COMCAST CORP
Form 10-Q
November 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 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 Number 001-32871

COMCAST CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	**27-0000798**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Comcast Center, Philadelphia, PA	**19103-2838**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (215) 286-1700

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 twelve 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 x 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 during the preceding 12 months (or for such period that the registrant was required to submit and post such files).

Yes x 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. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

Yes ¨ No x

As of September 30, 2011, there were 2,092,580,146 shares of our Class A common stock, 622,816,473 shares of our Class A Special common stock and 9,444,375 shares of our Class B common stock outstanding.

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This Quarterly Report on Form 10-Q is for the three and nine months ended September 30, 2011. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. The Securities and Exchange Commission (SEC) allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Quarterly Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Quarterly Report. Throughout this Quarterly Report, we refer to Comcast Corporation as Comcast; Comcast and its consolidated subsidiaries, including NBCUniversal, as we, us and our; and Comcast Holdings Corporation as Comcast Holdings.

You should carefully review the information contained in this Quarterly Report and particularly consider any risk factors set forth in this Quarterly Report and in other reports or documents that we file from time to time with the SEC. In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify these so-called forward-looking statements by words such as may, will, should, expects, believes, es potential, or continue, or the negative of those words, and other comparable words. You should be aware that those statements are only our predictions. In evaluating those statements, you should specifically consider various factors, including the risks outlined below and in other reports we file with the SEC. Actual events or our actual results may differ materially from any of our forward-looking statements. We undertake no obligation to update any forward-looking statements.

Our businesses may be affected by, among other things, the following:

- our businesses currently face a wide range of competition, and our businesses and results of operations could be adversely affected if we do not compete effectively
- changes in technology and consumer behavior may adversely affect our businesses and results of operations
- programming expenses for our video services are increasing, which could adversely affect our future results of operations

as a result of the NBCUniversal transaction, our businesses are subject to the conditions set forth in the NBCUniversal Order and the NBCUniversal Consent Decree, and there can be no assurance that these conditions will not have an adverse effect on our businesses and results of operations

we are subject to regulation by federal, state, local and foreign authorities, which may impose additional costs and restrictions on our businesses

weak economic conditions may have a negative impact on our results of operations and financial condition

a decline in advertising expenditures or changes in advertising markets could negatively impact our results of operations

NBCUniversal s success depends on consumer acceptance of its content, which is difficult to predict, and our results of operations may be adversely affected if our content fails to achieve sufficient consumer acceptance or our costs to acquire content increase

the loss of our programming distribution agreements, or the renewal of these agreements on less favorable terms, could adversely affect our business

sales of DVDs have been declining

we rely on network and information systems and other technology, as well as key properties, and a disruption, failure or destruction of such networks, systems, technology or properties may disrupt our business

we may be unable to obtain necessary hardware, software and operational support

our businesses depend on using and protecting certain intellectual property rights and on not infringing the intellectual property rights of others

labor disputes, whether involving our own employees or sports leagues, may disrupt our operations and adversely affect our business

we may face a significant withdrawal liability if we withdraw from multiemployer pension plans or be required to make additional contributions under such plans

the other risk factors that are described in our Annual Report on Form 10-K for the year ended December 31, 2010

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet

(Unaudited)

(in millions, except share data)	September 30, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,806	$ 5,984
Receivables, net	4,096	1,855
Programming rights	1,055	122
Other current assets	1,625	925
Total current assets	8,582	8,886
Film and television costs	5,369	460
Investments	9,575	6,670
Property and equipment, net	27,441	23,515
Franchise rights	59,442	59,442
Goodwill	26,831	14,958
Other intangible assets, net	17,386	3,431
Other noncurrent assets, net	2,201	1,172
Total assets	**$ 156,827**	**$ 118,534**
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses related to trade creditors	$ 5,455	$ 3,291
Accrued participations and residuals	1,247	
Accrued expenses and other current liabilities	4,996	3,143
Current portion of long-term debt	2,448	1,800
Total current liabilities	14,146	8,234
Long-term debt, less current portion	38,522	29,615
Deferred income taxes	29,663	28,246
Other noncurrent liabilities	11,657	7,862
Commitments and contingencies (Note 16)		
Redeemable noncontrolling interests	15,827	143
Equity:		
Preferred stock authorized, 20,000,000 shares; issued, zero		
Class A common stock, $0.01 par value authorized, 7,500,000,000 shares; issued, 2,458,040,896 and 2,437,281,651; outstanding, 2,092,580,146 and 2,071,820,901	25	24
Class A Special common stock, $0.01 par value authorized, 7,500,000,000 shares; issued, 693,751,237 and 766,168,658; outstanding, 622,816,473 and 695,233,894	7	8
Class B common stock, $0.01 par value authorized, 75,000,000 shares; issued and outstanding, 9,444,375		
Additional paid-in capital	41,079	39,780
Retained earnings	13,236	12,158
Treasury stock, 365,460,750 Class A common shares and 70,934,764 Class A Special common shares	(7,517)	(7,517)
Accumulated other comprehensive income (loss)	(147)	(99)
Total Comcast Corporation shareholders equity	46,683	44,354
Noncontrolling interests	329	80
Total equity	47,012	44,434
Total liabilities and equity	**$ 156,827**	**$ 118,534**

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statement of Income

(Unaudited)

(in millions, except per share data)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Revenue	$ 14,339	$ 9,489	$ 40,800	$ 28,216
Costs and Expenses:				
Operating costs and expenses	9,765	5,911	27,359	17,336
Depreciation	1,540	1,377	4,504	4,167
Amortization	393	247	1,134	746
	11,698	7,535	32,997	22,249
Operating income	2,641	1,954	7,803	5,967
Other Income (Expense):				
Interest expense	(637)	(545)	(1,863)	(1,612)
Investment income (loss), net	(147)	109	3	210
Equity in net income (losses) of investees, net	(40)	(40)	(40)	(98)
Other income (expense), net	(12)	(24)	(82)	(69)
	(836)	(500)	(1,982)	(1,569)
Income before income taxes	1,805	1,454	5,821	4,398
Income tax expense	(639)	(584)	(2,249)	(1,763)
Net income from consolidated operations	1,166	870	3,572	2,635
Net (income) loss attributable to noncontrolling interests	(258)	(3)	(699)	(18)
Net income attributable to Comcast Corporation	**$ 908**	**$ 867**	**$ 2,873**	**$ 2,617**
Basic earnings per common share attributable to Comcast Corporation shareholders	**$ 0.33**	**$ 0.31**	**$ 1.04**	**$ 0.93**
Diluted earnings per common share attributable to Comcast Corporation shareholders	**$ 0.33**	**$ 0.31**	**$ 1.03**	**$ 0.93**
Dividends declared per common share attributable to Comcast Corporation shareholders	**$ 0.1125**	**$ 0.0945**	**$ 0.3375**	**$ 0.2835**

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	2011	2010	2011	2010
Net income from consolidated operations	$ 1,166	$ 870	$ 3,572	$ 2,635
Unrealized gains (losses) on marketable securities, net of deferred taxes of $, $, $(3) and $		1	5	2
Deferred gains (losses) on cash flow hedges, net of deferred taxes of $35, $21, $33 and $45	(59)	(37)	(57)	(79)
Amounts reclassified to net income:				
Realized (gains) losses on marketable securities, net of deferred taxes of $, $, $5 and $			(9)	
Realized (gains) losses on cash flow hedges, net of deferred taxes of $(13), $(1), $(7) and $(4)	23	2	13	7
Employee benefit obligations, net of deferred taxes of $, $, $(1) and $	(3)		(4)	
Currency translation adjustments	(9)	4	(2)	
Comprehensive income	1,118	840	3,518	2,565
Net (income) loss attributable to noncontrolling interests	(258)	(3)	(699)	(18)
Other comprehensive (income) loss attributable to noncontrolling interests	6		6	
Comprehensive income attributable to Comcast Corporation	**$ 866**	**$ 837**	**$ 2,825**	**$ 2,547**

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows

(Unaudited)

(in millions)	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Net cash provided by operating activities	**$ 10,206**	**$ 7,732**
Investing Activities		
Capital expenditures	(3,785)	(3,429)
Cash paid for intangible assets	(505)	(372)
Acquisitions, net of cash acquired	(6,407)	(183)
Proceeds from sales of investments	154	21
Purchases of investments	(85)	(54)
Other	(33)	149
Net cash provided by (used in) investing activities	**(10,661)**	**(3,868)**
Financing Activities		
Proceeds from (repayments of) short-term borrowings, net	1,642	
Proceeds from borrowings		2,420
Repurchases and repayments of debt	(2,813)	(649)
Repurchases and retirements of common stock	(1,650)	(892)
Dividends paid	(881)	(800)
Distributions to noncontrolling interests	(237)	(48)
Other	216	(24)
Net cash provided by (used in) financing activities	**(3,723)**	**7**
Increase (decrease) in cash and cash equivalents	(4,178)	3,871
Cash and cash equivalents, beginning of period	5,984	671
Cash and cash equivalents, end of period	**$ 1,806**	**$ 4,542**

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statement of Changes in Equity

(Unaudited)

(in millions)	Redeemable Non-controlling Interests	Common Stock A	Common Stock A Special	Common Stock B	Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, January 1, 2010	$ 166	$ 24	$ 8	$	$ 40,247	$ 10,005	$ (7,517)	$ (46)	$ 90	$ 42,811
Stock compensation plans					160	(4)				156
Repurchases and retirements of common stock					(603)	(297)				(900)
Employee stock purchase plan					45					45
Dividends declared						(796)				(796)
Other comprehensive income (loss)								(70)		(70)
Sale (purchase) of subsidiary shares to (from) noncontrolling interests, net	(20)				11					11
Contributions from (distributions to) noncontrolling interests									(26)	(26)
Net income (loss)	(2)					2,617			20	2,637
Balance, September 30, 2010	**$ 144**	**$ 24**	**$ 8**	**$**	**$ 39,860**	**$ 11,525**	**$ (7,517)**	**$ (116)**	**$ 84**	**$ 43,868**
Balance, January 1, 2011	$ 143	$ 24	$ 8	$	$ 39,780	$ 12,158	$ (7,517)	$ (99)	$ 80	$ 44,434
Stock compensation plans		1			414	(40)				375
Repurchases and retirements of common stock			(1)		(822)	(827)				(1,650)
Employee stock purchase plan					50					50
Dividends declared						(928)				(928)
Other comprehensive income (loss)	(6)							(48)		(48)
NBCUniversal transaction	15,192				1,612				211	1,823
Issuance of subsidiary shares to noncontrolling interests	83				45				43	88
Contributions from (distributions to) noncontrolling interests	(177)								(112)	(112)
Net income (loss)	592					2,873			107	2,980
Balance, September 30, 2011	**$ 15,827**	**$ 25**	**$ 7**	**$**	**$ 41,079**	**$ 13,236**	**$ (7,517)**	**$ (147)**	**$ 329**	**$ 47,012**

See accompanying notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Condensed Consolidated Financial Statements

Basis of Presentation

We have prepared these unaudited condensed consolidated financial statements based on Securities and Exchange Commission (SEC) rules that permit reduced disclosure for interim periods. These financial statements include all adjustments that are necessary for a fair presentation of our consolidated results of operations, financial condition and cash flows for the periods shown, including normal, recurring accruals and other items. We also evaluated events or transactions that occurred after the balance sheet date through the issuance date of these condensed consolidated financial statements to determine if financial statement recognition or additional disclosure is required. The consolidated results of operations for the interim periods presented are not necessarily indicative of results for the full year.

The year-end condensed consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States (GAAP). For a more complete discussion of our accounting policies and certain other information, refer to our annual consolidated financial statements for the preceding fiscal year as filed with the SEC.

On January 28, 2011, we closed our transaction with General Electric Company (GE) in which we acquired control of the businesses of NBC Universal, Inc. (now named NBCUniversal Media, LLC (NBCUniversal)), a leading media and entertainment company that develops, produces and distributes entertainment, news and information, sports, and other content to global audiences. NBCUniversal s results of operations from January 29, 2011 through September 30, 2011 are included in our consolidated results of operations. See Note 4 for additional information on the transaction.

Note 2: Summary of Significant Accounting Policies

The accounting policies described below became significant to our business as a result of the NBCUniversal transaction on January 28, 2011.

Use of Estimates

In connection with the NBCUniversal transaction, we have performed a preliminary allocation of purchase price to the assets and liabilities of the businesses acquired using preliminary estimates. The estimates are subject to change as discussed in Note 4. Estimates are also used when accounting for various items, including impairment of capitalized film and television costs, amortization of owned and acquired programming, participation and residual payments, and DVD and Blu-ray disc (together, DVDs) returns and customer incentives. Actual results could differ from those estimates.

Film and Television Costs

We capitalize film and television production costs, including direct costs, production overhead, print costs, development costs and interest. We amortize capitalized film and television production costs, as well as accrue costs associated with participation and residual payments, on an individual production basis using the ratio of the current period s actual revenue to the estimated total remaining gross revenue from all sources, which is referred to as ultimate revenue. Estimates of total revenue and total costs are based on anticipated release patterns, public acceptance and historical results for similar productions. We state unamortized film and television costs at the lower of unamortized cost or fair value. We do not capitalize costs related to film exploitation, which are primarily costs associated with the marketing and distribution of film and television programming.

We state acquired film and television libraries at the lower of unamortized cost or fair value. In determining the estimated lives and method of amortization, we generally use the method and the life that most closely follow the undiscounted cash flows over the estimated life of the asset.

We capitalize the costs to license programming content, including rights to multiyear live-event sports programming, at the earlier of when the programming is acquired or when the license period begins and the

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content is available for use. We amortize capitalized programming costs as the associated programs are broadcast. We amortize multiyear, live-event sports programming rights using the ratio of the current period s actual direct revenue to the estimated total remaining direct revenue or based on the terms of the contract.

We state the cost of acquired programming at the lower of unamortized cost or net realizable value on a program by program, package, channel or daypart basis. A daypart is defined as an aggregation of programs broadcast during a particular time of day or programs of a similar type. Acquired programming used by our cable programming networks is tested on a channel basis for impairment, whereas the programming for the NBC and Telemundo broadcast networks is tested on a daypart basis. If we determine that the estimates of future cash flows are insufficient or if there is no plan to broadcast certain programming, we will recognize an impairment charge to other operating costs and expenses.

We enter into arrangements with third parties to jointly finance and distribute certain of our film productions. These arrangements, which are referred to as cofinancing arrangements, can take various forms. In most cases, the form of the arrangement involves the grant of an economic interest in a film to a third-party investor. The number of investors and the terms of these arrangements can also vary, although in most cases an investor assumes the full risk for the portion of the film acquired in these arrangements. We account for our proceeds under these arrangements as a reduction to our capitalized film costs. In these arrangements, the investor owns an undivided copyright interest in the film and, therefore, in each period we record either a charge or benefit to operating costs and expenses to reflect the estimate of the third-party investor s interest in the profit or loss of the film. The estimate of the third-party investor s interest in the profit or loss of a film is determined by reference to the ratio of actual revenue earned to date in relation to the ultimate revenue expected to be recognized over a film s useful life.

See Note 5 for additional information on our film and television costs.

Revenue Recognition

We recognize revenue from the theatrical distribution of films when films are exhibited. We recognize revenue from the licensing of film and television productions when the content is available for use by the licensee, and when certain other conditions are met. When license fees are contracted as part cash and part advertising time, we recognize the advertising time component when the advertising units are aired. We recognize revenue from home entertainment units, net of estimated returns and customer incentives, on the date that units are delivered to and made available for sale by retailers.

We recognize revenue from advance theme park ticket sales when the tickets are used. For nonexpiring, multiday or annual passes, we recognize revenue over the period of benefit based on estimated usage patterns that are derived from historical experience. We recognize revenue from corporate sponsors at the theme parks over the period of the applicable contract.

We also enter into nonmonetary exchanges of advertising units for other advertising units, products or services. Advertising units exchanged for advertising units are recorded at the fair value of advertising units provided and recognized when aired. Advertising units exchanged for products or services are recorded at the fair value of the goods or services received or advertising units provided. Advertising units provided are recognized when aired, and costs are recognized in the period the products or services are used.

Foreign Currency Translation

Functional currencies are determined based on entity-specific economic and management indicators. We translate the assets and liabilities of our foreign subsidiaries where the functional currency is the local currency, primarily the euro and the British pound, into U.S. dollars at the exchange rate in effect at the balance sheet date. We translate revenue and expenses using average exchange rates prevailing during the period. The related translation adjustments are recorded as a component of accumulated other comprehensive income (loss).

Reclassifications

Reclassifications have been made to the prior year s condensed consolidated balance sheet to programming rights, other current assets, film and television costs, other intangible assets, net and other noncurrent assets, net to adjust to classifications used in the current period as a result of the acquisition of the NBCUniversal businesses.

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Note 3: Earnings Per Share

Basic earnings per common share attributable to Comcast Corporation shareholders (basic EPS) is computed by dividing net income attributable to Comcast Corporation by the weighted-average number of common shares outstanding during the period.

Our potentially dilutive securities include potential common shares related to our stock options and our restricted share units (RSUs). Diluted earnings per common share attributable to Comcast Corporation shareholders (diluted EPS) considers the impact of potentially dilutive securities using the treasury stock method. Diluted EPS excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our Class A common stock or our Class A Special common stock, as applicable.

Diluted EPS for the three and nine months ended September 30, 2011 excludes 54 million and 45 million, respectively, of potential common shares related to our share-based compensation plans, because the inclusion of the potential common shares would have had an antidilutive effect. For the three and nine months ended September 30, 2010, diluted EPS excluded 178 million and 189 million, respectively, of potential common shares.

Computation of Diluted EPS

	$2,873	$2,873	$2,873	$2,873	$2,873	$2,873
	Three Months Ended September 30					
		2011			2010	
(in millions, except per share data)	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount
Basic EPS attributable to Comcast Corporation shareholders	$ 908	2,739	$ 0.33	$ 867	2,802	$ 0.31
Effect of dilutive securities:						
Assumed exercise or issuance of shares relating to stock plans		22			8	
Diluted EPS attributable to Comcast Corporation shareholders	**$ 908**	**2,761**	**$ 0.33**	**$ 867**	**2,810**	**$ 0.31**

	$2,870000	$2,870000	$2,870000	$2,870000	$2,870000	$2,870000
	Nine Months Ended September 30					
		2011			2010	
(in millions, except per share data)	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount
Basic EPS attributable to Comcast Corporation shareholders	$ 2,873	2,757	$ 1.04	$ 2,617	2,816	$ 0.93
Effect of dilutive securities:						
Assumed exercise or issuance of shares relating to stock plans		32			10	
Diluted EPS attributable to Comcast Corporation shareholders	**$ 2,873**	**2,789**	**$ 1.03**	**$ 2,617**	**2,826**	**$ 0.93**

Note 4: Acquisitions

NBCUniversal Transaction

On January 28, 2011, we closed our transaction with GE to form a new company named NBCUniversal, LLC (NBCUniversal Holdings). We now control and own 51% of NBCUniversal Holdings and GE owns the remaining 49%. As part of the NBCUniversal transaction, GE

contributed the businesses of NBCUniversal, which is now a wholly owned subsidiary of NBCUniversal Holdings. The NBCUniversal contributed businesses include its national cable programming networks, the NBC network and its owned NBC affiliated local television stations, the Telemundo network and its owned Telemundo affiliated local television stations, Universal Pictures, the Universal Studios Hollywood theme park, and other investments and related assets. We contributed our national

cable programming networks, our regional sports and news networks, certain of our Internet businesses, including DailyCandy and Fandango, and other related assets (the Comcast Content Business). The combination of these businesses creates a leading media and entertainment company capable of providing entertainment, news, sports and other content to a global audience across many platforms. In addition to contributing the Comcast Content Business, we made a cash payment to GE of $6.2 billion, which included transaction-related costs. We expect to receive tax benefits related to the transaction and have agreed to share with GE certain of these future tax benefits as they are realized.

In connection with the NBCUniversal transaction, during 2010 NBCUniversal issued $9.1 billion of senior debt securities with maturities ranging from 2014 to 2041 and repaid approximately $1.7 billion of existing debt. Prior to the close, NBCUniversal made a cash distribution of approximately $7.4 billion to GE.

Under the terms of the operating agreement of NBCUniversal Holdings, during the six month period beginning July 28, 2014, GE has the right to cause NBCUniversal Holdings to redeem, in cash, half of GE s interest in NBCUniversal Holdings, and we would have the immediate right to purchase the remainder of GE s interest. If, however, we elect not to exercise this right, during the six month period beginning January 28, 2018, GE has the right to cause NBCUniversal Holdings to redeem GE s remaining interest, if any. If GE does not exercise its first redemption right, during the six month period beginning January 28, 2016, we have the right to purchase half of GE s interest in NBCUniversal Holdings, and during the six month period beginning January 28, 2019, we have the right to purchase GE s remaining interest, if any, in NBCUniversal Holdings. The purchase price to be paid in connection with any purchase or redemption described in this paragraph will be equal to the ownership percentage being acquired multiplied by an amount equal to 120% of the fully distributed public market trading value of NBCUniversal Holdings (determined pursuant to an appraisal process if NBCUniversal Holdings is not then publicly traded), less 50% of an amount (not less than zero) equal to the excess of 120% of the fully distributed public market trading value over $28.4 billion. Subject to various limitations, we are committed to fund up to $2.875 billion in cash or our common stock for each of the two redemptions (up to an aggregate of $5.75 billion) to the extent NBCUniversal Holdings cannot fund the redemptions, with amounts not used in the first redemption to be available for the second redemption.

Until July 28, 2014, GE may not directly or indirectly transfer its interest in NBCUniversal Holdings. Thereafter, GE may transfer its interest to a third party, subject to our right of first offer. The right of first offer would permit us to purchase all, but not less than all, of the interests proposed to be transferred. In the event that GE makes a registration request in accordance with certain registration rights that are granted to it under the operating agreement, we will have the right to purchase, for cash at the market value (determined pursuant to an appraisal process if NBCUniversal Holdings is not then publicly traded), all of GE s interest in NBCUniversal Holdings that GE is seeking to register.

