controls, disposition of non-core assets, and \$125 million in cost savings. Beyond the actions we are taking to simplify our business and manage for cash in this difficult economy, we are also playing aggressive offense and believe we have meaningful business improvement opportunities unique to Charming Shoppes.

Last month, we announced that e-commerce veteran Bill Bass had joined us, with responsibility for our direct-to-consumer and e-commerce businesses. He is also charged with the oversight of the development of an entirely new and upgraded e-commerce platform, and the consolidation of our Charming Direct business in Bensalem, by closing the New York and Tucson direct offices. Bill has hit the ground running, and is finalizing plans to outsource the e-commerce platform. All of our core brands will share this common infrastructure by this summer, when we will begin launching their new websites, one at a time, providing an improved online experience

for our customers. Our objective is to improve customer conversion rates and substantially grow our brands' e-commerce penetration in the second half of the year.

As the experts in women's plus size apparel, our objective continues to be to offer a unique and exclusive merchandise assortment for our customer at better values and with better gross margins. We have acquired leadership and design talent, and have realigned our organizational structure and processes to better support this objective. We have implemented product life cycle calendars that work on a faster cycle from product concept, to in-store selling. Staff training has commenced and will continue for the next several months. An increased flow of fashion deliveries to our stores are expected to begin this fall, with the process more fully implemented by spring 2010.

Our international sourcing division will play a critical role in increasing our percentage of merchandise sourced directly. This week, we announced the appointment of Visa Vei as President – Asia, overseeing our multi-country sourcing operations. During her extensive 25+ year career in international sourcing, of which 19 years were in direct sourcing with The Gap, she has developed the critical skills and expertise required in order to oversee the transition and growth of our international sourcing operations.

On March 31, 2009, we will officially launch a Preferred Vendor Selection Program. During the first stage of this program will seek to identify key suppliers, both overseas and domestically, to support growth, innovation and savings which will be beneficial to both Charming Shoppes and the vendor. Incumbents, as well as new vendors, will be evaluated to determine which can best support our strategic goal to provide a unique fashion point-of-view with brand-appropriate quality, on-time deliveries, appropriate speed to market and cost.

Finally, it is well within our control to improve our merchandising strategy. We've brought in highly qualified and seasoned executives to lead our core retail brands – Brian Woolf at Lane Bryant, Jay Levitt at Fashion Bug, and Carol Williams at Catherines – and we promoted MaryEllen MacDowell to lead our Outlets business. Each of our brand leaders has developed improved strategies in order to better hone the fashion point-of-view for their brand, and provide a merchandising and marketing program that will focus exclusively on their defined target customer.

Last quarter, Brian Woolf joined us to speak about the exiting merchandise initiatives that were in process at Lane Bryant. Hopefully, some of you have already seen his efforts in our recent March magalog, which has been expanded to 34 pages of outstanding fashion merchandise. We also added, for the first time, a 1-800 number, to give our customers one more convenient way to shop us at Lane Bryant.

When I hired Jay Levitt in September, we brought him in with a mission to reinvent Fashion Bug, our most neglected brand. Jay and his team have been working with a tremendous sense of urgency, and I am delighted to introduce Jay to share some of their progress with you. Jay?

**Jay Levitt, President, Fashion Bug**

Good morning. I'm very pleased to join the call today and provide my observations and forward plans for our Fashion Bug Brand.

Since taking the helm at Fashion Bug last September, I have been very impressed with the loyalty of our Fashion Bug customer, and the strong passion of our terrific employees to serve her.

Despite this enthusiasm, our brand positioning was unfocused, as we were trying to attract too broad a range of customers across multiple age and size ranges. Ultimately, we lacked the clarity and focus to attract new customers in today's highly competitive retail climate.

One of our first actions was to evaluate our current market positioning to establish a more focused brand.

As we evaluated our products, I would make a number of call outs;

- Our assortments were too broad and we were over assorted, with too much old inventory;
- We consistently carried too much inventory and front loaded too much of our buys into the first and third quarters, making seasonal conversions difficult;
- We were too concentrated on the weekend casual lifestyle, such as jeans and tee shirts, while underplaying the dress up, business casual, and active lifestyles, where we can truly excel;
- We lacked consistency in the styles carried between misses and plus; and
- Our approach to product development was not competitive with vertical retailers

Now, we are narrowing our focus in a number of ways.

We will be targeting a 35 year old larger misses and plus size customer, providing her lifestyle needs in current and stylish clothing at the lowest possible price. As we look to the competitive landscape, we see our pricing on par with Target, Cato and Old Navy, and below an Avenue, Dress Barn, Kohl's and J.C. Penney.

We have eliminated the Junior's and Girl's departments and have liquidated that entire inventory. Combined, these businesses represented only \$61 million, or 7% of our sales, and we were not a competitive factor in these businesses.

Starting with June deliveries, we have eliminated Misses sizes 0, 2, and 4, to focus our brand on sizes 6 through 30. Also, beginning with June receipts, we will start to shift our brand message exclusively to the Fashion Bug label, eliminating Gitano, Studio 1940, LA Blues, Elements and the Enchanted brand names.

When I joined the Company last fall, we had a high-low pricing model, with most of our initial retails starting too high for our target customer. This spring, we have introduced "winning price", which supports our new positioning with much more compelling up-front ticketed pricing. As we go forward into fall, we have negotiated significant cost reductions with our suppliers, which will allow us to provide even sharper pricing and value to our customer.