Preliminary Allocation of Purchase Price

Because we now control NBCUniversal Holdings, we have applied acquisition accounting to the NBCUniversal contributed businesses and their results of operations are included in our consolidated results of operations following the acquisition date. The net assets of the NBCUniversal contributed businesses were recorded at their estimated fair value using Level 3 inputs (see Note 10 for an explanation of Level 3 inputs). In valuing acquired assets and liabilities, fair value estimates are based on, but are not limited to, future expected cash flows, market rate assumptions for contractual obligations, actuarial assumptions for benefit plans and appropriate discount rates. The Comcast Content Business continues at its historical or carry-over basis. GE s interest in NBCUniversal Holdings is recorded as a redeemable noncontrolling interest in our consolidated financial statements due to the redemption provisions outlined above. GE s redeemable noncontrolling interest has been recorded at fair value for the portion attributable to the net assets we acquired, and at historical cost for the portion attributable to the Comcast Content Business. The estimated values are not yet final and are subject to change. We will finalize the amounts recognized as we obtain the information necessary to complete the analysis, but no later than one year from the acquisition date.

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The tables below present the preliminary fair value of the consideration transferred and the preliminary allocation of purchase price to the assets and liabilities of the NBCUniversal businesses acquired as a result of the NBCUniversal transaction. We have revised our estimates in the current quarter, which resulted in a decrease in goodwill of $1 billion from our initial allocation of purchase price. The changes related primarily to revisions in the estimated fair value of investments, property and equipment, and intangible assets.

Consideration Transferred

(in millions)	
Cash	$ 6,120
Fair value of 49% of the Comcast Content Business	4,301
Fair value of contingent consideration	590
Fair value of redeemable noncontrolling interest associated with net assets acquired	13,065
	$ 24,076

Preliminary Allocation of Purchase Price

(in millions)	
Film and television costs (see Note 5)	$ 5,040
Investments (see Note 6)	4,254
Property and equipment (see Note 14)	2,324
Intangible assets (see Note 7)	14,595
Working capital	(1,742)
Long-term debt (see Note 8)	(9,115)
Deferred income tax liabilities	(31)
Other noncurrent assets and liabilities	(2,005)
Noncontrolling interests acquired	(211)
Fair value of identifiable net assets acquired	13,109
Goodwill	10,967
	$ 24,076

Income Taxes

We are responsible for the tax matters for both NBCUniversal Holdings and NBCUniversal, including the filing of returns and the administering of any proceedings with taxing authorities. For U.S. federal income tax purposes, NBCUniversal Holdings is treated as a partnership and NBCUniversal is disregarded as an entity separate from NBCUniversal Holdings. Accordingly, neither NBCUniversal Holdings nor NBCUniversal and its subsidiaries will incur any material current or deferred U.S. federal income taxes. NBCUniversal Holdings and NBCUniversal and its subsidiaries are, however, expected to incur current and deferred income taxes in a limited number of states and localities. In addition, NBCUniversal s foreign subsidiaries are expected to incur current and deferred foreign income taxes. GE has indemnified us and NBCUniversal Holdings for any income tax liability attributable to the historical NBCUniversal businesses for periods prior to the acquisition date. We have also indemnified GE and NBCUniversal Holdings for any income tax liability attributable to the Comcast Content Business for periods prior to the acquisition date.

NBCUniversal recognized net deferred income tax liabilities of $31 million in the preliminary allocation of purchase price related primarily to acquired intangible assets in state and foreign jurisdictions. In addition, Comcast recognized $562 million of deferred tax liabilities in connection with GE acquiring an indirect noncontrolling interest in the Comcast Content Business in exchange for our acquisition of a portion of our interest in NBCUniversal Holdings. Because we maintained control of the Comcast Content Business, the excess of fair value received over historical carrying value and the related tax impact were recorded to additional paid-in capital.

We agreed to share with GE certain tax benefits as they are realized, related to the form and structure of the transaction. These payments to GE are contingent on us realizing tax benefits in the future and are accounted for

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as contingent consideration. We have recorded $590 million in other current and noncurrent liabilities in our acquisition accounting based on the present value of the expected future payments to GE.

Following the close of the NBCUniversal transaction, our provision for income taxes includes a federal and state tax provision on our allocable share of the earnings of NBCUniversal Holdings and NBCUniversal, as well as the state, local and foreign tax provisions of NBCUniversal Holdings and NBCUniversal, adjusted for any foreign tax credits.

Goodwill

Goodwill is calculated as the excess of the consideration transferred over the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, noncontractual relationships and agreements between us and NBCUniversal. Because our allocation of purchase price and estimated values of identifiable assets and liabilities are not yet final, the amount of total goodwill and the amount of goodwill expected to be deductible for tax purposes are not yet final and are subject to change.

Transaction-Related Expenses

We have incurred significant transaction costs directly related to the NBCUniversal transaction. The incremental expenses related to legal, accounting and valuation services and investment banking fees are included in operating costs and expenses. We also incurred certain financing costs and other shared costs with GE associated with NBCUniversal s debt facilities that were entered into in December 2009 and with the issuance of NBCUniversal s senior notes in 2010, which are included in other income (expense), net and interest expense.

In addition, during the three and nine months ended September 30, 2011, NBCUniversal incurred transaction-related costs associated with severance and other related compensation charges, which are included in operating costs and expenses.

The table below presents the transaction costs and transaction-related costs included in our consolidated statement of income.

	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	2011	2010	2011	2010
Operating costs and expenses				
Transaction costs	$	$ 21	$ 63	$ 57
Transaction-related costs	14		64	
Total operating costs and expenses	14	21	127	57
Other expense		43	16	91
Interest expense		2		6
Total	**$ 14**	**$ 66**	**$ 143**	**$ 154**

Universal City Development Partners

On July 1, 2011, NBCUniversal acquired the remaining 50% equity interest in Universal City Development Partners, Ltd. (UCDP) that it did not already own for $1 billion. UCDP is now a wholly owned consolidated subsidiary of NBCUniversal whose operations are reported in our Theme Parks segment. NBCUniversal funded this acquisition with cash on hand, borrowings under its revolving credit facility and a $250 million one-year intercompany note due to us, which is eliminated in our consolidated financial statements.

Preliminary Allocation of Purchase Price

Because we now control UCDP, we have applied acquisition accounting and its results of operations are included in our consolidated results of operations following the acquisition date.

The carrying value of our investment in UCDP on July 1, 2011 was $1 billion, which approximated its fair value and, therefore, no gain or loss was recognized as a result of the acquisition. The estimated fair values of the assets and liabilities acquired are not yet final and are subject to change. We will finalize the amounts recognized as we obtain the information necessary to complete the analysis, but no later than one year from the acquisition date.

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The table below presents the preliminary allocation of purchase price to the assets and liabilities of UCDP.

Preliminary Allocation of Purchase Price

(in millions)	
Property and equipment (see Note 14)	$ 2,441
Intangible assets (see Note 7)	70
Working capital	242
Long-term debt (see Note 8)	(1,505)
Deferred revenue	(89)
Other noncurrent assets and liabilities	(5)
Noncontrolling interests acquired	(5)
Fair value of identifiable net assets acquired	1,149
Goodwill	909
	$ 2,058

Financing Transactions

Borrowings under the NBCUniversal revolving credit facility, along with cash on hand at UCDP, were used to refinance and terminate UCDP s existing $801 million term loan immediately following the acquisition. In addition, on August 1, 2011, UCDP completed its redemption of $140 million aggregate principal amount of its 8.875% senior notes due 2015 and $79 million aggregate principal amount of its 10.875% senior subordinated notes due 2016. As of September 30, 2011, $260 million aggregate principal amount of UCDP s senior notes and $146 million aggregate principal amount of UCDP s senior subordinated notes remained outstanding.

Unaudited Actual and Pro Forma Information

Our consolidated revenue for the three months ended September 30, 2011 and from January 29, 2011 through September 30, 2011 included $3.8 billion and $10.1 billion, respectively, from the NBCUniversal contributed businesses. Our consolidated net income (loss) attributable to Comcast Corporation for the three months ended September 30, 2011 and from January 29, 2011 through September 30, 2011 included $127 million and $355 million, respectively, from the NBCUniversal contributed businesses.

Our consolidated revenue for the three and nine months ended September 30, 2011 included $375 million from UCDP. Our consolidated net income (loss) attributable to Comcast Corporation for the three and nine months ended September 30, 2011 included $29 million resulting from the acquisition of the remaining equity interest in UCDP on July 1, 2011.

The following unaudited pro forma information has been presented as if both the NBCUniversal transaction and the UCDP transaction occurred on January 1, 2010. This information is based on historical results of operations, adjusted for the allocations of purchase price and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we operated the businesses since January 1, 2010. No pro forma adjustments have been made for our incremental transaction costs or other transaction-related costs.

	Actual	Pro Forma	Pro Forma	
	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	2011	2010	2011	2010
Revenue	$ 14,339	$ 13,670	$ 42,619	$ 40,453
Net income from consolidated operations	$ 1,166	$ 1,238	$ 3,584	$ 3,112
Net income attributable to Comcast Corporation	$ 908	$ 957	$ 2,862	$ 2,626
Basic earnings per common share attributable to Comcast Corporation shareholders	$ 0.33	$ 0.34	$ 1.04	$ 0.93
Diluted earnings per common share attributable to Comcast Corporation shareholders	$ 0.33	$ 0.34	$ 1.03	$ 0.93

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Note 5: Film and Television Costs

(in millions)	September 30, 2011	December 31, 2010
Film Costs:		
Released, less amortization	$ 1,524	$
Completed, not released	95	
In-production and in-development	1,289	
	2,908	
Television Costs:		
Released, less amortization	1,170	94
Completed, not released		
In-production and in-development	202	43
	1,372	137
Programming rights, less amortization	2,144	445
	6,424	582
Less: Current portion of programming rights	1,055	122
Film and television costs	**$ 5,369**	**$ 460**

Film and television costs as of September 30, 2011 include the costs acquired in connection with the closing of the NBCUniversal transaction at fair value as of January 28, 2011, less accumulated amortization following the acquisition date. The capitalized programming costs of the Comcast Content Business are reflected at their historical cost, less accumulated amortization, for both periods presented.

As of September 30, 2011, acquired film and television libraries had remaining unamortized costs of $1.1 billion. For the three and nine months ended September 30, 2011, amortization of acquired film and television libraries included in operating costs and expenses totaled $46 million and $127 million, respectively.

Note 6: Investments

(in millions)	September 30, 2011	December 31, 2010
Fair value method	$ 2,754	$ 2,815
Equity method, primarily SpectrumCo and Clearwire	1,973	2,193
Cost method, primarily AirTouch redeemable preferred shares	1,780	1,743
Acquired NBCUniversal and UCDP investments	3,114	
Total investments	9,621	6,751
Less: Current investments	46	81
Noncurrent investments	**$ 9,575**	**$ 6,670**

Investments acquired in connection with the NBCUniversal transaction that we held as of September 30, 2011 primarily include equity method investments in A&E Television Networks (16%); The Weather Channel (25%); and MSNBC.com (50%); and cost method investments, primarily in Hulu (32%). On July 1, 2011, NBCUniversal completed the acquisition of the remaining 50% equity interest in UCDP that it did not already own. As a result, we no longer record UCDP as an equity method investment. See Note 4 for additional information on the NBCUniversal and UCDP transactions.

Components of Investment Income (Loss), Net

(in millions)	Three Months Ended September 30 2011	2010	Nine Months Ended September 30 2011	2010
Gains on sales and exchanges of investments, net	$ 6	$ 3	$ 27	$ 14
Investment impairment losses		(10)	(3)	(24)
Unrealized gains (losses) on securities underlying prepaid forward sale agreements	(576)	475	(41)	706
Mark to market adjustments on derivative component of prepaid forward sale agreements	459	(399)	7	(545)
Mark to market adjustments on derivative component of ZONES	(5)	(1)		1
Interest and dividend income	28	25	80	70
Other, net	(59)	16	(67)	(12)
Investment income (loss), net	**$ (147)**	**$ 109**	**$ 3**	**$ 210**

Note 7: Goodwill and Other Intangible Assets

Goodwill

The table below presents our goodwill attributable to our Cable Communications segment (previously our Cable segment), the Comcast Content Business (now included in the new NBCUniversal segments), and Corporate and Other, as well as the total goodwill attributable to the NBCUniversal acquired businesses. See Note 17 for additional information on our segments.

(in millions)	Cable Communications	NBCUniversal Comcast Content Business	NBCUniversal Acquired Businesses	Corporate and Other	Total
Balance, December 31, 2010	$ 12,207	$ 2,564	$	$ 187	$ 14,958
Acquisitions			11,899		11,899
Settlements and adjustments	1	(27)			(26)
Balance, September 30, 2011	**$ 12,208**	**$ 2,537**	**$ 11,899**	**$ 187**	**$ 26,831**

The change in goodwill for the nine months ended September 30, 2011 is primarily related to the close of the NBCUniversal transaction on January 28, 2011 and the acquisition of the remaining 50% equity interest in UCDP that NBCUniversal did not already own. The preliminary allocation of purchase price to the assets and liabilities of each of the NBCUniversal and UCDP businesses acquired, and the allocation of goodwill among reporting segments, are not final and are subject to change. See Note 4 for additional information on the NBCUniversal and UCDP transactions.

Other Intangible Assets

(in millions)	Original Useful Life at September 30, 2011	September 30, 2011 Gross Carrying Amount	Accumulated Amortization	December 31, 2010 Gross Carrying Amount	Accumulated Amortization
Other intangible assets	2-25 years	$ 8,880	$ (5,777)	$ 12,271	$ (8,840)
Acquired NBCUniversal and UCDP intangible assets:					
Finite-lived intangible assets	4-20 years	11,566	(483)		
Indefinite-lived intangible assets	N/A	3,200			
Total		**$ 23,646**	**$ (6,260)**	**$ 12,271**	**$ (8,840)**

The decrease in the gross carrying amount and accumulated amortization of other intangible assets for the nine months ended September 30, 2011 was due to the write-off of fully amortized customer relationship and other intangible assets.

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The intangible assets recorded as a result of the NBCUniversal transaction include finite-lived intangible assets, primarily relationships with advertisers and multichannel video providers, and indefinite-lived intangible assets, primarily trade names and Federal Communications Commission licenses.

The intangible assets recorded as a result of the UCDP transaction primarily consist of the rights to use certain characters and trademarks in our theme parks.

See Note 4 for additional information on the NBCUniversal and UCDP transactions.

Note 8: Long-Term Debt

As of September 30, 2011, our debt had an estimated fair value of approximately $46 billion. The estimated fair value of our publicly traded debt is based on quoted market values for the debt. To estimate the fair value of debt for which there are no quoted market prices, we use interest rates available to us for debt with similar terms and remaining maturities.

NBCUniversal and UCDP Notes

NBCUniversal issued $9.1 billion principal amount of senior debt securities during 2010 in connection with the NBCUniversal transaction. On July 1, 2011, NBCUniversal acquired the remaining 50% equity interest in UCDP that it did not already own (see Note 4) and consolidated UCDP s senior notes due 2015 and senior subordinated notes due 2016. In accordance with acquisition accounting, the debt securities were recorded at fair value based on interest rates available to us for debt with similar terms and remaining maturities as of the respective acquisition dates. The table below presents the carrying value of NBCUniversal and UCDP debt securities included in our balance sheet as of September 30, 2011.

(in millions)	Interest Rate	September 30, 2011
NBCUniversal:		
Senior notes due 2014	2.100%	$ 906
Senior notes due 2015	3.650%	1,033
Senior notes due 2016	2.875%	999
Senior notes due 2020	5.150%	2,061
Senior notes due 2021	4.375%	1,939
Senior notes due 2040	6.400%	1,033
Senior notes due 2041	5.950%	1,176
UCDP:		
Senior notes due 2015	8.875%	287
Senior subordinated notes due 2016	10.875%	172
Total		**$ 9,606**

Repayments

(in millions)	Nine Months Ended September 30 2011
Comcast 6.75% notes due 2011	$ 1,000
Comcast 5.5% notes due 2011	750
UCDP term loan	801
UCDP 8.875% notes due 2015	140
UCDP 10.875% notes due 2016	79
Other	43
Total	**$ 2,813**

Revolving Bank Credit Facilities

In August 2011, we borrowed $300 million from our $6.8 billion revolving credit facility due 2013, which remained outstanding as of September 30, 2011. The proceeds from this borrowing will be used for general corporate working capital purposes.

Effective with the close of the NBCUniversal transaction on January 28, 2011, NBCUniversal has a revolving credit facility with a syndicate of banks that may be used for general corporate purposes. In June 2011, NBCUniversal amended its revolving credit facility, which increased the size of the facility to $1.5 billion from $750 million, reduced the interest rate payable under the facility and extended the maturity of the loan commitment to June 2016 from January 2014. On July 1, 2011, $750 million of borrowings under the revolving credit facility were used to fund a portion of NBCUniversal s acquisition of the remaining 50% equity interest in UCDP that it did not already own and to terminate UCDP s existing term loan immediately following the acquisition. See Note 4 for additional information on the UCDP transaction. As of September 30, 2011, the amount outstanding under NBCUniversal s revolving credit facility was $200 million, which was repaid in full in October 2011.

Commercial Paper

During the nine months ended September 30, 2011, we issued $400 million face amount of commercial paper, net of repayments. The proceeds from these issuances will be used for general corporate working capital purposes.

In August 2011, NBCUniversal initiated a commercial paper program to fund its short-term working capital requirements. The program is supported by NBCUniversal s revolving credit facility and has a maximum borrowing capacity of $1.5 billion. During the three months ended September 30, 2011, NBCUniversal issued $749 million face amount of commercial paper, net of repayments. The proceeds from these issuances were used to repay the borrowings under the NBCUniversal revolving credit facility and fund our short-term working capital requirements.

Note 9: Derivative Financial Instruments

We use derivative financial instruments to manage our exposure to the risks associated with fluctuations in interest rates, foreign exchange rates and equity prices. Our objective is to manage the financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the derivatives used to economically hedge them. We do not engage in any speculative or leveraged derivative transactions. All derivative transactions must comply with the derivatives policy approved by our Board of Directors. Derivative financial instruments are recorded in our consolidated balance sheet at fair value. We formally document, at inception of the hedging relationship, derivative financial instruments designated to hedge the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge) or the exposure to changes in cash flows of a forecasted transaction (cash flow hedge), and we evaluate them for effectiveness at the time they are designated, as well as throughout the hedging period.

We manage our exposure to fluctuations in interest rates by using derivative financial instruments such as interest rate exchange agreements (swaps) and interest rate lock agreements (rate locks). We sometimes enter into rate locks or collars to hedge the risk that the cash flows related to the interest payments on an anticipated issuance or assumption of fixed-rate debt may be adversely affected by interest rate fluctuations.

We manage our exposure to foreign exchange risk related to NBCUniversal s recognized balance sheet amounts in foreign currency and foreign currency denominated production costs and rights, as well as international content-related revenue and royalties, by using foreign exchange contracts such as forward contracts and currency options. We manage our exposure to foreign exchange risk related to our foreign currency denominated borrowings by using cross-currency swap agreements, effectively converting these borrowings to U.S. dollar denominated borrowings.

We manage our exposure to price fluctuations in the common stock of some of our investments by using equity derivative financial instruments embedded in other contracts, such as prepaid forward sale agreements, whose values, in part, are derived from the market value of certain publicly traded common stock.

We manage the credit risks associated with our derivative financial instruments through diversification and the evaluation and monitoring of the creditworthiness of the counterparties. Although we may be exposed to losses in the event of nonperformance by the counterparties, we do not expect such losses, if any, to be significant. We have agreements with certain counterparties that include collateral provisions. These provisions require a party with an aggregate unrealized loss position in excess of certain thresholds to post cash collateral for the amount in excess of

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the threshold. The threshold levels in our collateral agreements are based on our and the counterparties credit ratings. As of September 30, 2011 and December 31, 2010, neither we nor any of the counterparties were required to post collateral under the terms of the agreements.

As of September 30, 2011, our derivative financial instruments designated as hedges included (i) our interest rate swap agreements, which are recorded to other current or noncurrent assets, (ii) certain of our foreign exchange contracts, which are recorded to other current assets or accrued expenses and other current liabilities, (iii) our cross-currency swap agreements, which are recorded to other noncurrent liabilities, and (iv) the derivative component of one of our prepaid forward sale agreements, which is recorded to other noncurrent liabilities.

As of September 30, 2011, our derivative financial instruments not designated as hedges were (i) certain of our foreign exchange contracts, which are recorded to other current assets or accrued expenses and other current liabilities, (ii) the derivative component of our indexed debt instruments (our ZONES debt), which is recorded to long-term debt, and (iii) the derivative component of certain of our prepaid forward sale agreements, which is recorded to noncurrent liabilities.

See Note 10 for additional information on the fair values of our derivative financial instruments as of September 30, 2011 and December 31, 2010.

Fair Value Hedges

Amount of Gain (Loss) Recognized in Income

(in millions)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Interest Income (Expense):				
Interest rate swap agreements (fixed to variable)	$ 41	$ 60	$ 70	$ 178
Long-term debt interest rate swap agreements (fixed to variable)	(41)	(60)	(70)	(178)
Investment Income (Loss):				
Mark to market adjustments on derivative component of prepaid forward sale agreement	44	(8)	37	(15)
Unrealized gains (losses) on securities underlying prepaid forward sale agreement	(68)	13	(55)	29
Gain (loss) on fair value hedging relationships	**$ (24)**	**$ 5**	**$ (18)**	**$ 14**

During the period from January 29, 2011 through September 30, 2011, NBCUniversal entered into fixed to variable swaps on $750 million principal amount of NBCUniversal senior debt securities with maturities ranging from 2014 to 2016. These fixed to variable swaps are designated as effective fair value hedges.

As of September 30, 2011 and December 31, 2010, the fair value of our prepaid forward sale agreement designated as a fair value hedge was an asset of $8 million and a liability of $29 million, respectively.

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Cash Flow Hedges

Pretax Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income

	$(124)	$(124)	$(124)	$(124)	$(124)	$(124)
	Three Months Ended September 30					
	2011			2010		
(in millions)	Interest Rate Risk	Foreign Exchange Risk	Total	Interest Rate Risk	Foreign Exchange Risk	Total
Deferred gain (loss) recognized	$	$ (94)	$ (94)	$	$ (58)	$ (58)
Deferred (gain) loss reclassified to income	6	30	36	3		3
Total change in accumulated other comprehensive income	**$ 6**	**$ (64)**	**$ (58)**	**$ 3**	**$ (58)**	**$ (55)**

	$(124)	$(124)	$(124)	$(124)	$(124)	$(124)
	Nine Months Ended September 30					
	2011			2010		
(in millions)	Interest Rate Risk	Foreign Exchange Risk	Total	Interest Rate Risk	Foreign Exchange Risk	Total
Deferred gain (loss) recognized	$	$ (90)	$ (90)	$	$ (124)	$ (124)
Deferred (gain) loss reclassified to income	17	3	20	11		11
Total change in accumulated other comprehensive income	**$ 17**	**$ (87)**	**$ (70)**	**$ 11**	**$ (124)**	**$ (113)**

Interest rate risk deferred losses relate to interest rate lock agreements entered into to fix the interest rates of certain of our debt obligations in advance of their issuance. Unless we retire this debt early, these unrealized losses will be reclassified as an adjustment to interest expense, primarily through 2022, in the period in which the related interest expense is recognized in earnings. As of September 30, 2011, we expect $23 million of unrealized losses, $15 million net of deferred taxes, to be reclassified as an adjustment to interest expense over the next 12 months. The foreign exchange risk deferred losses for the three and nine months ended September 30, 2011 relate to cross-currency swap agreements on foreign currency denominated debt due in 2029 and foreign exchange contracts with initial maturities generally not exceeding one year and up to 18 months in certain circumstances. As of September 30, 2011, the fair value of the foreign exchange contracts related to NBCUniversal operations that were designated as cash flow hedges was a liability of $2 million.

Ineffectiveness related to our cash flow hedges was not material for the three and nine months ended September 30, 2011 or 2010.

Nondesignated Derivative Financial Instruments

Amount of Gain (Loss) Recognized in Income

	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	2011	2010	2011	2010
Operating Costs and Expenses:				

Mark to market adjustments on foreign exchange contracts	$ 9	$	$ 5	$
Investment Income (Loss):				
Mark to market adjustments on derivative component of prepaid forward sale agreements	415	(391)	(30)	(530)
Unrealized gains (losses) on securities underlying prepaid forward sale agreements	(508)	462	14	677
Mark to market adjustments on derivative component of ZONES	(5)	(1)		1
Total gain (loss)	**$ (89)**	**$ 70**	**$ (11)**	**$ 148**

As of September 30, 2011, foreign exchange contracts related to NBCUniversal operations that were not designated had a total notional value of $759 million. The notional amount is a measure of the activity related to our risk exposure and does not represent the amount of our exposure to credit loss or market loss, or reflect the gains or losses associated with the exposures and transactions that the foreign exchange contracts are intended to

offset. The amounts ultimately realized upon settlement of these derivative financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the derivative financial instruments.

Note 10: Fair Value Measurements

The accounting guidance related to financial assets and financial liabilities (financial instruments) establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). Level 1 consists of financial instruments whose values are based on quoted market prices for identical financial instruments in an active market. Level 2 consists of financial instruments that are valued using models or other valuation methodologies. These models use inputs that are observable in the marketplace either directly or indirectly. Level 3 consists of financial instruments whose values are determined using pricing models that use significant inputs that are primarily unobservable, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Our financial instruments that are accounted for at fair value on a recurring basis are presented in the table below.

Recurring Fair Value Measures

	Fair Value as of September 30, 2011				December 31, 2010
(in millions)	Level 1	Level 2	Level 3	Total	Total
Assets					
Trading securities	$ 2,666	$	$	$ 2,666	$ 2,688
Available-for-sale securities	86		21	107	126
Equity warrants			2	2	1
Interest rate swap agreements		302		302	232
Foreign exchange contracts		14		14	
	$ 2,752	$ 316	$ 23	$ 3,091	$ 3,047
Liabilities					
Derivative component of ZONES	$	$ 8	$	$ 8	$ 8
Derivative component of prepaid forward sale agreements		1,100		1,100	1,021
Cross-currency swap agreements		118		118	29
Foreign exchange contracts		14		14	
	$	$ 1,240	$	$ 1,240	$ 1,058

Our financial instruments included in Level 3 primarily consist of available-for-sale securities that we acquired in connection with the NBCUniversal transaction. These investments are initially recorded at cost and remeasured to fair value on a recurring basis at the end of each period using unobservable inputs, which include company-specific information and other third-party transactions. We did not incur any other-than-temporary impairments for these investments in the periods presented. The changes in our Level 3 financial instruments were not material for the periods presented.

Note 11: Noncontrolling Interests

Certain of the subsidiaries that we consolidate are not wholly owned. Some of the agreements with the minority partners of these subsidiaries contain redemption features whereby interests held by the minority partners are redeemable either (i) at the option of the holder or (ii) upon the occurrence of an event that is not solely within our control. If interests were to be redeemed under these agreements, we would generally be required to purchase the interest at fair value on the date of redemption. These interests are presented on the balance sheet outside of equity under the caption Redeemable noncontrolling interests. Noncontrolling interests that do not contain such redemption features are presented in equity.

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In connection with the NBCUniversal transaction in January 2011, GE obtained a 49% indirect noncontrolling interest in the Comcast Content Business in exchange for a portion of our interest in NBCUniversal Holdings. The difference between the fair value received and the historical carrying value of the noncontrolling interest in the Comcast Content Business resulted in an increase of $1.6 billion, net of taxes, to additional paid-in capital of Comcast Corporation.

GE s 49% interest in NBCUniversal Holdings is recorded as a redeemable noncontrolling interest in our consolidated financial statements due to the redemption provisions discussed in Note 4. The initial value for the redeemable noncontrolling interest was based on the fair value for the portion attributable to the net assets we acquired and our historical cost for the portion attributable to the Comcast Content Business. We adjust GE s redeemable noncontrolling interest for its 49% interest in NBCUniversal Holdings and NBCUniversal s earnings and changes in other comprehensive income, as well as for other capital transactions attributable to GE.

The table below presents the changes in equity resulting from net income attributable to Comcast Corporation and transfers from or to noncontrolling interests.

	Nine Months Ended September 30	
(in millions)	2011	2010
Net income attributable to Comcast Corporation	$ 2,873	$ 2,617
Transfers from (to) noncontrolling interests:		
Increase in Comcast Corporation additional paid-in capital resulting from the issuance of noncontrolling equity interest	1,657	
Increase in Comcast Corporation additional paid-in capital resulting from the purchase of noncontrolling interest		11
Changes in equity from net income attributable to Comcast Corporation and transfers from (to) noncontrolling interests	**$ 4,530**	**$ 2,628**

Note 12: Postretirement, Pension and Other Employee Benefit Plans

NBCUniversal Employee Benefit Plans

Following the close of the NBCUniversal transaction on January 28, 2011, NBCUniversal established new employee benefit plans for its U.S. employees, including defined benefit pension plans and postretirement medical and life insurance plans. Additionally, NBCUniversal assumed certain liabilities related to its obligation to reimburse GE for amounts paid by GE for specified employee benefits and insurance programs that GE will continue to administer. NBCUniversal s defined benefit pension plans for NBCUniversal employees (the qualified plan) and executives (the nonqualified plan) provide a lifetime income benefit based on an individual s length of service and related compensation. The nonqualified plan gives credit to eligible participants for length of service provided before the close of the NBCUniversal transaction to the extent that participants did not vest in a supplemental pension plan sponsored by GE. The qualified plan is closed to new participants. The postretirement medical and life insurance benefit plans that were established provide continued coverage to employees eligible to receive such benefits and give credit for length of service provided before the close of the NBCUniversal transaction. Certain covered employees also retain the right, upon retirement, to elect to participate in corresponding plans sponsored by GE. To the extent our employees make such elections, NBCUniversal will reimburse GE for any amounts due. We did not, however, assume any obligation for benefits due to employees who were retired at the close of the NBCUniversal transaction and were eligible to receive benefits under GE s postretirement medical and life insurance programs.

NBCUniversal funds the nonqualified plan and the postretirement medical and life insurance plans on a pay-as-you-go basis. NBCUniversal expects to contribute approximately $8 million in 2011 to fund these benefits, which includes estimated payments to GE for NBCUniversal s obligation associated with GE s supplemental pension plan. NBCUniversal does not plan to fund its qualified plan until the second quarter of 2012, at which time it expects to fund it in the amount of approximately $100 million.

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The tables below present condensed information on the NBCUniversal pension and postretirement benefit plans.

(in millions)	Three Months Ended September 30, 2011 Pension Benefits	Three Months Ended September 30, 2011 Postretirement Benefits	Nine Months Ended September 30, 2011 Pension Benefits	Nine Months Ended September 30, 2011 Postretirement Benefits
Service cost	$ 27	$ 1	$ 72	$ 4
Interest cost	$ 3	$ 2	$ 9	$ 6

As of September 30, 2011 (in millions)	Pension Benefits	Postretirement Benefits
Benefit obligation	$ 326	$ 170
Discount rate	5.5% - 6.0%	5.75%

NBCUniversal also established a 401(k) defined contribution retirement plan for U.S. employees with 100% matching contributions on the first 3.5% of pay plus additional contributions based on employee classification and management discretion. The related expense for the three and nine months ended September 30, 2011 was $20 million and $41 million, respectively.

NBCUniversal Other Employee Benefit Plans

Our condensed consolidated financial statements include the assets and liabilities of certain legacy NBCUniversal benefit plans, as well as the assets and liabilities for benefit plans of certain foreign subsidiaries. NBCUniversal also participates in various multiemployer pension plans covering some of its employees who are represented by labor unions. NBCUniversal makes periodic contributions to these plans in accordance with the terms of applicable collective bargaining agreements and laws but does not sponsor or administer these plans.

Note 13: Share-Based Compensation

Our Board of Directors may grant share-based awards, in the form of stock options and RSUs, to certain employees and directors. Additionally, through our employee stock purchase plans, employees are able to purchase shares of Comcast Class A common stock at a discount through payroll deductions.

In March 2011, we granted 23.8 million stock options and 6.6 million RSUs related to our annual management grant program. The weighted-average fair values associated with these grants were $6.97 per stock option and $23.33 per RSU.

Recognized Share-Based Compensation Expense

(in millions)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Stock options	$ 30	$ 25	$ 86	$ 78
Restricted share units	35	32	113	100
Employee stock purchase plans	4	3	10	9
Total	**$ 69**	**$ 60**	**$ 209**	**$ 187**

As of September 30, 2011, we had $345 million of unrecognized pretax compensation costs related to nonvested stock options and $353 million related to nonvested RSUs.

The employee cost associated with participation in the employee stock purchase plans was satisfied with payroll deductions of approximately $16 million and $44 million for the three and nine months ended September 30, 2011, respectively. For the three and nine months ended September 30, 2010, the employee cost was $13 million and $39 million, respectively.

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Note 14: Supplemental Financial Information

Receivables

(in millions)		December 31,0 September 30, 2011		December 31,0 December 31, 2010
Receivables, gross	$	4,650	$	2,028
Less: Allowance for returns and customer incentives		351		
Less: Allowance for doubtful accounts		203		173
Receivables, net	**$**	**4,096**	**$**	**1,855**

Allowances for returns and customer incentives are primarily attributable to our Filmed Entertainment segment.

The table below presents our unbilled receivables related to long-term licensing arrangements included in our condensed consolidated balance sheet as of September 30, 2011. Current and noncurrent unbilled receivables are recorded in receivables, net and other noncurrent assets, net, respectively.

(in millions)		December 31,0 September 30, 2011
Current	$	197
Noncurrent, net of imputed interest		648
Total	**$**	**845**

Property and Equipment

(in millions)		September 30, 2011		December 31, 2010
Property and equipment, at cost	$	57,953	$	56,020
Acquired NBCUniversal property and equipment		2,524		
Acquired UCDP property and equipment		2,479		
Property and equipment, at cost		62,956		56,020
Less: Accumulated depreciation		35,515		32,505
Property and equipment, net	**$**	**27,441**	**$**	**23,515**

Accumulated Other Comprehensive Income (Loss)

(in millions)		December 31, September 30, 2011		December 31, September 30, 2010
Unrealized gains (losses) on marketable securities	$	22	$	22
Deferred gains (losses) on cash flow hedges		(149)		(133)
Unrecognized gains (losses) on employee benefit obligations		(23)		(5)
Currency translation adjustments		(3)		
Accumulated other comprehensive (income) loss attributable to noncontrolling interests		6		
Accumulated other comprehensive income (loss), net of deferred taxes	**$**	**(147)**	**$**	**(116)**

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Operating Costs and Expenses

(in millions)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Programming and production	$ 4,344	$ 2,002	$ 11,946	$ 6,369
Cable Communications technical labor	587	594	1,729	1,696
Cable Communications customer service	466	463	1,385	1,367
Advertising, marketing and promotion	1,102	636	3,194	1,775
Other	3,266	2,216	9,105	6,129
Operating costs and expenses (excluding depreciation and amortization)	**$ 9,765**	**$ 5,911**	**$ 27,359**	**$ 17,336**

Net Cash Provided by Operating Activities

(in millions)	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Net income from consolidated operations	$ 3,572	$ 2,635
Adjustments to reconcile net income from consolidated operations to net cash provided by operating activities:		
Depreciation and amortization	5,638	4,913
Amortization of film and television costs	4,769	99
Share-based compensation	260	226
Noncash interest expense (income), net	111	105
Equity in net (income) losses of investees, net	40	98
Net (gain) loss on investment activity and other	325	(78)
Deferred income taxes	770	(241)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Change in receivables, net	290	(145)
Change in film and television costs	(5,342)	(90)
Change in accounts payable and accrued expenses related to trade creditors	(242)	57
Change in other operating assets and liabilities	15	153
Net cash provided by operating activities	**$ 10,206**	**$ 7,732**

Cash Payments for Interest and Income Taxes

(in millions)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Interest	$ 612	$ 661	$ 1,809	$ 1,630
Income taxes	$ 596	$ 668	$ 1,166	$ 1,794

Noncash Investing and Financing Activities

During the nine months ended September 30, 2011, we:

- acquired 51% of NBCUniversal Holdings on January 28, 2011, for cash and a 49% interest in the Comcast Content Business (see Note 4 for additional information on the NBCUniversal transaction)

acquired approximately $505 million of property and equipment and software that was accrued but unpaid, which is a noncash investing activity

recorded a liability of approximately $307 million for a quarterly cash dividend of $0.1125 per common share paid in October 2011, which is a noncash financing activity

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Note 15: Receivables Monetization

As a result of the close of the NBCUniversal transaction on January 28, 2011, NBCUniversal established new receivables monetization programs with a syndicate of banks. We account for receivables monetized through these programs as sales in accordance with the appropriate accounting guidance. We receive deferred consideration from the assets sold in the form of a receivable, which is funded by residual cash flows after the senior interests have been fully paid. The deferred consideration is recorded at its initial fair value, which includes a provision for estimated losses we expect to incur related to these interests. The accounts receivable we sold that underlie the deferred consideration are generally short-term in nature and, therefore, the fair value of the deferred consideration approximated its carrying value as of September 30, 2011.

For the majority of the receivables monetized under the securitization programs, an affiliate of GE is responsible for servicing the receivables and remitting collections to the owner and the lenders. We perform this service on the affiliate s behalf for a fee that is equal to the prevailing market rate for such services. As a result, no servicing asset or liability has been recorded in our condensed consolidated balance sheet as of September 30, 2011. The subservicing fees are a component of net loss on sale presented in the table below, which is included in other income (expense), net.

Effect on Income From Receivables Monetization and Cash Flows on Transfers

(in millions)	Three Months Ended September 30 2011	Nine Months Ended September 30 2011
Effect on income from services		
Net (loss) gain on sale	$ (7)	$ (24)
Cash flows on transfers		
Net proceeds (payments) on transfers	$ (168)	$ (542)

Receivables Monetized and Deferred Consideration

(in millions)	September 30, 2011
Monetized receivables sold	$ 809
Deferred consideration	$ 204

In addition to the amounts presented above, we had $552 million payable to our securitization programs as of September 30, 2011. This amount represents cash receipts that are not yet remitted to the securitization program as of the balance sheet date and is recorded to accounts payable and accrued expenses related to trade creditors.

Note 16: Commitments and Contingencies

NBCUniversal Obligations, Commitments and Guarantees

NBCUniversal enters into long-term commitments with third parties in the ordinary course of business, including commitments to acquire film and television programming, take-or-pay creative talent and employment agreements, and various other television commitments. Many of NBCUniversal s employees, including writers, directors, actors, technical and production personnel and others, as well as some of its on-air and creative talent, are covered by collective bargaining agreements or works councils. Approximately 42 collective bargaining agreements covering approximately 3,600 of NBCUniversal s full-time, part-time and full-time equivalent freelance employees on its payroll have expired or are scheduled to expire through the remainder of 2011.

Station Venture

NBCUniversal owns a 79.62% equity interest and a 50% voting interest in Station Venture Holdings, LLC (Station Venture), a variable interest entity. The remaining equity interests in Station Venture are held by LIN TV, Corp. (LIN TV). Station Venture holds an indirect interest in the NBC network affiliated local television stations in Dallas, Texas and San Diego, California through its ownership interests in Station Venture

Operations, LP (Station LP), a less than wholly owned consolidated subsidiary of NBCUniversal. Station Venture is the

obligor on an $816 million senior secured note that is due in 2023 to General Electric Capital Corporation, a subsidiary of GE, as servicer. The note is nonrecourse to NBCUniversal, guaranteed by LIN TV and collateralized by substantially all of the assets of Station Venture and Station LP. In connection with the close of the NBCUniversal transaction, GE indemnified NBCUniversal for all liabilities NBCUniversal may incur as a result of any credit support, risk of loss or similar arrangement related to the senior secured note in existence prior to the close. We are not the primary beneficiary of, and accordingly do not consolidate, Station Venture. Our equity method investment in Station Venture was assigned no value in the preliminary allocation of purchase price for the NBCUniversal transaction, which is also the carrying value of our investment as of September 30, 2011. Because the assets of Station LP serve as collateral for Station Venture s $816 million senior secured note, we have recorded a $482 million liability in our preliminary allocation of purchase price, representing the fair value of the net assets that collateralize the note.

Contingencies

Antitrust Cases

We are defendants in two purported class actions originally filed in December 2003 in the United States District Courts for the District of Massachusetts and the Eastern District of Pennsylvania. The potential class in the Massachusetts case, which has been transferred to the Eastern District of Pennsylvania, is our customer base in the Boston Cluster area, and the potential class in the Pennsylvania case is our customer base in the Philadelphia and Chicago Clusters, as those terms are defined in the complaints. In each case, the plaintiffs allege that certain customer exchange transactions with other cable providers resulted in unlawful horizontal market restraints in those areas and seek damages under antitrust statutes, including treble damages.

Classes of Chicago Cluster and Philadelphia Cluster customers were certified in October 2007 and January 2010, respectively. We appealed class certification in the Philadelphia Cluster case to the Third Circuit Court of Appeals, which affirmed the class certification in August 2011 and denied our petition for a rehearing en banc in September 2011. As a result, notice to the class is being made and is expected to be completed by the end of 2011. At the same time, we intend to file a writ of certiorari with the U.S. Supreme Court asking that it review the Third Circuit Court of Appeals ruling. In March 2010, we moved for summary judgment dismissing all of the plaintiffs claims in the Philadelphia Cluster; a stay that had been issued on the summary judgment motion pending the class certification appeal was lifted upon the Third Circuit Court of Appeal s ruling. The plaintiffs claims concerning the other two clusters are stayed pending determination of the Philadelphia Cluster claims.

We also are among the defendants in a purported class action filed in the United States District Court for the Central District of California in September 2007. The potential class is comprised of all persons residing in the United States who have subscribed to an expanded basic level of video service provided by one of the defendants. The plaintiffs allege that the defendants who produce video programming have entered into agreements with the defendants who distribute video programming via cable and satellite (including us), which preclude the distributor defendants from reselling channels to customers on an unbundled basis in violation of federal antitrust laws. The plaintiffs seek treble damages and injunctive relief requiring each distributor defendant to resell certain channels to its customers on an unbundled basis. In October 2009, the Central District of California issued an order dismissing the plaintiffs complaint with prejudice. In June 2011, a panel of the Ninth Circuit Court of Appeals affirmed the District Court s order. In July 2011, the plaintiffs filed a petition for a panel rehearing and a rehearing en banc.

In addition, we are the defendant in 22 purported class actions filed in federal district courts throughout the country. All of these actions have been consolidated by the Judicial Panel on Multidistrict Litigation in the United States District Court for the Eastern District of Pennsylvania for pre-trial proceedings. In a consolidated complaint filed in November 2009 on behalf of all plaintiffs in the multidistrict litigation, the plaintiffs allege that we improperly tie the rental of set-top boxes to the provision of premium cable services in violation of Section 1 of the Sherman Antitrust Act, various state antitrust laws and unfair/deceptive trade practices acts in California, Illinois and Alabama. The plaintiffs also allege a claim for unjust enrichment and seek relief on behalf of a nationwide class of our premium cable customers and on behalf of subclasses consisting of premium cable customers from California, Alabama, Illinois, Pennsylvania and Washington. In January 2010, we moved to compel arbitration of the plaintiffs claims for unjust enrichment and violations of the unfair/deceptive trade

practices acts of Illinois and Alabama. In September 2010, the plaintiffs filed an amended complaint alleging violations of additional state antitrust laws and unfair/deceptive trade practices acts on behalf of new subclasses in Connecticut, Florida, Minnesota, Missouri, New Jersey, New Mexico and West Virginia. In the amended complaint, plaintiffs omitted their unjust enrichment claim, as well as their state law claims on behalf of the Alabama, Illinois and Pennsylvania subclasses. In June 2011, the plaintiffs filed another amended complaint alleging only violations of Section 1 of the Sherman Antitrust Act, antitrust law in Washington and unfair/deceptive trade practices acts in California and Washington. The plaintiffs seek relief on behalf of a nationwide class of our premium cable customers and on behalf of subclasses consisting of premium cable customers from California and Washington. In July 2011, we moved to compel arbitration of most of the plaintiffs claims and to stay the remaining claims pending arbitration.