Initially, I worked to define the merchandise themes, ideas and colors in advance of the season, and conducted workshops with our top resources to create our lines collaboratively. They did a terrific job of following our direction and we have a much tighter, more cohesive line for this fall. Additionally, one of the key initiatives we are aggressively implementing is the execution of the Company's vertical strategy, which will start impacting deliveries to our stores in December. This will enable us to create true proprietary product with a distinctive and consistent aesthetic and drive true value for our customers.

We have made several strategic improvements to our organizational structure. Late last year we hired an executive to lead our Design and Product development. More

recently, we hired a senior merchandising executive and promoted another. This has allowed us to reorganize our org-chart in planning and buying to change from a misses and plus orientation to the four lifestyles of dress up, business casual, weekend casual, and active wear. This means that when our customers visit our store, starting in August, instead of seeing Misses on one side of the store and Plus on the other, they will see a store organized based on their lifestyle needs, with dress up and business on one side of the store, and casual and active on the other.

Our marketing and in-store signage are being strengthened to reflect our messaging on sharper pricing and value proposition. One last point, I sent a letter to our customers recently to communicate our value pricing, and received over 3,000 responses on the first day, mostly thanking us for taking such action during these difficult economic times.

In closing, I want to share my enthusiasm for our vision of the Fashion Bug brand. In my 30 years in the business never have I been so excited about an opportunity as I am with the one we have with this company. We are solidly on a path to transform ourselves with a more focused brand positioning, strengthened value proposition, improved processes, and a realigned organization to support our objectives. I am very confident with the management team that we have in place, they are passionate, committed, and capable leaders and together we will energize this company and excite our customers.

**Eric Specter, Chief Financial Officer**

As our results today included a number of complex accounting issues and non-cash charges, I'd like to cover some of today's announcements in more detail.

We continue to receive questions about the funding needs and capacity of our credit card receivables asset securitization program. As Alan mentioned, our \$50.0 million asset securitization funding facility has been renewed through March 30, 2010. When combined with other existing conduit facilities, our total funding capacity through conduits is \$155 million through 2010. Combined with term series facilities, our current funding structure provides availability of \$655 million. Next month, our \$180 Million term facility is scheduled to begin amortizing, and we plan to meet amortization needs through our fully available \$155 million conduit facilities. At January 31, 2009, \$536 million of securitized credit card receivables were outstanding. We expect this to be the peak level outstanding for fiscal year 2010, with a range of \$490 to \$510 million throughout the year. As such, our funding availability is expected to continue to exceed our funding needs during fiscal 2010.

Additionally, we are extremely pleased with the continuing strength of our overall liquidity, including increased cash balances, an undrawn and fully committed line of credit, and a demonstrated ability to generate cash in a challenging economic environment.

The performance of our credit operations continues to meet our expectations, even in this difficult economic climate. The contribution from our credit operations of \$38.5 million in fiscal 2009 slightly exceeded the previous year's performance, driven by higher interest revenues and reductions in expenses, which more than offset higher charge off rates. We maintained a very healthy net excess spread in the mid-teens

during fiscal 2009. Unlike general purpose credit cards with typical balances in the thousands of dollars, Charming's private label program, which is used exclusively in our retail stores and websites, with average balances of approximately \$300.

As part of our annual review, we completed our goodwill and asset impairment testing. Based on the macro-economic climate and its performance outlook, we recorded a pre-tax non-cash goodwill impairment charge of \$43.2 million, related to the recorded goodwill for the acquisition of Catherines Plus Sizes. We also recorded a non-cash store asset impairment charge of \$16.6 million, and an intangible assets impairment charge of \$1.5 million related to the impairment of trademarks and tradenames.

Our outlook for the 1<sup>st</sup> quarter ending May 2, 2009 includes a number of elements:

- On a non-GAAP basis, we are projecting a diluted loss per share from continuing operations in the range of \$(0.03) to \$(0.07). Please refer to our GAAP to non-GAAP reconciliation in today's press release.
- This includes a provision for income taxes of approximately \$0.02 per diluted share.
- On a GAAP basis, we are projecting a diluted loss per share in a range of \$(0.09) to \$(0.13), which includes charges of approximately \$7 million, or \$0.06 per diluted share, for the execution of our business transformation initiatives, the majority of which are non-cash charges.
- The accounting rules for our convertible debt, which was issued in April of 2007, has recently changed, and our projection does not include the non-cash impact of the adoption rule change, which is effective the beginning of Fiscal 2010.
- Our projection for the first quarter assumes net sales from continuing operations in the range of \$535 to \$545 million, compared to net sales from continuing operations of \$641 million for the period ended May 3, 2008. This assumes

decreases in consolidated comparable store sales in the low double digits for the Company's Retail Stores segment.

- Additionally, we expect double digit reductions in inventories during the first quarter of fiscal year 2010, in order to benefit our operating performance, including improved gross margins, as well as the continued generation of free cash flow.
- We do not expect any borrowing during our first quarter, which is normally a time of borrowing. This compares to a year ago, when we did have borrowings during the quarter.
- Additional financial assumption for fiscal year 2010 include:
  - Our capital expenditures are projected at \$24 million for the year;
  - D&A is estimated at \$80 million;
  - Our store activity is currently planned to include 6 openings and 12 relocations, primarily at Lane Bryant, and 100 store closings, as we previously announced in November.

This concludes our prepared remarks.