The West Virginia Attorney General also filed a complaint in West Virginia state court in July 2009 alleging that we improperly tie the rental of set-top boxes to the provision of premium cable services in violation of the West Virginia Antitrust Act and the West Virginia Consumer Credit and Protection Act. The Attorney General also alleges a claim for unjust enrichment/restitution. We removed the case to the United States District Court for West Virginia, and it was subsequently transferred to the United States District Court for the Eastern District of Pennsylvania and consolidated with the multidistrict litigation described above. In March 2010, the Eastern District of Pennsylvania denied the Attorney General s motion to remand the case back to West Virginia state court. In June 2010, the Attorney General moved to sever and remand the portion of the claims seeking civil penalties and injunctive relief back to West Virginia state court. We filed a brief in opposition to the motion in July 2010.

We believe the claims in each of the pending actions described above in this item are without merit and intend to defend the actions vigorously. We cannot predict the outcome of any of the actions described above, including a range of possible loss, or how the final resolution of any such actions would impact our results of operations or cash flows for any one period or our consolidated financial position. Nevertheless, the final disposition of any of the above actions is not expected to have a material adverse effect on our consolidated financial position, but could possibly be material to our consolidated results of operations or cash flows for any one period.

Other

We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be in part or in whole the responsibility of our equipment and technology vendors under applicable contractual indemnification provisions. We are also subject to other legal proceedings and claims that arise in the ordinary course of our business. While the amount of ultimate liability with respect to such actions is not expected to materially affect our financial position, results of operations or cash flows, any litigation resulting from any such legal proceedings or claims could be time consuming, costly and injure our reputation.

Note 17: Financial Data by Business Segment

Following the NBCUniversal transaction, we present our operations in five reportable segments: Cable Communications, Cable Networks, Broadcast Television, Filmed Entertainment and Theme Parks. The Comcast Content Business is presented with NBCUniversal s businesses in the Cable Networks segment. The businesses of Comcast Interactive Media (previously presented in Corporate and Other) that were not contributed to NBCUniversal are included in the Cable Communications segment. We have recast our segment presentation for the three and nine months ended September 30, 2010 in order to reflect our current reportable segments. Following the acquisition of the 50% equity interest in UCDP that NBCUniversal did not already own, we revised our measure of operating performance for our Theme Parks segment. Operating income (loss) before depreciation and amortization for our Theme Parks segment now includes 100% of the results of operations of UCDP. Prior to this transaction, equity in income (loss) of investees was included in operating income (loss) before depreciation and amortization due to the significance of UCDP to the Theme Parks segment. We have recast our Theme Parks segment performance measure for the nine months ended September 30, 2011 in order to reflect our current segment performance measure. See Note 4 for additional information on the NBCUniversal and UCDP transactions.

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In evaluating the profitability of our operating segments, the components of net income (loss) below operating income (loss) before depreciation and amortization are not separately evaluated by our management. Our financial data by business segment is presented in the table below.

	Three Months Ended September 30, 2011				
(in millions)	Revenue[i]	Operating Income (Loss) Before Depreciation and Amortization[j]	Depreciation and Amortization	Operating Income (Loss)	Capital Expenditures
Cable Communications[a]	$ 9,331	$ 3,714	$ 1,579	$ 2,135	$ 1,254
NBCUniversal:					
Cable Networks[b]	2,097	751	183	568	7
Broadcast Television[c]	1,511	(7)	24	(31)	16
Filmed Entertainment[d]	1,096	54	6	48	2
Theme Parks[e]	580	285	63	222	42
Headquarters and Other[f]	9	(132)	56	(188)	41
Eliminations[g]	(93)				
NBCUniversal	5,200	951	332	619	108
Corporate and Other[h]	107	(91)	23	(114)	46
Eliminations[g]	(299)		(1)	1	
Comcast Consolidated	$ 14,339	$ 4,574	$ 1,933	$ 2,641	$ 1,408

	Three Months Ended September 30, 2010				
(in millions)	Revenue[i]	Operating Income (Loss) Before Depreciation and Amortization[j]	Depreciation and Amortization	Operating Income (Loss)	Capital Expenditures
Cable Communications[a]	$ 8,885	$ 3,479	$ 1,547	$ 1,932	$ 1,317
Cable Networks[b]	670	215	68	147	11
Corporate and Other[h]	(1)	(115)	9	(124)	38
Eliminations[g]	(65)	(1)		(1)	
Comcast Consolidated	$ 9,489	$ 3,578	$ 1,624	$ 1,954	$ 1,366

	Nine Months Ended September 30, 2011					
(in millions)	Revenue[i]	Operating Income (Loss) Before Depreciation and Amortization[j]	Depreciation and Amortization	Operating Income (Loss)	Capital Expenditures	Assets
Cable Communications[a]	$ 27,756	$ 11,349	$ 4,791	$ 6,558	$ 3,488	$ 118,561
NBCUniversal:						
Cable Networks[b]	5,902	2,262	523	1,739	37	28,684
Broadcast Television[c]	4,094	218	54	164	33	7,402
Filmed Entertainment[d]	2,972	(62)	15	(77)	4	3,795
Theme Parks[e]	1,376	607	133	474	82	5,053
Headquarters and Other[f]	34	(381)	120	(501)	83	5,591
Eliminations[g]	(856)	(234)	(54)	(180)		(552)
NBCUniversal	13,522	2,410	791	1,619	239	49,973
Corporate and Other[h]	423	(319)	55	(374)	58	6,199
Eliminations[g]	(901)	1	1			(17,906)
Comcast Consolidated	$ 40,800	$ 13,441	$ 5,638	$ 7,803	$ 3,785	$ 156,827

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	Nine Months Ended September 30, 2010				
(in millions)	Revenue[i]	Operating Income (Loss) Before Depreciation and Amortization[j]	Depreciation and Amortization	Operating Income (Loss)	Capital Expenditures
Cable Communications[a]	$ 26,313	$ 10,599	$ 4,680	$ 5,919	$ 3,349
Cable Networks[b]	2,025	613	209	404	33
Corporate and Other[h]	105	(332)	23	(355)	47
Eliminations[g]	(227)		1	(1)	
Comcast Consolidated	$ 28,216	$ 10,880	$ 4,913	$ 5,967	$ 3,429

(a) Our Cable Communications segment consists primarily of our cable services business and the businesses of Comcast Interactive Media that were not contributed to NBCUniversal.

For the three and nine months ended September 30, 2011 and 2010, Cable Communications segment revenue was derived from the following sources:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Video	52.4%	54.5%	53.0%	55.2%
High-speed Internet	23.6%	22.6%	23.4%	22.5%
Phone	9.5%	9.3%	9.4%	9.3%
Advertising	5.3%	5.8%	5.3%	5.4%
Business services	5.0%	3.7%	4.7%	3.4%
Other	4.2%	4.1%	4.2%	4.2%
Total	100.0%	100.0%	100.0%	100.0%

Subscription revenue received from customers who purchase bundled services at a discounted rate is allocated proportionally to each service based on the individual service s price on a stand-alone basis. For both the three and nine months ended September 30, 2011 and 2010, approximately 2.8% of Cable Communications revenue was derived from franchise and other regulatory fees.

(b) Our Cable Networks segment consists primarily of the NBCUniversal national cable networks, international cable networks, cable television production studio and certain digital media properties, and the Comcast Content Business.

(c) Our Broadcast Television segment consists primarily of the NBC network and its owned NBC affiliated local television stations, the Telemundo network and its owned Telemundo affiliated local television stations, our broadcast television production operations, and related digital media properties.

(d) Our Filmed Entertainment segment represents the operations of Universal Pictures, which produces, acquires, markets and distributes filmed entertainment and stage plays worldwide in various media formats for theatrical, home entertainment, television and other distribution platforms.

(e) Our Theme Parks segment consists primarily of Universal theme parks in Orlando and Hollywood, our Wet n Wild water park, and fees for intellectual property licenses and other services from third parties that own and operate Universal Studios Japan and Universal Studios Singapore.

(f) NBCUniversal Headquarters and Other activities include costs associated with overhead and allocations and employee benefits.

(g) Eliminations include the results of operations for UCDP for the period January 29, 2011 through June 30, 2011. The Theme Parks segment includes these amounts to reflect the current segment performance measure but these amounts are not included when we measure total NBCUniversal and our consolidated results of operations because we recorded UCDP as an equity method investment in our consolidated financial statements during this period.

Also included in Eliminations are transactions that our segments enter into with one another. The most common types of transactions are the following:

- our Cable Networks and Broadcast Television segments generate revenue by selling programming to our Cable Communications segment, which represents a substantial majority of the revenue elimination amount

- our Cable Communications segment receives incentives offered by our Cable Networks segment in connection with its distribution of the Cable Networks content that are recorded as a reduction to programming expenses

- our Cable Communications segment generates revenue by selling advertising and by selling the use of satellite feeds to our Cable Networks segment

- our Filmed Entertainment and Broadcast Television segments generate revenue by licensing content to our Cable Networks segment

(h) Corporate and Other activities include Comcast Spectacor, corporate activities and all other businesses not presented in our reportable segments.

(i) Non-U.S. revenue, primarily in Europe and Asia, for the three and nine months ended September 30, 2011 was approximately $1.1 billion and $2.9 billion, respectively. Non-U.S. revenue was not significant for the three and nine months ended September 30, 2010. No single customer accounted for a significant amount of our revenue in any period.

(j) We use operating income (loss) before depreciation and amortization, excluding impairment charges related to fixed and intangible assets and gains or losses from the sale of assets, if any, to measure the profit or loss of our operating segments. This measure eliminates the significant level of noncash depreciation and amortization expense that results from the capital-intensive nature of certain of our businesses and from intangible assets recognized in business combinations. It is also unaffected by our capital structure or investment activities. We use this measure to evaluate our consolidated operating performance, the operating performance of our operating segments and to allocate resources and capital to our operating segments. It is also a significant performance measure in our annual incentive compensation programs. We believe that this measure is useful to investors because it is one of the bases for comparing our operating performance with other companies in our industries, although our measure may not be directly comparable to similar measures used by other companies. This measure should not be considered a substitute for operating income (loss), net income (loss) attributable to Comcast Corporation, net cash provided by operating activities, or other measures of performance or liquidity reported in accordance with GAAP.

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Note 18: Condensed Consolidating Financial Information

Comcast Corporation and four of our 100% owned cable holding company subsidiaries, Comcast Cable Communications, LLC (CCCL), Comcast MO Group, Inc. (Comcast MO Group), Comcast Cable Holdings, LLC (CCH) and Comcast MO of Delaware, LLC (Comcast MO of Delaware), have fully and unconditionally guaranteed each other s debt securities. Comcast MO Group, CCH and Comcast MO of Delaware are collectively referred to as the Combined CCHMO Parents.

Comcast Corporation provides an unconditional subordinated guarantee of the $185 million principal amount currently outstanding of Comcast Holdings ZONES due October 2029 and the $202 million principal amount currently outstanding of Comcast Holdings $10\frac{5}{8}$% senior subordinated debentures due 2012. Comcast Corporation does not guarantee the $62 million principal amount currently outstanding of Comcast Holdings ZONES due November 2029.

As a result of the NBCUniversal transaction on January 28, 2011, our investments in NBCUniversal Holdings are held by the Comcast parent and Comcast Holdings. Certain entities of the Comcast Content Business were subsidiaries of Comcast Holdings. Since these entities were contributed to NBCUniversal Holdings, they are included with the Comcast Parent s investment in NBCUniversal Holdings. However, the operations of these businesses are presented in the nonguarantor subsidiaries column. Our condensed consolidating financial information is presented in the tables below.

Condensed Consolidating Balance Sheet

September 30, 2011

(in millions)	Comcast Parent	CCCL Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Assets							
Cash and cash equivalents	$	$	$	$	$ 1,806	$	$ 1,806
Receivables, net					4,096		4,096
Programming rights					1,055		1,055
Other current assets	154	2	1		1,468		1,625
Total current assets	154	2	1		8,425		8,582
Film and television costs					5,369		5,369
Investments					9,575		9,575
Investments in and amounts due from subsidiaries eliminated upon consolidation	71,319	88,112	44,755	86,696	34,669	(325,551)	
Property and equipment, net	263				27,178		27,441
Franchise rights					59,442		59,442
Goodwill					26,831		26,831
Other intangible assets, net	10				17,376		17,386
Other noncurrent assets, net	971	39	6	148	1,692	(655)	2,201
Total assets	**$ 72,717**	**$ 88,153**	**$ 44,762**	**$ 86,844**	**$ 190,557**	**$ (326,206)**	**$ 156,827**
Liabilities and Equity							
Accounts payable and accrued expenses related to trade creditors	$ 13	$	$	$	$ 5,442	$	$ 5,455
Accrued participations and residuals					1,247		1,247
Accrued expenses and other current liabilities	935	278	32	267	3,484		4,996
Current portion of long-term debt	400	300	557	202	989		2,448
Total current liabilities	1,348	578	589	469	11,162		14,146
Long-term debt, less current portion	22,842	3,961	1,767	112	9,840		38,522
Deferred income taxes				721	29,454	(512)	29,663
Other noncurrent liabilities	1,844				9,956	(143)	11,657
Redeemable noncontrolling interests					15,827		15,827

Equity:							
Common stock	32						32
Other shareholders equity	46,651	83,614	42,406	85,542	113,989	(325,551)	46,651
Total Comcast Corporation shareholders equity	46,683	83,614	42,406	85,542	113,989	(325,551)	46,683
Noncontrolling interests					329		329
Total equity	46,683	83,614	42,406	85,542	114,318	(325,551)	47,012
Total liabilities and equity	**$ 72,717**	**$ 88,153**	**$ 44,762**	**$ 86,844**	**$ 190,557**	**$ (326,206)**	**$ 156,827**

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Condensed Consolidating Balance Sheet

December 31, 2010

(in millions)	Comcast Parent	CCCL Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Assets							
Cash and cash equivalents	$	$	$	$	$ 5,984	$	$ 5,984
Receivables, net					1,855		1,855
Programming rights					122		122
Other current assets	162				763		925
Total current assets	162				8,724		8,886
Film and television costs					460		460
Investments					6,670		6,670
Investments in and amounts due from subsidiaries eliminated upon consolidation	68,987	90,076	52,652	72,629	12,339	(296,683)	
Property and equipment, net	278				23,237		23,515
Franchise rights					59,442		59,442
Goodwill					14,958		14,958
Other intangible assets, net	10				3,421		3,431
Other noncurrent assets, net	1,128	45		148	670	(819)	1,172
Total assets	**$ 70,565**	**$ 90,121**	**$ 52,652**	**$ 72,777**	**$ 129,921**	**$ (297,502)**	**$ 118,534**
Liabilities and Equity							
Accounts payable and accrued expenses related to trade creditors	$ 6	$ 3	$	$	$ 3,282	$	$ 3,291
Accrued expenses and other current liabilities	1,038	187	74	266	1,578		3,143
Current portion of long-term debt	755	1,000			45		1,800
Total current liabilities	1,799	1,190	74	266	4,905		8,234
Long-term debt, less current portion	22,754	3,963	2,339	310	249		29,615
Deferred income taxes				704	28,218	(676)	28,246
Other noncurrent liabilities	1,658				6,347	(143)	7,862
Redeemable noncontrolling interests					143		143
Equity:							
Common stock	32						32
Other shareholders equity	44,322	84,968	50,239	71,497	89,979	(296,683)	44,322
Total Comcast Corporation shareholders equity	44,354	84,968	50,239	71,497	89,979	(296,683)	44,354
Noncontrolling interests					80		80
Total equity	44,354	84,968	50,239	71,497	90,059	(296,683)	44,434
Total liabilities and equity	**$ 70,565**	**$ 90,121**	**$ 52,652**	**$ 72,777**	**$ 129,921**	**$ (297,502)**	**$ 118,534**

Condensed Consolidating Statement of Income

For the Three Months Ended September 30, 2011

(in millions)	Comcast Parent	CCCL Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Revenue:							
Service revenue	$	$	$	$	$ 14,339	$	$ 14,339
Management fee revenue	200	194	119			(513)	
	200	194	119		14,339	(513)	14,339
Costs and Expenses:							
Operating costs and expenses	84	194	119		9,881	(513)	9,765
Depreciation	8				1,532		1,540
Amortization					393		393
	92	194	119		11,806	(513)	11,698
Operating income (loss)	108				2,533		2,641
Other Income (Expense):							
Interest expense	(358)	(82)	(43)	(8)	(146)		(637)
Investment income (loss), net	1			(5)	(143)		(147)
Equity in net income (losses) of investees, net	1,072	1,369	787	1,338	(40)	(4,566)	(40)
Other income (expense), net	(3)				(9)		(12)
	712	1,287	744	1,325	(338)	(4,566)	(836)
Income (loss) before income taxes	820	1,287	744	1,325	2,195	(4,566)	1,805
Income tax (expense) benefit	88	29	15	5	(776)		(639)
Net income (loss) from consolidated operations	908	1,316	759	1,330	1,419	(4,566)	1,166
Net (income) loss attributable to noncontrolling interests					(258)		(258)
Net income (loss) attributable to Comcast Corporation	**$ 908**	**$ 1,316**	**$ 759**	**$ 1,330**	**$ 1,161**	**$ (4,566)**	**$ 908**

Condensed Consolidating Statement of Income

For the Three Months Ended September 30, 2010

(in millions)	Comcast Parent	CCCL Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Revenue:							
Service revenue	$	$	$	$	$ 9,489	$	$ 9,489
Management fee revenue	202	182	113			(497)	
	202	182	113		9,489	(497)	9,489
Costs and Expenses:							
Operating costs and expenses	106	182	113	15	5,992	(497)	5,911
Depreciation	8				1,369		1,377
Amortization	2				245		247
	116	182	113	15	7,606	(497)	7,535
Operating income (loss)	86			(15)	1,883		1,954
Other Income (Expense):							
Interest expense	(357)	(101)	(44)	(8)	(35)		(545)
Investment income (loss), net	2			(1)	108		109
Equity in net income (losses) of investees, net	1,057	1,119	701	1,137	(40)	(4,014)	(40)
Other income (expense), net	(24)						(24)
	678	1,018	657	1,128	33	(4,014)	(500)
Income (loss) before income taxes	764	1,018	657	1,113	1,916	(4,014)	1,454
Income tax (expense) benefit	103	36	16	9	(748)		(584)
Net income (loss) from consolidated operations	867	1,054	673	1,122	1,168	(4,014)	870
Net (income) loss attributable to noncontrolling interests					(3)		(3)
Net income (loss) attributable to Comcast Corporation	**$ 867**	**$ 1,054**	**$ 673**	**$ 1,122**	**$ 1,165**	**$ (4,014)**	**$ 867**

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Condensed Consolidating Statement of Income

For the Nine Months Ended September 30, 2011

(in millions)	Comcast Parent	CCCL Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Revenue:							
Service revenue	$	$	$	$	$ 40,800	$	$ 40,800
Management fee revenue	598	574	353			(1,525)	
	598	574	353		40,800	(1,525)	40,800
Costs and Expenses:							
Operating costs and expenses	321	574	353	5	27,631	(1,525)	27,359
Depreciation	22				4,482		4,504
Amortization	2				1,132		1,134
	345	574	353	5	33,245	(1,525)	32,997
Operating income (loss)	253			(5)	7,555		7,803
Other Income (Expense):							
Interest expense	(1,077)	(255)	(129)	(24)	(378)		(1,863)
Investment income (loss), net	4				(1)		3
Equity in net income (losses) of investees, net	3,419	4,028	2,386	4,054	(40)	(13,887)	(40)
Other income (expense), net	(19)			1	(64)		(82)
	2,327	3,773	2,257	4,031	(483)	(13,887)	(1,982)
Income (loss) before income taxes	2,580	3,773	2,257	4,026	7,072	(13,887)	5,821
Income tax (expense) benefit	293	89	45	10	(2,686)		(2,249)
Net income (loss) from consolidated operations	2,873	3,862	2,302	4,036	4,386	(13,887)	3,572
Net (income) loss attributable to noncontrolling interests					(699)		(699)
Net income (loss) attributable to Comcast Corporation	**$ 2,873**	**$ 3,862**	**$ 2,302**	**$ 4,036**	**$ 3,687**	**$ (13,887)**	**$ 2,873**

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Condensed Consolidating Statement of Income

For the Nine Months Ended September 30, 2010

(in millions)	Comcast			
Non-core misses apparel assets:				
Non-cash accelerated depreciation	2,968	6,193	2,025	11,186
Other costs	420	1,062	9,448	10,930
Transformational initiatives:				
Professional fees	2,563	5,869	863	9,295
Severance and retention costs	0	633	172	805
figure magazine shutdown costs	819	0	0	819
Total	$38,477	$16,473	$12,749	$67,699

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

Note 12. Fair Value Measurements

SFAS No. 157, "Fair Value Measurements," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use various methods to determine fair value, including discounted cash flow projections based on available market interest rates and management estimates of future cash payments.

Financial assets and liabilities that are measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Our financial assets and liabilities subject to SFAS No. 157 as of August 1, 2009 were as follows:

(In thousands)	Balance August 1, 2009	Fair Value Method Used Level 2	Fair Value Method Used Level 3(1)
Assets			
Available-for-sale securities(2)	$400	$400	
Certificates and retained interests in securitized receivables	100,358		$100,358
Liabilities			
Servicing liability	3,014		3,014

(1) Fair value is estimated based on internally-developed models or methodologies utilizing significant inputs that are unobservable from objective sources.
(2) Unrealized gains and losses on our available-for-sale securities are included in stockholders' equity until realized and realized gains and losses are recognized in income when the securities are sold.

We estimate the fair value of our certificates and retained interests in our securitized receivables based on the present value of future expected cash flows using assumptions for the average life of the receivables sold, anticipated credit losses, and the appropriate market discount rate commensurate with the risks involved. This cash flow includes an "interest-only" ("I/O") strip, consisting of the present value of the finance charges and late fees in excess of the amounts paid to certificate holders, credit losses, and servicing fees.

The fair value of our servicing liability represents the present value of the excess of our cost of servicing over the servicing fees received. We determine the fair value by calculating all costs associated with billing, collecting, maintaining, and providing customer service during the expected life of the securitized credit card receivable balances. We discount the amount of these costs in excess of the servicing fees over the estimated life of the

receivables sold. The discount rate and estimated life assumptions used for the present value calculation of the servicing liability are consistent with those used to value the certificates and retained interests.

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

Note 12. Fair Value Measurements (Continued)

The table below presents a reconciliation of the beginning and ending balances of our certificates and retained interests and our servicing liability during the twenty-six weeks ended August 1, 2009:

(In thousands)	Retained Interests	Servicing Liability
Balance, January 31, 2009	$94,453	$3,046
Additions to I/O strip and servicing liability	14,115	2,253
Net additions to other retained interests	7,014	0
Reductions and maturities of QSPE certificates	(900)	0
Amortization of the I/O strip and servicing liability	(16,131)	(2,356)
Valuation adjustments to the I/O strip and servicing liability	1,807	71
Balance, August 1, 2009	$100,358	$3,014

Note 13. Fair Value Of Financial Instruments

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

	August 1, 2009		January 31, 2009	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$116,699	$116,699	$93,759	$93,759
Available-for-sale securities	400	400	6,398	6,398
Investment in asset-backed securities	100,358	100,358	94,453	94,453
Liabilities:				
1.125% Senior Convertible Notes, due 2014	168,806 (1)	147,355	202,087 (1)	75,295
6.07% mortgage note, due October 2014	10,071	10,456	10,419	11,330
6.53% mortgage note, due November 2012	4,550	4,668	5,250	5,493
7.77% mortgage note, due December 2011	6,906	7,400	7,249	7,959
Other long-term debt	294	311	422	414

(1) Net of unamortized discount of $54,459 at August 1, 2009 and $72,913 at January 31, 2009 (see "Note 4. 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 available-for-sale securities is based on quoted market prices of the securities. The fair value of our 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.

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

Note 14. Impact of Recent Accounting Pronouncements

In December 2007 the FASB issued SFAS No. 141(R), “Business Combinations,” and SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51.” SFAS No. 141(R) establishes principles and requirements for the recognition and measurement of identifiable assets acquired and liabilities assumed by an acquirer in a business combination. SFAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for a non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The provisions of SFAS No. 141(R) and SFAS No. 160 are effective prospectively as of the beginning of Fiscal 2009. The adoption of SFAS No. 141(R) and SFAS No. 160 did not have an impact on our financial position or results of operations.

In April 2009 the FASB issued FSP FAS No. 141(R)-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies.” The FSP amends SFAS No. 141(R) to require that assets acquired and liabilities assumed in a business combination that arise from contingencies (“pre-acquisition contingencies”) be recognized at fair value in accordance with SFAS No. 157 if the fair value can be determined during the measurement period. If the fair value of a pre-acquisition contingency cannot be determined during the measurement period, the FSP requires that the contingency be recognized at the acquisition date in accordance with SFAS No. 5, “Accounting for Contingencies,” and FASB Interpretation No. 14, “Reasonable Estimation of the Amount of a Loss,” if it meets the criteria for recognition in that guidance. The provisions of FSP FAS No. 141(R)-1 are effective upon adoption of SFAS No. 141(R). The adoption of FSP FAS No. 141(R)-1 did not have an impact on our financial position or results of operations.

In February 2008 the FASB issued FSP FAS 140-3, “Accounting for Transfers of Financial Assets and Repurchase Financing Transactions.” FSP FAS 140-3 provides implementation guidance on accounting for a transfer of a financial asset and repurchase financing. The FSP presumes that the initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (a linked transaction) under SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” However, if certain criteria specified in FSP FAS 140-3 are met, the initial transfer and repurchase financing may be evaluated separately and not as a linked transaction under SFAS No. 140. We adopted the provisions of FSP FAS No. 140-3 prospectively as of the beginning of Fiscal 2009. The adoption of FSP FAS No. 140-3 did not have an impact on our financial position or results of operations.

In February 2008 the FASB also issued FSP FAS No. 157-2, “Effective Date of FASB Statement No. 157,” which delays the effective date of SFAS 157 until fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities that are not currently being recognized or disclosed at fair value on a recurring basis. We adopted the provisions of SFAS No. 157, “Fair Value Measurements,” prospectively as of the beginning of Fiscal 2009 for assets included within the scope of FSP FAS No. 157-2 (such as goodwill, intangible assets, and fixed assets related to evaluation of potential impairment). Adoption of FSP FAS No. 157-2 did not have an impact on our financial position or results of operations.

In March 2008 the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133.” Under SFAS No. 161, entities are required to provide enhanced disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and how derivative instruments and related hedged

items affect an entity's financial position, results of operations, and cash flows. We adopted the provisions of SFAS No. 161 prospectively as of the beginning of Fiscal 2009. The adoption of SFAS No. 161 did not have an impact on our financial position or results of operations.

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

Note 14. Impact of Recent Accounting Pronouncements (Continued)

In June 2008 the FASB ratified the consensus of EITF Issue 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock." EITF Issue 07-5 addresses the scope exception in paragraph 11(a) of SFAS No. 133 that specifies that a contract that is both indexed to its own stock and classified in stockholders' equity is not a derivative under SFAS No. 133. The objective of EITF Issue 07-5 is to provide guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock.

We adopted the provisions of EITF Issue 07-5 as of the beginning of Fiscal 2009. The adoption of EITF Issue 07-5 did not have an impact on our financial position or results of operations.

In April 2009 the FASB contemporaneously issued three FASB Staff Positions as follows:

FSP FAS No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," amends SFAS No. 157 to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. FSP FAS No. 157-4 also provides additional guidance on circumstances that may indicate that a transaction is not orderly and requires additional disclosures about fair value measurements in annual and interim reporting periods.

FSP FAS No. 107-1/APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," extends the disclosure requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," to interim financial statements of publicly traded companies.

FSP FAS No. 115-2/FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," provides new guidance on the recognition and presentation of other-than-temporary impairments of debt securities classified as available-for-sale or held-to-maturity that are subject to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and FSP FAS No. 115-1/FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." In addition, FSP FAS No. 115-2/FAS 124-2 requires additional disclosures for both debt and equity securities within the scope of SFAS No. 115 and FSP FAS No. 115-1/124-1.

FSP FAS No. 157-4, FSP FAS No. 107-1/APB 28-1, and FSP FAS No. 115-2/FAS 124-2 are effective prospectively for annual and/or interim periods beginning with our Fiscal 2009 Second Quarter. The adoption of these pronouncements did not have a material impact on our financial position or results of operations.

In May 2009 the FASB issued SFAS No. 165, "Subsequent Events." Under SFAS No. 165, entities are required to disclose the date through which the entity has evaluated subsequent events and the basis for that date (whether that date represents the date the financial statements were issued or were available to be issued). This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The adoption of SFAS No. 165 did not have a material impact on our financial position or results of operations.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement 140," and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." These statements change the way

entities account for transfers of financial assets and determine what entities must be consolidated.

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

Note 14. Impact of Recent Accounting Pronouncements (Continued)

SFAS No. 166 is in response to the FASB's concerns about how practice has developed under SFAS No. 140, which provides the accounting framework for determining whether a transfer of financial assets constitutes a sale or a secured borrowing and, if the transfer constitutes a sale, the determination of any resulting gain or loss. The most significant amendment resulting from SFAS No. 166 consists of the removal of the concept of a Qualifying Special-Purpose Entity (QSPE) from SFAS No. 140.

SFAS No. 167 addresses the effects of eliminating the QSPE concept from SFAS No. 140 and responds to concerns about the application of certain key provisions of FASB Interpretation ("FIN") No. 46(R), "Consolidation of Variable Interest Entities," including concerns over the transparency of enterprises' involvement with variable interest entities (VIEs).

We will be required to adopt the provisions of both SFAS No. 166 and SFAS No. 167 as of the beginning of Fiscal 2010. Due to the agreement for the sale of our credit card receivables program (see "Note 9. Asset Securitization" above and "Note 15. Subsequent Events" below), we do not expect that the adoption of these statements will have a material impact on our financial position or results of operations.

In June 2009 the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a Replacement of FASB Statement No. 162." SFAS No. 168 establishes the "FASB Accounting Standards Codification" (the "Codification") as the official single source of authoritative accounting principles to be applied by non-governmental entities in the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States. All guidance in the Codification carries an equal level of authority. Rules and interpretive releases of the SEC under authority of Federal securities laws are also considered authoritative for SEC registrants and are included in the Codification. As of the effective date of SFAS No. 168 all non-grandfathered non-SEC accounting guidance that is not included in the Codification will be considered non-authoritative. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Initial adoption of the Codification is not intended to change existing GAAP. Therefore, other than updating citations to accounting standards included in our financial statements and related footnotes to reflect the Codification, our adoption will not have a material impact on our financial position or results of operations.

Note 15. Subsequent Events

On August 13, 2009 we announced an agreement for the sale of our credit card receivables program to World Financial Network National Bank, a subsidiary of Alliance Data Systems Corporation ("Alliance Data"). We also entered into ten-year operating agreements with Alliance Data for the servicing of our private label credit card receivables program. We expect the transaction to close before the end of Fiscal 2009, subject to obtaining certain customary regulatory approvals. We expect to receive net cash proceeds of approximately $110,000,000 related to the transaction. The transaction consists of the sale of our private label credit card portfolio, along with certain other assets and liabilities that are required to support these card programs, including our consolidated balance sheet asset "Investment in Asset-Backed Securities." Gross proceeds from the transaction are estimated at $140,000,000. Approximately $30,000,000 will be utilized to fund the termination of contractual obligations related

to the transaction as well as exit costs.

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

Note 15. Subsequent Events (Continued)

We will receive annual payments from Alliance Data based on credit sales generated by the private label credit card portfolio. Alliance Data will assume the servicing obligations for the Charming Shoppes Master Trust, through which the Charming Shoppes credit card receivables are financed. Therefore, we will have no further obligations with respect to financing our credit card program.

Other than the above, there were no material subsequent events through September 2, 2009 (the issuance date of this report on Form 10-Q).

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 Exhibit 99.1 of our Form 8-K dated June 19, 2009, which retrospectively revised the financial statements and related notes included in our January 31, 2009 Annual Report on Form 10-K as a result of our adoption of FASB Staff Position ("FSP") APB 14-1. As used in this management's discussion and analysis, "Fiscal 2009" refers to our fiscal year ending January 30, 2010, "Fiscal 2008" refers to our fiscal year ended January 31, 2009, and "Fiscal 2007" refers to our fiscal year ended February 2, 2008. "Fiscal 2009 First Quarter" refers to our fiscal quarter ended May 2, 2009 and "Fiscal 2008 First Quarter" refers to our fiscal quarter ended May 3, 2008. "Fiscal 2009 Second Quarter" refers to our fiscal quarter ended August 1, 2009 and "Fiscal 2008 Second Quarter" refers to our fiscal quarter ended August 2, 2008. "Fiscal 2009 Third Quarter" refers to our fiscal quarter ending October 31, 2009 and "Fiscal 2008 Third Quarter" refers to our fiscal quarter ended November 1, 2008. "Fiscal 2007 Third Quarter" refers to our fiscal quarter ended November 3, 2007 and "Fiscal 2007 Fourth Quarter" refers to our fiscal quarter ended February 2, 2008. The terms "Charming Shoppes," "the Company," "we," "us," and "our" refer to Charmi 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, 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 intended to ide 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. 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. Given those risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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, which are 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 31, 2009 and in "PART II. OTHER INFORMATION; Item 1A. Risk Factors" below:

> Our business is dependent upon our ability to accurately predict rapidly changing fashion trends, customer preferences, and other fashion-related factors, which we may not be able to successfully accomplish in the future.

> The women's specialty retail apparel and direct-to-consumer markets are highly competitive and we may be unable to compete successfully against existing or future competitors.

We cannot assure the successful implementation of our business plan for increased profitability and growth in our Retail Stores or Direct-to-Consumer segments and we may be unable to successfully implement our plan to improve merchandise assortments. Recent changes in management may fail to achieve improvement in our operating results.

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

Our inability to successfully manage labor costs, occupancy costs, or other operating costs, or our inability to take advantage of opportunities to reduce operating costs, could adversely affect our operating margins and our results of operations. We cannot assure the successful implementation of our planned cost reduction and capital budget reduction plans or the realization of our anticipated annualized expense savings from our restructuring programs. We may be unable to obtain adequate insurance for our operations at a reasonable cost.

We are subject to the Fair Labor Standards Act and various state and Federal laws and regulations governing such matters as minimum wages, exempt status classification, overtime, and employee benefits. Changes in Federal or state laws or regulations regarding minimum wages, unionization, or other employee benefits could cause us to incur additional wage and benefit costs, which could adversely affect our results of operations. Changes in legislation limiting interest rates and other credit card charges that can be billed on credit card accounts could negatively impact the operating margins of our credit operation.

We depend on the availability of credit for our working capital needs, including credit we receive from our bankers, our factors, our suppliers and their agents, and on our credit card securitization facilities. The current global financial crisis could adversely affect our ability or the ability of our vendors to secure adequate credit financing. If we or our vendors are unable to obtain sufficient financing at an affordable cost, our ability to merchandise our retail stores or e-commerce businesses could be adversely affected.

We cannot assure the successful consummation of the sale of our credit card operations. We also cannot assure that we will realize the expected benefits from the sale of our credit card operations if the sale is consummated. Should we fail to consummate the sale of our credit card operations, we would refinance our maturing credit card term securitization series through our credit conduit facilities, which are renewed annually, or through the issuance of a new term series. To the extent that our conduit facilities could not be renewed they would amortize according to their terms and we would finance this amortization using our corporate cash flows or other sources of financing to the extent that they become available. There is no assurance that we would be able to refinance or renew our conduit facilities on terms comparable to our existing facilities or that there would be sufficient availability from other sources for such financing. Should we fail to consummate the sale of our credit card operations and fail to refinance or renew our facilities, our ability to offer our credit program to our customers and consequently our financial condition and results of operations, would be adversely affected.

Our Retail Stores and Direct-to-Consumer segments experience seasonal fluctuations in net sales and operating income. Any decrease in sales or margins during our peak sales periods or in the availability of working capital during the months preceding such periods could have a material adverse effect on our business. In addition, extreme or unseasonable weather conditions may have a negative impact on our sales.

We cannot assure the successful implementation of our business plan for the development of our core brands, that we will realize increased profitability, or that we will achieve our objectives as quickly or as effectively as we plan.

We depend on the efforts and abilities of our executive officers and their management teams and we may not be able to retain or replace these employees or recruit additional qualified personnel.

Our business plan is largely dependent upon continued growth in the plus-size women's apparel market, which may not occur.

We depend on our distribution and fulfillment centers and third-party freight consolidators and service providers, and could incur significantly higher costs and longer lead times associated with distributing our products to our stores and shipping our products to our e-commerce and catalog customers if operations at any of these locations were to be disrupted for any reason.

Natural disasters, as well as war, acts of terrorism, or other armed conflict, or the threat of any such event may negatively impact availability of merchandise and customer traffic to our stores, or otherwise adversely affect our business.

Successful operation of our e-commerce websites and our catalog business is dependent on our ability to maintain efficient and uninterrupted customer service and fulfillment operations.

We rely significantly on foreign sources of production and face a variety of risks generally associated with doing business in foreign markets and importing merchandise from abroad. Such risks include (but are not necessarily limited to) political instability; imposition of or changes in duties or quotas; trade restrictions; increased security requirements applicable to imports; delays in shipping; increased costs of transportation; and issues relating to compliance with domestic or international labor standards.

Our manufacturers may be unable to manufacture and deliver merchandise to us in a timely manner or to meet our quality standards. In addition, if any one of our manufacturers or vendors fails to operate in compliance with applicable laws and regulations, is perceived by the public as failing to meet certain labor standards in the United States, or employs unfair labor practices, our business could be adversely affected.

Our long-term growth plan depends on our ability to open and profitably operate new retail stores, to convert, where applicable, the formats of existing stores on a profitable basis, and to continue to expand our outlet distribution channel. Our retail stores depend upon a high volume of traffic in the strip centers and malls in which our stores are located, and our future retail store growth is dependent upon the availability of suitable locations for new stores. In addition, we will need to identify, hire, and retain a sufficient number of qualified personnel to work in our stores. We cannot assure that desirable store locations will continue to be available, or that we will be able to hire and retain a sufficient number of suitable sales associates at our stores.

We may be unable to protect our trademarks and other intellectual property rights, which are important to our success and our competitive position.

Inadequate systems capacity, a disruption or slowdown in telecommunications services, changes in technology, changes in government regulations, systems issues, security breaches, a failure to integrate order management systems, or customer privacy issues could result in reduced sales or increases in operating expenses as a result of our efforts or our inability to remedy such issues.

We continually evaluate our portfolio of businesses and may decide to acquire or divest businesses or enter into joint venture or strategic alliances. If we fail to manage the risks associated with divestitures, joint ventures, or other alliances, our business, financial condition, and operating results could be materially and adversely affected.

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

The holders of our 1.125% Senior Convertible Notes due May 1, 2014 (the 1.125% Notes) could require us to repurchase the principal amount of the notes for cash before maturity of the notes upon the occurrence of a "fundamental change" as defined in the prospectus filed in connection with the 1.125% Notes. Such a repurchase would require significant amounts of cash, would be subject to important limitations on our ability to repurchase, such as the risk of our inability to obtain funds for such repurchase, and could adversely affect our financial condition.

Changes to existing accounting rules or the adoption of new rules could have an adverse impact on our reported results of operations.

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

CRITICAL ACCOUNTING POLICIES

We have prepared the financial statements and accompanying notes included in Item 1 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.

We periodically reevaluate our accounting policies, assumptions, and estimates and make adjustments when facts and circumstances warrant. Our significant accounting policies are described in the notes accompanying the consolidated financial statements that appear in Exhibit 99.1 to our Form 8-K dated June 19, 2009.

Except as otherwise disclosed in this section and in the financial statements and accompanying notes included in Item 1 of this report, 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.

Senior Convertible Notes

In May 2008 the FASB issued FASB Staff Position ("FSP") APB 14-1 "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlements)," which changes the accounting treatment for convertible securities that an issuer may settle fully or partially in cash. Under FSP APB 14-1 cash-settled convertible securities are separated into their debt and equity components. The value assigned to the debt component is the estimated fair value, as of the issuance date, of a similar debt instrument without the conversion feature. As a result, the debt is recorded at a discount to adjust its below-market coupon interest rate to the market coupon interest rate for a similar debt instrument without the conversion feature. The difference between the proceeds for the convertible debt and the amount reflected as the debt component represents the value of the conversion feature and is recorded as additional paid-in capital. The debt is subsequently accreted to its par value over its expected life with an offsetting increase in interest expense on the income statement to reflect interest expense at the market rate for the debt component at the date of issuance.

We adopted the provisions of FSP APB 14-1 for our 1.125% Senior Convertible Notes and applied the provisions retrospectively to all past periods presented (see "Item 1. Financial Statements (Unaudited); "Note 4. Long-term Debt" above).

RECENT DEVELOPMENTS

On July 13, 2009 we announced that we have discontinued our exploration of the sale of our FIGI'S Gifts in Good Taste catalog business, based in Wisconsin. In August 2008 we initiated that process as a step in our strategy to refocus our energies on our core brands, stating at that time that we would only enter into a transaction at an acceptable valuation.

In July 2009 we outsourced certain information technology functions to a third-party provider. This action will result in the elimination of approximately 50 positions at our Bensalem corporate offices, and will result in future reductions of internal operating costs and decreased capital spending. We expect to complete this outsourcing by the end of the Fiscal 2009 Third Quarter.

On July 31, 2009 we entered into an amended and restated loan and security agreement for a $225 million senior secured revolving credit facility, which replaces our $375 million revolving credit facility and provides for committed revolving funding through July 31, 2012. See "OVERVIEW" and "FINANCING; Revolving Credit Facility" below for further discussion of the amended agreement.

On August 13, 2009 we announced an agreement for the sale of our credit card receivables program to World Financial Network National Bank, a subsidiary of Alliance Data Systems Corporation ("Alliance Data"). We also entered into ten-year operating agreements with Alliance Data for the servicing of our private-label credit card receivables program. We expect the transaction to close before the end of Fiscal 2009, subject to obtaining certain customary regulatory approvals.

We expect to receive net cash proceeds of approximately $110 million related to the transaction. The transaction consists of the sale of our private-label credit card portfolio, along with certain other assets and liabilities that are required to support these credit card programs, including our consolidated balance sheet asset "Investment in

Asset-Backed Securities." Gross proceeds from the transaction are estimated at $140 million. Approximately $30 million will be utilized to fund the termination of contractual obligations related to the transaction as well as exit costs.

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.

Results of Operations

Net sales for the Fiscal 2009 Second Quarter were $527.2 million, a decrease of 19% from the Fiscal 2008 Second Quarter. Net sales for our Retail Stores segment decreased $104.6 million or 17%, primarily as a result of a comparable store sales decrease of 14%. Additionally, Retail Stores segment net sales were impacted by 99 net store closings over the preceding 12-month period. The comparable store sales decrease is due primarily to reduced traffic levels impacted by weakened consumer demand as a result of the downturn in the economy and partially due to our year-over-year reduction in inefficient promotional spending. Additionally, our conservative inventory planning and a lack of balanced assortments in inventory negatively impacted our net sales. Net sales for our Direct-to-Consumer segment decreased $16.2 million primarily as a result of the planned shutdown of our LANE BRYANT WOMAN catalog announced in Fiscal 2008, which we completed during the Fiscal 2009 Second Quarter.

Our gross profit as a percentage of sales increased 3.3% during the Fiscal 2009 Second Quarter as compared to the Fiscal 2008 Second Quarter. This increase reflects our efforts to tightly manage our inventories in response to the challenging retail environment to limit the level of markdown activity on spring and summer merchandise. Our inventories as of the end of the Fiscal 2009 Second Quarter have decreased approximately 18% as compared to the end of the Fiscal 2008 Second Quarter on a comparable-store basis.

Our occupancy and buying expenses decreased 5.2% as a result of the operation of fewer stores and occupancy reductions secured from landlords, partially offset by increases in buying costs. Our selling, general, and administrative expenses decreased 18.4% during the Fiscal 2009 Second Quarter as compared to the Fiscal 2008 Second Quarter primarily as a result of our expense reduction initiatives and the closing of under-performing stores.

Although net sales decreased across all brands in our Retail Stores segment, income before interest and income taxes, as a percentage of sales, increased for our LANE BRYANT and CATHERINES brands, reflecting our ability to limit markdown activity and improve the quality of the sales for these brands. For LANE BRYANT, income before interest and income taxes as a percentage of sales increased from 4.4% to 5.0% for the Fiscal 2009 Second Quarter and increased from 7.3% to 8.6% for the first half of Fiscal 2009. For CATHERINES, income before interest and income taxes as a percentage of sales increased from 6.8% to 7.9% for the Fiscal 2009 Second Quarter and increased from 7.6% to 8.9% for the first half of Fiscal 2009. For our FASHION BUG brand, income before interest and income taxes, as a percentage of sales, decreased from 7.9% to 3.5% for the Fiscal 2009 Second Quarter and decreased from 5.7% to 1.7% for the first half of Fiscal 2009, reflecting a difficult second quarter with spring and summer assortments that were not compelling to our customer and that did not yet reflect the impact of our new product leadership.

Financial Position

Our balance sheet continued to remain strong, with ample liquidity through our $117.1 million of cash and available-for-sale securities as of the end of the Fiscal 2009 Second Quarter as compared to $100.2 million as of the end of Fiscal 2008.

We continue to proactively strengthen our liquidity. On July 31, 2009 we entered into a three-year agreement for a new $225 million senior secured revolving credit facility. The new credit facility provides committed revolving funding through July 2012 and replaces our $375 million revolving credit facility. Our efforts over the last year to simplify our business through the divestiture of our non-core misses apparel catalogs and the closure of our figure magazine, SHOETRADER.COM, and LANE BRYANT WOMAN catalog, as well as reduced inventory levels as a result of our inventory management initiatives and our closing of under-performing stores, allowed us to reduce our new revolving credit facility to an amount that is appropriate for our current business model.

On August 13, 2009 we announced that we have entered into an agreement for the sale of our credit card receivables program to World Financial Network National Bank, a subsidiary of Alliance Data Systems Corporation ("Alliance Data"), and have also entered into ten-year operating agreements with Alliance Data for the servicing of our private label credit card receivables program (see "RECENT DEVELOPMENTS" above). In addition to partnering with one of the country's premier credit card providers, the benefits of this transaction include the following:

It will allow us to further focus on our core business;

It will eliminate the financing risk associated with our credit card receivable securitization program and the credit risk of the underlying credit card portfolio;

It will result in projected net cash proceeds to us of $110 million and the attendant strengthening of our liquidity and financial flexibility; and

We will receive annual payments from Alliance Data based on credit sales generated by our private-label credit card portfolio, which are projected to substantially replace our net credit contribution related to our credit card business on a trailing twelve-month basis and are projected to result in the transaction being non-dilutive.

We continued to generate positive operating cash flow during the Fiscal 2009 Second Quarter and ended the quarter with no borrowings against our $225 million revolving credit facility. As of August 1, 2009 our available borrowing capacity under the facility was $199.2 million.

Management Initiatives

We have established five key priorities to guide our organization. Those key priorities are: (1) focus on the consumer; (2) stabilize and begin to grow profitable revenue; (3) increase EBITDA; (4) increase cash flow; and (5) employee empowerment with accountability. Our management initiatives are designed to reinforce and support the execution of our key priorities.

The following are our key initiatives:

We are working to improve our marketing. We believe we can better succeed by focusing on the basics of efficiently driving traffic both to our stores and online, and by focusing on increasing the conversion rate for customers in our stores and on our websites.

We are focused on assortments planning and selling outfits. We believe we can better succeed by improving our buying and in-store merchandising of appropriate assortments of bottoms, tops, accessories, intimates, and related products.

We are working to complete the process of transforming into a vertical specialty store model, increasing the percentage of internally designed and developed fashion product and transforming each of our core brands into more independent, distinct brands.

We are focused on increasing our e-commerce business across all of our brands. As a first step in that process we have overhauled each of our core brands' websites and moved to a new technology platform in advance of the Fiscal 2009 Third Quarter. Our objective is to provide an improved on-line customer experience that results in increased sales conversion rates and increased e-commerce penetration. We successfully converted our core brands to our new e-commerce platform in August 2009.

We are committed to adopting a multi-channel mindset. We will encourage and make it easy for our customer to shop in three convenient ways – in our stores, online, and via telephone. We will also be multi-vehicle in our communications with both existing and new customers, whether via direct mail, email, online, or in our stores.

We are continuing to upgrade and enhance our organization. We have expanded the functions within our Business Transformation office to include the important functions of global sourcing, distribution, logistics, quality control, and quality assurance. We are also in the process of adding more global sourcing talent to this function through the creation of Retail Apparel Sourcing Leader positions for each of our brands. These leaders will be charged with challenging our current buying processes and adopting consistent preferred best practices and policies, with the goal of increasing our product gross margins. We also brought two brand internet leaders on board at our CATHERINES and FASHION BUG brands, with responsibility for developing online content and strategies, and driving the sales and profitability of their respective brand's direct-to-consumer business. We have also made some changes to our brands' finance teams to provide greater support to, and analytical tools for, our brands.

We will continue to plan conservatively given the current uncertain economic climate and our expectations for continued weak traffic trends and we will continue to maintain appropriate inventory levels and proactively control our operating expenses.

The following discussion of our results of operations, liquidity, and capital resources is based on our continuing operations, and excludes the impact of our discontinued operations (see "Item 1. Financial Statements (Unaudited); "Note 1. Condensed Consolidated Financial Statements; Discontinued Operations" above).

RESULTS OF OPERATIONS

The following table shows our results of operations expressed as a percentage of net sales and on a comparative basis:

	Thirteen Weeks Ended(1)		Percentage Change From Prior Period	Twenty-six Weeks Ended(1)		Percentage Change From Prior Period
	August 1, 2009	August 2, 2008		August 1, 2009	August 2, 2008	
Net sales	100.0 %	100.0 %	(18.7)%	100.0 %	100.0 %	(17.4)%
Cost of goods sold	50.0	53.3	(23.8)	48.2	51.2	(22.2)
Gross profit	50.0	46.7	(12.9)	51.8	48.8	(12.4)
Occupancy and buying expenses	19.0	16.3	(5.2)	19.0	16.5	(4.6)
Selling, general, and administrative expenses	25.5	25.4	(18.4)	27.4	27.2	(16.8)
Depreciation and amortization	3.6	3.5	(16.5)	3.7	3.8	(20.7)
Restructuring and other charges	1.5	2.3	(48.0)	1.5	1.4	(11.2)
Income/(loss) from operations	0.5	(0.8)	148.8	0.1	(0.1)	188.2
Other income	0.1	0.1	(64.3)	0.0	0.1	(63.2)
Gain on repurchase of debt	1.4	–	–	1.1	–	–
Interest expense	0.9	0.7	(7.4)	0.9	0.7	(3.0)
Income tax (benefit)/provision	0.1	(0.6)	(117.9)	0.5	(0.3)	(255.7)
Income/(loss) from continuing operations	0.9	(0.9)	190.2	(0.1)	(0.5)	75.6
Loss from discontinued operations, net of tax	–	(0.8)	–	–	(4.0)	–
Net income/(loss)	0.9	(1.6)	146.7	(0.1)	(4.5)	97.3

(1) Results may not add due to rounding.

The following table shows information related to the change in our consolidated total net sales:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 1, 2009	August 2, 2008	August 1, 2009	August 2, 2008
Retail Stores segment				
Increase (decrease) in comparable store sales(1) :				
Consolidated retail stores	(14)%	(10)%	(14)%	(11)%
LANE BRYANT(3)	(13)	(11)	(14)	(11)
FASHION BUG	(18)	(9)	(16)	(11)
CATHERINES	(9)	(12)	(9)	(14)
Sales from new stores as a percentage of total consolidated prior-period sales(2):				
LANE BRYANT(3)	2	4	2	2
FASHION BUG	0	1	0	0
CATHERINES	0	0	0	0
Other retail stores(4)	0	0	0	0
Prior-period sales from closed stores as a percentage of total consolidated prior-period sales:				
LANE BRYANT(3)	(2)	(3)	(2)	(3)
FASHION BUG	(3)	(2)	(3)	(2)
CATHERINES	(0)	(0)	(0)	(0)
Decrease in Retail Stores segment sales	(17)	(9)	(16)	(10)
Direct-to-Consumer segment				
Increase/(decrease) in Direct-to-Consumer segment sales(5)	(72)	340	(48)	221
Decrease in consolidated total net sales	(19)	(7)	(17)	(7)

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(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. 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 legal 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 legal 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 incremental Retail Stores segment e-commerce sales.

(3) Includes LANE BRYANT OUTLET stores.

(4) Includes PETITE SOPHISTICATE stores, which were closed in August 2008, and PETITE SOPHISTICATE OUTLET stores.

(5) Primarily LANE BRYANT WOMAN catalog which began operations in the Fiscal 2007 Fourth Quarter. During the Fiscal 2008 Third Quarter we announced our decision to discontinue the LANE BRYANT WOMAN catalog, which we completed during the Fiscal 2009 Second Quarter.

The following table shows details of our consolidated results of operations:

(In millions)	Net Sales		Depreciation and Amortization	Income/(Loss) From Continuing Operations Before Interest And Taxes	
Thirteen weeks ended August 1, 2009					
LANE BRYANT(1)	$246.9		$ 7.9	$ 12.3	
FASHION BUG	189.4		2.9	6.6	
CATHERINES	77.1		1.8	6.1	
Other retail stores(2)	4.8		0.1	0.0	
Total Retail Stores segment	518.2		12.7	25.0	
Total Direct-to-Consumer segment	6.3		0.2	(3.8	)
Corporate and other	2.7	(3)	6.3	(11.1	)(4)(5)
Total consolidated	$527.2		$ 19.2	$ 10.1	
Thirteen weeks ended August 2, 2008					
LANE BRYANT(1)	$285.4		$ 8.5	$ 12.5	
FASHION BUG	246.9		4.2	19.6	
CATHERINES	83.6		1.9	5.7	
Other retail stores(2)	6.9		0.0	0.4	
Total Retail Stores segment	622.8		14.6	38.2	
Total Direct-to-Consumer segment	22.5		0.2	(5.6	)
Corporate and other	3.3	(3)	8.2	(37.0	)(4)
Total consolidated	$648.6		$ 23.0	$ (4.4	)
Twenty-six weeks ended August 1, 2009					
LANE BRYANT(1)	$500.7		$ 16.1	$ 43.1	
FASHION BUG	368.1		5.9	6.4	
CATHERINES	155.9		3.4	13.8	
Other retail stores(2)	9.1		0.1	0.2	
Total Retail Stores segment	1,033.8		25.5	63.5	
Total Direct-to-Consumer segment	25.8		0.4	(7.2	)
Corporate and other	5.7	(3)	13.3	(43.0	)(4)(5)
Total consolidated	$1,065.3		$ 39.2	$ 13.3	
Twenty-six weeks ended August 2, 2008					
LANE BRYANT(1)	$582.4		$ 16.6	$ 42.2	
FASHION BUG	468.8		9.4	26.7	
CATHERINES	170.0		2.4	12.9	
Other retail stores(2)	12.9		0.1	(0.2	)
Total Retail Stores segment	1,234.1		28.5	81.6	
Total Direct-to-Consumer segment	49.5		0.4	(9.8	)
Corporate and other	6.4	(3)	20.6	(71.9	)(4)
Total consolidated	$1,290.0		$ 49.5	$ (0.1	)

(1) Includes LANE BRYANT OUTLET stores.
(2) Includes PETITE SOPHISTICATE stores, which began operations in October 2007 and were closed in August 2008, and PETITE SOPHISTICATE OUTLET stores, which began operations in September 2006.
(3) Primarily revenue related to loyalty card fees.
(4) Includes restructuring and other charges of $7.8 million and $16.5 million for the thirteen and twenty-six week periods ended August 1, 2009, respectively, and $15.0 million and $18.6 million for the thirteen and twenty-six week periods ended August 2, 2008, respectively.
(5) Includes gain on repurchase of 1.125% Senior Convertible Notes of $7.3 million and $11.6 for the thirteen and twenty-six week periods ended August 1, 2009, respectively.

The following table sets forth information with respect to our year-to-date retail store activity for Fiscal 2009 and planned store activity for all of Fiscal 2009:

	LANE BRYANT	FASHION BUG	CATHERINES	PETITE SOPHISTICATE OUTLET	Total
Fiscal 2009 Year-to-Date:					
Stores at January 31, 2009	892	897	463	49	2,301
Stores opened	5	0	3	0	8
Stores closed(1)	(16)	(29)	(1)	(5)	(51)
Net change in stores	(11)	(29)	2	(5)	(43)
Stores at August 1, 2009	881	868	465	44	2,258
Stores relocated during period	5	1	0	0	6
Fiscal 2009:					
Planned store openings	6	0	5	0	11
Planned store closings	40	85	10	15	150
Planned store relocations	8	2	0	0	10

(1) Includes 11 FASHION BUG and 5 LANE BRYANT stores closed as part of the store closing initiatives announced in February 2008 and November 2008.

Comparison of Thirteen Weeks Ended August 1, 2009 and August 2, 2008

Consolidated Results of Operations

Net Sales

Fiscal 2009 Second Quarter consolidated net sales decreased as compared to the Fiscal 2008 Second Quarter as a result of decreases in net sales from each of the brands in our Retail Stores segment, which were driven primarily by negative comparable store sales. Reduced store traffic levels continue to be the primary cause of our negative comparable store sales. Retail Stores segment sales were also impacted by 99 net store closings during the preceding twelve-month period. Additionally, our conservative inventory planning and a lack of balanced assortments in inventory negatively impacted Retail Stores segment sales. Net sales from our Direct-to-Consumer segment decreased primarily as a result of the shutdown of our Lane Bryant Woman catalog business, which we announced in Fiscal 2008 and which we completed during the Fiscal 2009 Second Quarter.

Gross Profit

Consolidated gross profit increased 3.3% as a percentage of consolidated net sales in the Fiscal 2009 Second Quarter as compared to the prior-year period. The increase is primarily attributable to reduced markdown activity during the current-year period as a result of our efforts to tightly manage our inventories. Catalog advertising expenses decreased as compared to the prior-year period primarily as a result of the shutdown of our LANE BRYANT WOMAN catalog business, which was completed in the Fiscal 2009 Second Quarter.

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Occupancy and Buying

Although consolidated occupancy and buying expenses increased as a percentage of consolidated net sales as compared to the prior-year period, they decreased in dollar amount primarily as a result of operating fewer stores, as well as other store-related occupancy savings. Consolidated occupancy and buying expenses for the Fiscal 2008 Second Quarter included a gain of approximately $1.8 million from the sale of our Memphis, Tennessee distribution center.

Selling, General, and Administrative

Although consolidated selling, general, and administrative expenses increased 0.1% as a percentage of consolidated net sales, primarily as a result of negative leverage from the decrease in consolidated net sales, they decreased in dollar amount from the prior-year period. The decrease in expense dollars was primarily in store selling payroll and other store related expenses and was attributable to operating fewer stores and our expense reduction initiatives. During the Fiscal 2008 Second Quarter we recognized $2.1 million of expenses in connection with advisory and legal fees related to a proxy contest which was settled in May 2008.

Retail Stores Segment Results of Operations

Net Sales

Comparable store sales for the Fiscal 2009 Second Quarter decreased at each of our Retail Stores brands as compared to the Fiscal 2008 Second Quarter. Net sales for all of our brands continued to be negatively impacted by reduced store traffic levels and weak consumer spending due to the current economic environment. Additionally, the 99 net store closings during the preceding 12-month period contributed to the decrease in net sales at our Retail Stores brands. LANE BRYANT sales were below plan sales due to double-digit reductions in traffic levels that were partially offset by improvements in the average unit retail (“AUR”) per transaction. FASHION BUG sales were below plan sales due to double-digit reductions in traffic levels coupled with a slight reduction in the AUR per transaction. FASHION BUG’s comparable store sales were also negatively impacted by our elimination of the juniors and girls departments. CATHERINES sales were slightly above plan sales, with the impact of reduced traffic levels partially offset by improvement in the AUR per transaction.

During the Fiscal 2009 Second Quarter we recognized revenues of $5.0 million in connection with our loyalty card programs as compared to revenues of $5.3 million during the Fiscal 2008 Second Quarter.

Gross Profit

Gross profit for the Retail Stores segment as a percentage of net sales increased 1.3% due to reduced markdown activity on spring and summer merchandise during the current-year period as a result of lean inventories. Gross profit as a percentage of net sales increased 3.4% for CATHERINES and 3.4% for LANE BRYANT and decreased 1.8% for FASHION BUG. CATHERINES and LANE BRYANT experienced increased gross margin rates due to reduced markdown activity as a result of inventory management. The gross margin rate at FASHION BUG decreased as compared to the prior year as a result of increased markdown activity in response to reduced traffic levels and clearance of spring and summer seasonal merchandise.

Occupancy and Buying

Occupancy and buying expenses for the Retail Stores segment increased 1.8% as a percentage of net sales in the current-year period as compared to the prior-year period, primarily as a result of negative leverage from the decrease

in Retail Stores net sales. However, expense dollars decreased as a result of operating fewer stores and other expense reduction initiatives.

Selling, General, and Administrative

Selling, general, and administrative expenses for the Retail Stores segment as a percentage of net sales increased 0.7% primarily as a result of negative leverage from the decrease in Retail Stores net sales. However, selling, general, and administrative expenses decreased in dollar amount from the prior-year period at each of our brands, particularly at FASHION BUG and LANE BRYANT, where the closing of stores and other store expense reduction initiatives resulted in reductions of store selling payroll and store related expenses. Selling, general, and administrative expenses as a percentage of net sales increased 0.5% for FASHION BUG, increased 1.6% for CATHERINES, and increased 1.0% for LANE BRYANT.

Direct-to-Consumer Segment Results of Operations

Net Sales

The decrease in net sales from our Direct-to-Consumer segment was primarily attributable to reduced sales from our LANE BRYANT WOMAN catalog and related website. As noted above, during the Fiscal 2009 Second Quarter we completed the shutdown of the LANE BRYANT WOMAN catalog. Net sales from our FIGI'S catalog decreased as a result of reduced prospecting but exceeded plan sales for the Fiscal 2009 Second Quarter.

Gross Profit

Gross profit for the Direct-to-Consumer segment increased 18.2% as a percentage of sales as compared to the prior-year period. The increase resulted from improved merchandise margins and reduced catalog advertising expenses at FIGI'S and decreased catalog advertising expenses attributable to the shutdown of our LANE BRYANT WOMAN catalog business, which was completed in the Fiscal 2009 Second Quarter.

Occupancy and Buying

Occupancy and buying expenses as a percentage of net sales for our Direct-to-Consumer segment increased 18.5% primarily as a result of negative leverage from the decrease in net sales and from costs associated with the shutdown of the LANE BRYANT WOMAN catalog business.

Selling, General, and Administrative

Selling, general, and administrative expenses for our Direct-to-Consumer segment increased as a percentage of sales and in dollar amount compared to the prior-year period primarily as a result of the reduction in net sales from the shutdown of the LANE BRYANT WOMAN catalog business.

Depreciation and Amortization

Depreciation and amortization expense was flat as a percentage of sales as compared to the prior-year period, but decreased 16.5% primarily as a result of our operation of fewer stores in the current-year period as compared to the prior-year period.

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Restructuring and Other Charges

During the Fiscal 2009 Second Quarter we continued to execute on our multi-year transformational initiatives and recognized the following pre-tax charges recorded as restructuring and other charges:

$3.9 million for costs related to our multi-year business transformation initiatives.

$3.3 million for accelerated depreciation related to fixed assets retained from the sale of the non-core misses apparel catalog business and our decision to outsource the development and hosting of our new e-commerce platform. These fixed assets will be fully depreciated by the Fiscal 2009 Third Quarter.

$0.6 million for lease termination costs related to the closing of under-performing stores and other costs.

During the Fiscal 2008 Second Quarter we recognized pre-tax charges of $5.3 million primarily for lease termination costs related to the closing of under-performing stores. We also recognized $0.3 million of non-cash pre-tax charges for the write-down of assets related to under-performing stores to be closed. Additionally, during the Fiscal 2008 Second Quarter, we recognized $9.3 million of severance costs in connection with the resignation of our former Chief Executive Officer, Dorrit J. Bern.

Gain on Repurchase of 1.125% Senior Convertible Notes

During the Fiscal 2009 Second Quarter we repurchased 1.125% Notes with an aggregate principal amount of $38.2 million and an aggregate unamortized discount of $9.6 million for an aggregate purchase price of $21.0 million and recognized a gain on the repurchase of $7.3 million net of unamortized issue costs.

Income Tax Provision/(Benefit)

Our income tax provision for the Fiscal 2009 Second Quarter was $0.7 million on income from continuing operations before taxes of $5.6 million as compared to a tax benefit of $3.7 million on a loss from continuing operations before taxes of $9.2 million for the Fiscal 2008 Second Quarter. We continue to have a valuation allowance recorded against our net deferred tax assets and, as such, the income tax provision for the Fiscal 2009 Second Quarter was primarily a result of state and foreign income taxes payable as well as required deferred taxes, offset by a net decrease in our liability for unrecognized tax benefits, interest, and penalties in accordance with FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," due to settlements with state tax authorities. The Fiscal 2008 Second Quarter benefit was favorably impacted by the receipt of non-taxable life insurance proceeds and adjustments to certain state tax accruals, offset by an unfavorable increase in our liability for unrecognized tax benefits, interest, and penalties in accordance with FIN No. 48.

During the Fiscal 2008 Third Quarter we evaluated our assumptions regarding the recoverability of our net 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. We will continue to record a valuation allowance until such time as the certainty of future tax benefits can be reasonably assured.

The recognition of a tax valuation allowance does not have any impact on cash, nor does such an allowance preclude us from using the underlying tax net operating loss and credit carryforwards or other deferred tax assets in the future when results are profitable. Pursuant to SFAS No. 109, when our results demonstrate a pattern of future profitability

the valuation allowance may be adjusted, which would result in the reinstatement of all or a portion of the net deferred tax assets.

Discontinued Operations

Discontinued operations consist of the results of operations of the non-core misses catalog titles operated under our Crosstown Traders brand, which were sold during the Fiscal 2008 Third Quarter (see "Item 1. Financial Statements (Unaudited); "Note 1. Condensed Consolidated Financial Statements; Discontinued Operations" above). During the Fiscal 2008 Second Quarter we recognized a net loss from discontinued operations of $6.1 million and a reduction of the estimated loss on disposition of the discontinued operations of $1.0 million.

Comparison of Twenty-six Weeks Ended August 1, 2009 and August 2, 2008

Consolidated Results of Operations

Net Sales

Consolidated net sales for the first half of Fiscal 2009 decreased as compared to the first half of Fiscal 2008 as a result of decreases in net sales from each of the brands in our Retail Stores segment driven primarily by negative comparable store sales. Retail Stores segment sales were also impacted by 99 net store closings during the preceding twelve-month period. In addition, net sales from our Direct-to-Consumer segment decreased primarily as a result of the shutdown of our LANE BRYANT WOMAN catalog business, which we announced in the Fiscal 2008 Third Quarter.

Gross Profit

Consolidated gross profit increased 3.0% as a percentage of consolidated net sales in the first half of Fiscal 2009 as compared to the prior-year period. The increase is primarily attributable to improvements in gross margins from reduced markdown activity during the current-year period. Catalog advertising expenses decreased as compared to the prior-year period primarily as a result of the shutdown of our LANE BRYANT WOMAN catalog, which was completed during the Fiscal 2009 Second Quarter.

Occupancy and Buying

Consolidated occupancy and buying expenses increased 2.5% as a percentage of consolidated net sales in the first half of Fiscal 2009 as compared to the prior-year period. The increase is primarily attributable to negative leverage on occupancy and buying expenses from the decrease in consolidated net sales. Although occupancy and buying expenses as a percentage of consolidated net sales de-leveraged as compared to the prior year, they decreased in dollar amount primarily as a result of the closing of under-performing stores, as well as other store-related occupancy savings. Consolidated occupancy and buying expenses for the first half of Fiscal 2008 included a gain of approximately $1.8 million from the sale of our Memphis, Tennessee distribution center.

Selling, General, and Administrative

Although consolidated selling, general, and administrative expenses increased 0.2% as a percentage of consolidated net sales in the first half of Fiscal 2009, primarily as a result of negative leverage from the decrease in consolidated net sales, they decreased in dollar amount from the prior-year period. The decrease in expense dollars was primarily attributable to the closing of under-performing stores and our expense reduction initiatives. During the first half of Fiscal 2008 we recognized $5.9 million of expenses in connection with advisory and legal fees related to a proxy contest which was settled in May 2008.

Retail Stores Segment Results of Operations

Net Sales

Comparable store sales for the first half of Fiscal 2009 decreased at each of our Retail Stores brands as compared to the first half of Fiscal 2008. Net sales for all of our brands continued to be negatively impacted by reduced traffic levels and weak consumer spending due to the current economic environment. Additionally, the 99 net store closings during the preceding 12-month period contributed to the decrease in net sales at our Retail Stores brands. The average number of transactions per store decreased for each of our brands, while the average unit retail per transaction increased for our each of our brands except for FASHION BUG.

During the first half of Fiscal 2009 we recognized revenues of $10.0 million in connection with our loyalty card programs as compared to revenues of $10.4 million during the first half of Fiscal 2008.

Gross Profit

Gross profit for the Retail Stores segment as a percentage of net sales increased 1.8%, which reflects improved gross margins from reduced markdown activity during the current-year period as a result of our proactive management of inventory in response to reduced consumer demand. Gross profit as a percentage of net sales increased 3.3% for CATHERINES and 3.9% for LANE BRYANT, and decreased 1.7% for FASHION BUG. CATHERINES and LANE BRYANT experienced increased merchandise margins due to reduced markdown activity while FASHION BUG experienced decreased merchandise margins as a result of increased markdown activity in response to reduced traffic and clearance of spring and summer seasonal merchandise.

Occupancy and Buying

Occupancy and buying expenses increased 1.6% as a percentage of net sales in the current-year period as compared to the prior-year period, primarily as a result of negative leverage from the decrease in Retail Stores net sales. However, expense dollars decreased as a result of the closing of under-performing stores and other expense reduction initiatives.

Selling, General, and Administrative

Selling, general, and administrative expenses for the Retail Stores segment as a percentage of net sales increased 0.4% primarily as a result of negative leverage from the decrease in Retail Stores net sales. However, selling, general, and administrative expenses decreased in dollar amount from the prior-year period at each of our brands, particularly at FASHION BUG and LANE BRYANT, where the closing of under-performing stores and other store expense reduction initiatives resulted in reductions to selling, general, and administrative expenses. Selling, general, and administrative expenses as a percentage of net sales increased 0.2% for FASHION BUG, increased 1.5% for CATHERINES, and increased 0.8% for LANE BRYANT.

Direct-to-Consumer Segment Results of Operations

Net Sales

The decrease in net sales from our Direct-to-Consumer segment was primarily attributable to reduced sales from our LANE BRYANT WOMAN catalogs and related websites. As noted above, during the first half of Fiscal 2009 we completed the shutdown of the LANE BRYANT WOMAN catalog and expect to complete the shutdown of the SHOETRADER.COM website shortly after the end of the Fiscal 2009 Second Quarter.

Gross Profit

Gross profit for the Direct-to-Consumer segment increased 1.4% as a percentage of sales as compared to the prior-year period. The increase resulted from improved merchandise margins and reduced catalog advertising expenses at FIGI'S and decreased catalog advertising expenses as a result of the shutdown of our LANE BRYANT WOMAN catalog business, which was completed in the Fiscal 2009 Second Quarter.

Occupancy and Buying

Occupancy and buying expenses as a percentage of net sales for our Direct-to-Consumer segment increased 7.3% primarily as a result of negative leverage from the decrease in net sales and from costs associated with the shutdown of the LANE BRYANT WOMAN catalog business, which was completed during the Fiscal 2009 Second Quarter.

Selling, General, and Administrative

Selling, general, and administrative expenses for our Direct-to-Consumer segment increased as a percentage of sales as compared to the prior-year period primarily as a result of the shut down of the LANE BRYANT WOMAN catalog business.

Depreciation and Amortization

Depreciation and amortization expense was flat as a percentage of sales as compared to the prior-year period, but decreased 20.7% primarily as a result of our operation of fewer stores in the current-year period as compared to the prior-year period.

Restructuring and Other Charges

During the first half of Fiscal 2009 we continued to execute on our multi-year transformational initiatives and recognized the following pre-tax charges recorded as restructuring and other charges:

$8.0 million for costs related to our multi-year business transformation initiatives.

$6.2 million for accelerated depreciation related to fixed assets retained from the sale of the non-core misses apparel catalog business and our decision to outsource the development and hosting of our new e-commerce platform. These fixed assets will be fully depreciated by the Fiscal 2009 Third Quarter.

$1.3 million for retention and accelerated depreciation for the planned shutdown of the LANE BRYANT WOMAN catalog operations, which we completed during the Fiscal 2009 Second Quarter.

$1.0 million for lease termination costs related to the closing of under-performing stores and other costs.

During the first half of Fiscal 2008 we recognized pre-tax charges of $7.0 million for lease termination, severance, retention, and relocation costs related to the closing of under-performing stores and the consolidation of our CATHERINES operations from Memphis, Tennessee to our Bensalem headquarters. We also recognized $2.2 million of non-cash pre-tax charges for write-downs of assets related to under-performing stores to be closed and accelerated depreciation related to the closing of the Memphis facility. Additionally, during the first half of Fiscal 2008 we

recognized $9.3 million of severance costs in connection with the resignation of our former Chief Executive Officer, Dorrit J. Bern.

Gain on Repurchase of 1.125% Senior Convertible Notes

During the first half of Fiscal 2009 we repurchased 1.125% Notes with an aggregate principal amount of $51.7 million and an aggregate unamortized discount of $13.0 million for an aggregate purchase price of $26.6 million and recognized a gain on the repurchase of $11.6 million net of unamortized issue costs.

Income Tax Provision/(Benefit)

Our income tax provision for the first half of Fiscal 2009 was $5.4 million on income from continuing operations before taxes of $3.8 million as compared to a tax benefit of $3.5 million on a loss from continuing operations before taxes of $9.9 million for the first half of Fiscal 2008. We continue to have a valuation allowance recorded against our net deferred tax assets and, as such, the income tax provision for the first half of Fiscal 2009 was primarily a result of: (i) a net increase in our liability for unrecognized tax benefits, interest, and penalties in accordance with FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," after a decrease due to settlements with state tax authorities; (ii) state and foreign income taxes payable; and (iii) required deferred taxes. The benefit for the first half of Fiscal 2008 was favorably impacted by the receipt of non-taxable life insurance proceeds and adjustments to certain state tax accruals, offset by an unfavorable increase in our liability for unrecognized tax benefits, interest, and penalties in accordance with FIN No. 48.

During the Fiscal 2008 Third Quarter we evaluated our assumptions regarding the recoverability of our net 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. We will continue to record a valuation allowance until such time as the certainty of future tax benefits can be reasonably assured.

The recognition of a tax valuation allowance does not have any impact on cash, nor does such an allowance preclude us from using the underlying tax net operating loss and credit carryforwards or other deferred tax assets in the future when results are profitable. Pursuant to SFAS No. 109, when our results demonstrate a pattern of future profitability the valuation allowance may be adjusted, which would result in the reinstatement of all or a portion of the net deferred tax assets.

Discontinued Operations

Discontinued operations consist of the results of operations of the non-core misses catalog titles operated under our Crosstown Traders brand, which were sold during the Fiscal 2008 Third Quarter (see "Item 1. Financial Statements (Unaudited); "Note 1. Condensed Consolidated Financial Statements; Discontinued Operations" above). During the first half of Fiscal 2008 we recognized a net loss from discontinued operations of $12.9 million and an estimated loss on disposition of the discontinued operations of $38.2 million.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of working capital are cash flow from operations, our proprietary credit card receivables securitization agreements, our investment portfolio, and our revolving credit facility. The following table highlights certain information related to our liquidity and capital resources:

(Dollars in millions)	August 1, 2009	January 31, 2009
Cash and cash equivalents	$116.7	$93.8
Available-for-sale securities	$0.4	$6.4
Working capital	$377.4	$382.0
Current ratio	2.4	2.4
Long-term debt to equity ratio	36.5 %	43.3 %

The following discussion of cash flows is based on our consolidated statements of cash flows included in "Item 1. Financial Statements (Unaudited)" above, which includes the results of both our continuing operations and our discontinued operations for the first half of Fiscal 2008.

Our net cash provided by operating activities decreased to $57.4 million for the first half of Fiscal 2009 from $111.5 million for the first half of Fiscal 2008. The decrease was primarily a result of the timing of payments for prepaid and accrued expenses. The decrease was partially offset by a $4.9 million decrease in the loss from continuing operations and an $8.6 million decrease in our investment in inventories as compared to the prior-year period as a result of our continued efforts to reduce inventory levels. On a comparable-store basis, inventories decreased 18% as of August 1, 2009 as compared to August 2, 2008.

During the first half of Fiscal 2009 we repurchased 1.125% Senior Convertible Notes with an aggregate principal amount of $51.7 million and a carrying value (net of unamortized discount) of $38.7 million for an aggregate purchase price of $26.6 million. In addition, we used $3.4 million for repayments of other long-term borrowings and $6.3 million for deferred financing costs related to our new revolving credit facility (see "FINANCING; Revolving Credit Facility" below). During the first half of Fiscal 2008 we used $4.6 million of cash for repayments of long-term debt and $11.0 million of cash to purchase 2.0 million shares of common stock.

Capital Expenditures

Our gross capital expenditures, excluding construction allowances received from landlords, were $9.8 million during the first half of Fiscal 2009 as compared to $38.5 million for the first half of Fiscal 2008. Construction allowances received from landlords were $4.2 million for the current-year period as compared to $22.2 million for the prior-year period. We also acquired equipment through capital leases of $6.0 million during the first half of Fiscal 2008.

As part of our previously announced streamlining initiatives and in response to the current difficult economic environment, we are significantly reducing capital expenditures during Fiscal 2009. We plan to open approximately 11 new stores in Fiscal 2009 as compared to 48 new stores in Fiscal 2008, and anticipate that our Fiscal 2009 gross capital expenditures will be approximately $28.8 million before construction allowances received from landlords as compared to gross capital expenditures of $55.8 million for Fiscal 2008. We expect to finance these capital expenditures primarily through internally-generated funds and to a lesser extent through capital lease financing.

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Repurchases of Common Stock

During the Fiscal 2008 First Quarter we repurchased an aggregate total of 0.5 million shares of common stock for $2.7 million under a $200 million share repurchase program announced in November 2007 and 1.5 million shares of common stock for $8.3 million under a prior authorization from our Board of Directors. We have not repurchased any shares of common stock subsequent to the Fiscal 2008 First Quarter. Our amended 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 amended 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

Off-Balance-Sheet Financing

Asset Securitization Program

On August 13, 2009 (subsequent to the end of the period covered by this report), we announced an agreement for the sale of our credit card receivables program to World Financial Network National Bank, a subsidiary of Alliance Data Systems Corporation ("Alliance Data"). We also entered into ten-year operating agreements with Alliance Data for the servicing of our private label credit card receivables program. We expect the transaction to close before the end of Fiscal 2009, subject to obtaining certain customary regulatory approvals.

We expect to receive net cash proceeds of approximately $110 million related to the transaction. The transaction consists of the sale of our private label credit card portfolio, along with certain other assets and liabilities that are required to support these card programs, including our consolidated balance sheet asset "Investment in Asset-Backed Securities." Gross proceeds from the transaction are estimated at $140 million. Approximately $30 million will be utilized to fund the termination of contractual obligations related to the transaction as well as exit costs. We will receive annual payments from Alliance Data, based on credit sales generated by the private label credit card portfolio, which is projected to result in the transaction being non-dilutive. These payments are expected to substantially replace our net credit contribution related to our credit card portfolio. Alliance Data will assume the servicing obligations for the Charming Shoppes Master Trust, through which the Charming Shoppes credit card receivables are financed. Therefore, we will have no further obligations with respect to financing our credit card program.

Our current asset securitization program primarily involves the sale of proprietary credit card receivables to a special-purpose entity, which in turn transfers the receivables to a separate and distinct qualified special-purpose entity ("QSPE"). The QSPE's assets and liabilities are not consolidated in our balance sheet and the receivables transferred to the QSPEs are isolated for purposes of the securitization program. We use asset securitization facilities to fund the credit card receivables generated by our FASHION BUG, LANE BRYANT, CATHERINES, and PETITE SOPHISTICATE proprietary credit card programs. Additional information regarding our asset securitization facilities is included in "Notes to Condensed Consolidated Financial Statements; Note 9. Asset Securitization" above; under the caption "MARKET RISK" below; and in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; CRITICAL ACCOUNTING POLICIES; Asset Securitization" and "Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; NOTE 17. ASSET SECURITIZATION" of Exhibit 99.1 to our Form 8-K dated June 19, 2009.

As of August 1, 2009, we had the following securitization facilities outstanding:

(Dollars in millions)	Series 1999-2	Series 2004-VFC	Series 2004-1	Series 2007-1
Date of facility	May 1999	January 2004	August 2004	October 2007
Type of facility	Conduit	Conduit	Term	Term
Maximum funding	$50.0	$105.0	$180.0	$320.0
Funding as of August 1, 2009	$5.0	$47.5	$122.4	$320.0
First scheduled principal payment	Not applicable	Not applicable	April 2009	April 2012
Expected final principal payment	Not applicable(1)	Not applicable(1)	March 2010	March 2013
Next renewal date	March 2010	January 2010	Not applicable	Not applicable

(1) Series 1999-2 and Series 2004-VFC have scheduled final payment dates that occur in the twelfth month following the month in which the series begins amortizing. These series begin amortizing on the next renewal date subject to the further extension of the renewal date as a result of renewal of the purchase commitment.

During the Fiscal 2009 First Quarter we renewed our Series 1999-2 conduit facility through March 30, 2010 and Series 2004-1 began its scheduled principal amortization, which will be completed in March 2010.

We securitized $359.7 million of private label credit card receivables in the first half of Fiscal 2009 and had $495.2 million of securitized credit card receivables outstanding as of August 1, 2009. We held certificates and retained interests in our securitizations of $100.4 million as of August 1, 2009 that are generally subordinated in right of payment to certificates issued by the QSPEs to third-party investors. Our obligation to repurchase receivables sold to the QSPEs is limited to those receivables that at the time of their transfer fail to meet the QSPE's eligibility standards under normal representations and warranties. To date, our repurchases of receivables pursuant to this obligation have been insignificant.

CSRC and Charming Shoppes Seller, Inc., our consolidated wholly owned indirect subsidiaries, are separate special-purpose entities ("SPEs") created for the securitization program. Our investment in asset-backed securities as of August 1, 2009 included $50.5 million of QSPE certificates, an interest-only ("I/O") strip of $19.1 million, and other retained interests of $30.8 million. These assets are first and foremost available to satisfy the claims of the respective creditors of these separate corporate entities, including certain claims of investors in the QSPEs.

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Additionally, with respect to certain Trust Certificates, if either the Trust or Charming Shoppes, Inc. does not meet certain financial performance standards, the Trust is obligated to reallocate to third-party investors holding certain certificates issued by the Trust, collections in an amount up to $9.45 million that otherwise would be available to CSRC. The result of this reallocation is to increase CSRC's retained interest in the Trust by the same amount, with the third-party investor retaining an economic interest in the certificates. Subsequent to such a transfer occurring, and upon certain conditions being met, these same investors are required to repurchase these interests when the financial performance standards are again satisfied. Our net loss for the third quarter of Fiscal 2007 resulted in the requirement to begin the reallocation of collections as discussed above and $9.45 million of collections were fully transferred as of February 2, 2008. The requirement for the reallocation of these collections will cease and such investors would be required to repurchase such interests upon our announcement of a quarter with net income and the fulfillment of such conditions. With the exception of the requirement to reallocate collections of $9.45 million that were fully transferred as of February 2, 2008, the Trust was in compliance with its financial performance standards as of August 1, 2009, including all financial performance standards related to the performance of the underlying receivables.

In addition to the above, we could be affected by certain other events that would cause the QSPEs to hold proceeds of receivables, which would otherwise be available to be paid to us with respect to our subordinated interests, within the QSPEs as additional enhancement. For example, if we or the QSPEs do not meet certain financial performance standards, a credit enhancement condition would occur and the QSPEs would be required to retain amounts otherwise payable to us. In addition, the failure to satisfy certain financial performance standards could further cause the QSPEs to stop using collections on QSPE assets to purchase new receivables and would require such collections to be used to repay investors on a prescribed basis as provided in the securitization agreements. If this were to occur, it could result in our having insufficient liquidity; however, we believe we would have sufficient notice to seek alternative forms of financing through other third-party providers although we cannot provide assurance in that regard. As of August 1, 2009 we and the QSPEs were in compliance with the applicable financial performance standards referred to in this paragraph.

Amounts placed into enhancement accounts, if any, that are not required for payment to other certificate holders will be available to us at the termination of the securitization series. We have no obligation to directly fund the enhancement account of the QSPEs, other than for breaches of customary representations, warranties, and covenants and for customary indemnities. These representations, warranties, covenants, and indemnities do not protect the QSPEs or investors in the QSPEs against credit-related losses on the receivables. The providers of the credit enhancements and QSPE investors have no other recourse to us.

Should the above disclosed sale of our credit card receivables program not occur, we plan to refinance our maturing securitization series with our credit conduit facilities totaling $155.0 million, which are renewed annually. To the extent that these conduit facilities are not renewed they would amortize in accordance with their terms and we would finance this amortization using our corporate cash flows or other sources of financing to the extent that they become available. During the Fiscal 2009 First Quarter we renewed our Series 1999-2 conduit facility through March 30, 2010. There is no assurance that we can refinance or renew our conduit facilities on terms comparable to our existing facilities or that there would be sufficient availability from other sources for such financing. Without adequate liquidity our ability to offer our credit program to our customers, and consequently our financial condition and results of operations, would be adversely affected.

These securitization agreements are intended to improve our overall liquidity by providing sources of funding for our proprietary credit card receivables. The agreements provide that we will continue to service the credit card receivables and control credit policies. This control allows us to provide the appropriate customer service and collection activities. Accordingly, our relationship with our credit card customers is not affected by these agreements.

Our Proprietary Credit Card Programs

We manage our proprietary credit card programs primarily to enhance customer loyalty and to allow us to integrate our direct-mail marketing strategy when communicating with our core customers. We also earn revenue from operating the credit card programs. As discussed above, we utilize asset securitization as the primary funding source for our proprietary credit card receivables programs. As a result, our primary source of benefits is derived from the distribution of net excess spread revenue from our QSPEs.

The transfer of credit card receivables under our asset securitization program is without recourse and we account for the program in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Under SFAS No. 140, our benefit from the credit card receivables represents primarily the net excess spread revenues we receive from monthly securitization distributions associated with the collections on managed outstanding receivables. We recognize on an accrual basis these net excess spread revenues, which generally represent finance charge revenues in excess of securitization funding costs, net credit card charge-offs, and the securitization servicing fee. Finance charge revenues include finance charges and fees assessed to the credit card customers. Net credit card charge-offs represent gross monthly charge-offs on customer accounts less recoveries on accounts previously charged-off. For purposes of the table provided below, we also include any collection agency costs associated with recoveries as part of the net excess spread revenues from credit card receivables.

In addition to the actual net excess spread revenues described above we record our beneficial interest in the Trust as an "interest-only strip" ("I/O strip"), which represents the estimated present value of cash flows we expect to receive over the estimated period the receivables are outstanding. In addition to the I/O strip we recognize a servicing liability, which represents the present value of the excess of the costs of servicing over the servicing fees we expect to receive, and is recorded at estimated fair value. We use the same discount rate and estimated life assumptions in valuing the I/O strip and the servicing liability. We amortize the I/O strip and the servicing liability on a straight-line basis over the expected life of the credit card receivables.

The benefits from operating our proprietary credit card programs also include other revenues generated from the programs. These other net revenues include revenue from additional products and services that customers may purchase with their credit cards, including debt cancellation protection, fee-based loyalty program revenues, and net commissions from third-party products that customers may buy through their credit cards. Other credit card revenues also include interest income earned on funds invested in the credit entities. The credit contribution is net of expenses associated with operating the program. These expenses include the costs to originate, bill, collect, and operate the credit card programs. Except for net fees associated with the fee-based loyalty programs that we include in net sales, we include the net credit contribution as a reduction of selling, general, and administrative expenses in our consolidated statements of operations and comprehensive income.

Further details of our net credit contribution are as follows:

(In millions)	Thirteen Weeks Ended August 1, 2009	Thirteen Weeks Ended August 2, 2008	Twenty-six Weeks Ended August 1, 2009	Twenty-six Weeks Ended August 2, 2008
Net securitization excess spread revenues	$23.2	$26.3	$40.0	$49.6
Net changes to the I/O strip and servicing liability	1.0	(0.3)	(0.2)	0.1
Other credit card revenues, net(1)	2.8	2.5	6.1	5.8
Total credit card revenues	27.0	28.5	45.9	55.5
Less total credit card program expenses	14.0	17.0	28.9	35.0
Total credit contribution	$13.0	$11.5	$17.0	$20.5

(1) Excludes inter-company merchant fees between our credit entities and our retail entities.

The changes in the total credit contribution for the thirteen weeks and twenty-six weeks ended August 1, 2009 as compared to the thirteen weeks and twenty-six weeks ended August 2, 2008 reflect the decrease in net securitization excess spread revenues and program expenses due to lower outstanding balances as a result of the November 2008 sale of the Crosstown Traders apparel-related catalog credit card receivables as well as receivables declines in the other brand credit card portfolios as a result of reduced sales. The increase in the credit contribution for the thirteen weeks ended August 1, 2009 as compared to the thirteen weeks ended August 2, 2008 reflects increased collection of fee income and the associated impact on excess spread revenues and the I/O strip valuation.

Further details of our outstanding receivables are as follows:

(In millions)	Thirteen Weeks Ended August 1, 2009	Thirteen Weeks Ended August 2, 2008	Twenty-six Weeks Ended August 1, 2009	Twenty-six Weeks Ended August 2, 2008
Average managed receivables outstanding	$501.3	$591.9	$502.8	$588.6
Ending managed receivables outstanding	$495.2	$584.9	$495.2	$584.9

As a result of our announced agreement to sell our credit card receivables program (see “Notes to Condensed Consolidated Financial Statements; Note 15. Subsequent Events” above), the revenues associated with the program will change upon the closing of the sale. Current revenues associated with the securitization net excess spread revenues, the I/O valuation, and a portion of the other credit revenues will be replaced with payments from Alliance Data. These payments will primarily include payments associated with credit sales. The majority of the expenses associated with the credit card receivables program will be eliminated.

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 18. Leases” of Exhibit 99.1 to our Form 8-K dated June 19, 2009.

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Revolving Credit Facility

Through July 30, 2009 we had a revolving credit facility agreement that provided for a revolving credit facility with a maximum availability of $375 million, subject to certain limitations as defined in the facility agreement, which was scheduled to expire on July 28, 2010. On July 31, 2009 we entered into an amended and restated loan and security agreement (the "amended agreement" or "amended facility") for a $225 million senior secured revolving credit facility. The amended facility replaces the $375 million revolving credit facility and provides for committed revolving credit availability through July 31, 2012.

The amount of credit that is available from time to time under the amended agreement is determined as a percentage of the value of eligible inventory, accounts receivable, and cash, as reduced by certain reserves. In addition, the amended agreement includes an option allowing us to increase our maximum credit 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.

The amended 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 August 1, 2009 the applicable rates under the amended facility were 6.00% for Base Rate loans and 4.04% for 30 day Eurodollar Rate loans.

The amended agreement provides for customary representations and warranties and affirmative covenants. The amended 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; change in business; limitations or restrictions affecting subsidiaries; credit card agreements; private-label credit cards; and changes in control of certain of our subsidiaries. If at any time the "Excess Availability" (as defined in the amended agreement) is less than $40 million then, in each month in which Excess Availability 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. The amended 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 amended agreement. Under certain conditions the maximum amount available under the amended agreement may be reduced or terminated by the lenders and the obligation to repay amounts outstanding under the amended agreement may be accelerated. As of August 1, 2009 the Excess Availability under the amended facility was $199.2 million and we were not in violation of any of the covenants included in the facility.

In connection with the amended 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 amended agreement, subject to standard insolvency limitations. Under the amended guaranty, collateral for the borrowings under the amended agreement consists of pledges by us and certain of our subsidiaries of the capital stock of each such entity's subsidiaries. The amended 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 amended agreement and the amended guaranty.

As of August 1, 2009 we had an aggregate total of $7.2 million 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 August 1, 2009.

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Long-term Debt

During the first half of Fiscal 2009 we repurchased 1.125% Senior Convertible Notes with an aggregate principal amount of $51.7 million and a carrying value (net of unamortized discount) of $38.7 million for an aggregate purchase price of $26.6 million (see “Note 4. Long-term Debt” above). We may elect to repurchase additional notes in privately negotiated transactions or in the open market under circumstances that we believe to be favorable to us as circumstances may allow.

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 31, 2009 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 the 1.125% Notes.

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” and “Part II, Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 8. Long-term Debt” of Exhibit 99.1 to our Form 8-K dated June 19, 2009.

In Fiscal 2009 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 available-for-sale securities, securitization facilities (replaced by our ten-year operating agreements with Alliance Data upon closing of the above-disclosed transaction), and borrowing facilities will provide adequate liquidity for our business operations and growth opportunities during Fiscal 2009. 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

We manage our proprietary credit card programs through various operating entities that we own. The primary activity of these entities is to service the balances of our proprietary credit card receivables portfolio that we sell under credit card securitization facilities. Under the securitization facilities we can be exposed to fluctuations in interest rates to the extent that the interest rates charged to our customers vary from the rates paid on certificates issued by the QSPEs.

The finance charges on most of our proprietary credit card accounts are billed using a floating rate index (the Prime Rate), subject to a floor and limited by legal maximums. The certificates issued under the securitization facilities include both floating-interest-rate and fixed-interest-rate certificates. The floating-rate certificates are based on an index of either one-month LIBOR or the commercial paper rate, depending on the issuance. Consequently, we have basis risk exposure with respect to credit cards billed using a floating-rate index to the extent that the movement of the floating-rate index on the certificates varies from the movement of the Prime Rate. Additionally, as of August 1, 2009 the floating finance charge rate on the floating-rate indexed credit cards was below the contractual floor rate, thus exposing us to interest-rate risk with respect to these credit cards for the portion of certificates that are funded at floating rates.

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As a result of the Trust entering into a series of fixed-rate interest rate swap agreements with respect to $278.2 million of floating-rate certificates, entering into an interest-rate cap with respect to an additional $28.8 million of floating-rate certificates, and $86.1 million of certificates being issued at fixed rates we have significantly reduced the exposure of floating-rate certificates outstanding to interest-rate risk. To the extent that short-term interest rates were to increase by one percentage point on a pro-rated basis by the end of Fiscal 2009, an increase of approximately $237 thousand in selling, general, and administrative expenses would result.

See “PART I; Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended January 31, 2009 for a further discussion of other market risks related to our securitization facilities.

As of August 1, 2009 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

See “Item 1. Notes To Condensed Consolidated Financial Statements (Unaudited); Note 14. Impact of Recent Accounting Pronouncements” above.

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.

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 1. Legal Proceedings

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

Item 1A. Risk Factors

"Part I. Item 1A. Risk Factors" of our Form 10-K for the fiscal year ended January 31, 2009 included disclosure of the following risk factor:

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

Our success and our ability to execute our business strategy depend largely on the efforts and abilities of our executive officers and their management teams. We also must motivate employees to remain focused on our strategies and goals, particularly during a period of changing executive leadership at both our corporate level and our operating division level. The inability to find a suitable permanent replacement for our Interim Chief Executive Officer within a reasonable time period could have a material adverse effect on our business. We do not maintain key-person life insurance policies with respect to any of our employees.

On April 3, 2009 we announced the appointment of James P. Fogarty as President and Chief Executive Officer and a member of our Board of Directors, replacing Alan Rosskamm, our then Interim Chief Executive Officer. Mr. Rosskamm continues to serve as Chairman of our Board of Directors. Nevertheless, we remain largely dependent on our executive officers and their management team to execute our business strategy.

"Part I. Item 1A. Risk Factors" of our Form 10-K for the fiscal year ended January 31, 2009 also included disclosure of the following risk factor:

If we are unable to maintain the standards necessary for continued listing on the NASDAQ Global Select Market our common stock could be de-listed. Such de-listing could have an adverse effect on the market liquidity of our common stock and could harm our business.

Our common stock is currently listed on the NASDAQ Global Select Market. NASDAQ rules require, among other things, that the minimum closing bid price of our common stock be at least $1.00. Recently, our common stock has traded below $1.00 per share. If the minimum closing bid price of our common stock fails to meet NASDAQ's minimum bid price requirement for a period of 30 consecutive business days, NASDAQ may take steps to de-list our common stock. However, before any de-listing could occur, we would have an initial 180-day cure period in which to achieve compliance with the minimum closing bid price. If we were unable to achieve compliance within this 180-day period, we could transfer to the NASDAQ Capital Market if we then meet its initial listing criteria (other than the minimum bid price). Following such transfer, we would have an additional 180-day period in which to achieve compliance with the minimum bid price.

On March 23, 2009 NASDAQ suspended the $1.00 per share minimum closing bid price requirement through at least July 20, 2009. Consequently, for as long as NASDAQ's rule suspension remains in effect NASDAQ will not take steps to de-list our common stock if the minimum closing bid price for our common stock trades below $1.00 per share during the rule suspension period. We can provide no assurance, however, that NASDAQ will extend this rule suspension period beyond July 20, 2009.

Any de-listing would likely have an adverse impact on the liquidity of our common stock and, as a result, the market price for our common stock could become more volatile and significantly decline. We may seek to avoid de-listing by requesting shareholder approval for a reverse stock split. However, we can give no assurance that such action would stabilize the market price, improve the liquidity of our common stock, or would prevent our common stock from dropping below the NASDAQ minimum closing bid price requirement in the future. Such consequences may however be mitigated by our dual-listing on the Chicago Stock Exchange.

Holders of our 1.125% Notes have the right to require us to repurchase their notes for cash prior to maturity upon a "fundamental change," which is deemed to have occurred if, among other events, our common stock at any time is not listed for trading on a U.S. national or regional securities exchange. Due to the above risk that we could be subject to de-listing from the NASDAQ Global Select Market, we applied for dual-listing on the Chicago Stock Exchange ("CHX") and began trading on March 26, 2009. The CHX does not have a $1.00 minimum stock price requirement for listing.

Subsequent to our filing on April 1, 2009 of our Form 10-K for the fiscal year ended January 31, 2009 our common stock has traded in a price range between $1.33 and $5.75 (through September 1, 2009). We believe that our dual listing on the Chicago Stock Exchange and the recent trading prices of our common stock have mitigated this risk factor.

As a result of our announcement on August 13, 2009 that we have entered into an agreement for the sale of our credit card operations we have modified our risk factors relating to our credit card program to the following:

We cannot assure the successful consummation of the sale of our credit card operations. We also cannot assure that we will realize the expected benefits from the sale of our credit card operations if the sale is consummated. Should we fail to consummate the sale of our credit card operations, we would refinance our maturing credit card term securitization series through our credit conduit facilities, which are renewed annually, or through the issuance of a new term series. To the extent that our conduit facilities could not be renewed they would amortize according to their terms and we would finance this amortization using our corporate cash flows or other sources of financing to the extent that they become available. There is no assurance that we would be able to refinance or renew our conduit facilities on terms comparable to our existing facilities or that there would be sufficient availability from other sources for such financing. Should we fail to consummate the sale of our credit card operations and fail to refinance or renew our facilities, our ability to offer our credit program to our customers and consequently our financial condition and results of operations, would be adversely affected.

Other than the above, we have not become aware of any material changes in the risk factors previously disclosed in "Part I; Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 31, 2009. See also "Part I; Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; FORWARD-LOOKING STATEMENTS" and "RECENT DEVELOPMENTS" above.

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs(2)
May 3, 2009 through May 30, 2009	1,077	(1)	$3.32	–	
May 31, 2009 through July 4, 2009	2,875	(1)	3.78	–	
July 5, 2009 through August 1, 2009	2,194		4.18	–	
Total	6,146		$3.84	–	(2)

(1) Shares withheld for the payment of payroll taxes on employee stock awards that vested during the period.
(2) On November 8, 2007 we publicly announced that our Board of Directors granted authority to repurchase shares of our common stock up to an aggregate value of $200 million. Shares may be purchased in the open market or through privately-negotiated transactions, as market conditions allow. During the period from February 3, 2008 through May 3, 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. No shares have been purchased under this plan subsequent to May 3, 2008. As of August 1, 2009, $197,364,592 was available for future repurchases under this program. This repurchase program has no expiration date.

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

Our Annual Meeting of Shareholders (“the Meeting”) was held on June 25, 2009.

As disclosed in our Proxy Statement filed on May 15, 2009 pursuant to Section 14 of the Securities Exchange Act of 1934 (the “Proxy Statement”), Arnaud Ajdler, Michael C. Appel, Richard W. Bennet, III, Yvonne M. Curl, James P. Fogarty, Michael Goldstein, Katherine M. Hudson, Alan Rosskamm, and M. Jeannine Strandjord were nominated for election to serve one-year terms as Directors. The holders of 110,564,559 shares of our Common Stock, representing 95.8% of the total number of shares outstanding as of the close of business on April 27, 2009 (the record date fixed by our Board of Directors), were present in person or by proxy at the Annual Meeting.

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The following table indicates the number of votes cast in favor of election and the number of votes withheld with respect to each of the Directors nominated:

Name	Votes For	Votes Withheld
Arnaud Ajdler	107,240,006	3,324,553
Michael C. Appel	107,313,372	3,251,187
Richard W. Bennet III	107,333,007	3,231,552
Yvonne M. Curl	107,241,528	3,323,031
James P. Fogarty	107,340,856	3,223,703
Michael Goldstein	97,734,923	12,829,636
Katherine M. Hudson	107,270,800	3,293,759
Alan Rosskamm	107,305,727	3,258,832
M. Jeannine Strandjord	107,162,206	3,402,353

A proposal to re-approve the material terms of the performance goals under our 2004 Stock Award and Incentive Plan to preserve Charming Shoppes' tax deductions in accordance with Section 162(m) of the Internal Revenue Code was approved, with 102,406,463 votes for, 7,957,167 votes against, and 200,929 abstentions.

A proposal to ratify the appointment of Ernst & Young LLP as our independent auditors for our fiscal year ending January 30, 2010 was approved, with 110,361,860 votes for, 154,078 votes against, and 48,621 abstentions.

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.

2.1 Stock Purchase Agreement dated May 19, 2005 by and among Chestnut Acquisition Sub, Inc., Crosstown Traders, Inc., the Securityholders of Crosstown Traders, Inc. whose names are set forth on the signature pages thereto, and J.P. Morgan Partners (BHCA), L.P., as the Sellers' Representative, incorporated by reference to Form 8-K of the Registrant dated June 2, 2005, filed on June 8, 2005 (File No. 000-07258, Exhibit 2.1).

2.2 Stock Purchase Agreement dated as of August 25, 2008 by and between Crosstown Traders, Inc., Norm Thompson Outfitters, Inc., Charming Shoppes, Inc. and the other persons listed on the signature page thereto, incorporated by reference to Form 8-K of the Registrant dated August 25, 2008, filed on August 28, 2008 (File No. 000-07258, Exhibit 10.1).

2.3 Amendment No. 1 to Stock Purchase Agreement dated as of September 18, 2008 by and among Crosstown Traders, Inc. and Norm Thompson Outfitters, Inc., incorporated by reference to Form 8-K of the Registrant dated September 18, 2008, filed on September 19,

2008 (File No. 000-07258, Exhibit 10.2).

2.4 Transition Services Agreement dated as of September 18, 2008 by and between Charming Shoppes of Delaware, Inc. and Arizona Mail Order Company, incorporated by reference to Form 8-K of the Registrant dated September 18, 2008, filed on September 19, 2008 (File No. 000-07258, Exhibit 10.3).

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).

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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).

4.1 Third Amended and Restated Loan and Security Agreement, dated July 31, 2009, by and among Charming Shoppes, Inc., Charming Shoppes of Delaware, Inc., CSI Industries, Inc., FB Apparel, Inc., Catherines Stores Corporation, and Lane Bryant, Inc. as borrowers; a syndicate of banks and other financial institutions as lenders, including Wells Fargo Retail Finance, LLC as agent for the lenders; and certain of the Company's subsidiaries as guarantors, incorporated by reference to Form 8-K of the Registrant dated July 31, 2009, filed on August 6, 2009 (File No. 000-07258, Exhibit 4.1).

10.1 Offer Letter dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty, incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.1).

10.2 Severance Agreement dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty, incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.2).

10.3 Stock Appreciation Rights Agreement dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty (Inducement Grant), incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.3).

10.4 Stock Appreciation Rights Agreement dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty (Time-Based Grant), incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.4).

10.5 Form of Amendment to the Severance Agreements between certain executive vice presidents and the Company, including the following named executive officers: Eric M. Specter, Joseph M. Baron, James G. Bloise and Colin D. Stern, incorporated by reference to Form 8-K of the Registrant dated May 1, 2009, filed on May 5, 2009 (File No. 000-07258, Exhibit 10.1).

10.6 Purchase Agreement dated as of August 12, 2009 among SOANB and CSRC, as sellers, SOAI, and WFNNB, as purchaser, incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.1).

10.7 Private Label Credit Card Plan Agreement for Lane Bryant and Petite Sophisticate dated as of August 12, 2009 between WFNNB and Lane Bryant, Inc., Petite Sophisticate, Inc., Outlet Division Management Co., Inc., and Sierra Nevada Factoring, Inc., incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.2).

10.8 Private Label Credit Card Plan Agreement for Fashion Bug dated as of August 12, 2009 between WFNNB and Fashion Bug Retail Companies, Inc. and Sierra Nevada Factoring, Inc., incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed

on August 14, 2009 (File No. 000-07258, Exhibit 10.3).

10.9 Private Label Credit Card Plan Agreement for Catherines dated as of August 12, 2009 among WFNNB, Catherines Stores Corporation, and Sierra Nevada Factoring, Inc., incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.4).

10.10 Agreement Regarding CHRS Subsidiary Private Label Plans dated as of August 12, 2009 between CSI and WFNNB, incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.5).

10.11 Charming Shoppes, Inc. 2004 Stock Award and Incentive Plan, incorporated by reference to Appendix A of the Registrant's Proxy Statement pursuant to Section 14 of the Securities Exchange Act of 1934, filed on May 15, 2009 (File No. 000-07258).

10.12 2003 Non-Employee Directors Compensation Plan, Amended and Restated Effective May 1, 2009.

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.

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: September 2, 2009	/S/ JAMES P. FOGARTY James P. Fogarty President Chief Executive Officer
Date: September 2, 2009	/S/ ERIC M. SPECTER Eric M. Specter Executive Vice President Chief Financial Officer

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EXHIBIT INDEX

Exhibit No.	Item
2.1	Stock Purchase Agreement dated May 19, 2005 by and among Chestnut Acquisition Sub, Inc., Crosstown Traders, Inc., the Securityholders of Crosstown Traders, Inc. whose names are set forth on the signature pages thereto, and J.P. Morgan Partners (BHCA), L.P., as the Sellers' Representative, incorporated by reference to Form 8-K of the Registrant dated June 2, 2005, filed on June 8, 2005 (File No. 000-07258, Exhibit 2.1).
2.2	Stock Purchase Agreement dated as of August 25, 2008 by and between Crosstown Traders, Inc., Norm Thompson Outfitters, Inc., Charming Shoppes, Inc. and the other persons listed on the signature page thereto, incorporated by reference to Form 8-K of the Registrant dated August 25, 2008, filed on August 28, 2008 (File No. 000-07258, Exhibit 10.1).
2.3	Amendment No. 1 to Stock Purchase Agreement dated as of September 18, 2008 by and among Crosstown Traders, Inc. and Norm Thompson Outfitters, Inc., incorporated by reference to Form 8-K of the Registrant dated September 18, 2008, filed on September 19, 2008 (File No. 000-07258, Exhibit 10.2).
2.4	Transition Services Agreement dated as of September 18, 2008 by and between Charming Shoppes of Delaware, Inc. and Arizona Mail Order Company, incorporated by reference to Form 8-K of the Registrant dated September 18, 2008, filed on September 19, 2008 (File No. 000-07258, Exhibit 10.3).
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).
4.1	Third Amended and Restated Loan and Security Agreement, dated July 31, 2009, by and among Charming Shoppes, Inc., Charming Shoppes of Delaware, Inc., CSI Industries, Inc., FB Apparel, Inc., Catherines Stores Corporation, and Lane Bryant, Inc. as borrowers; a syndicate of banks and other financial institutions as lenders, including Wells Fargo Retail Finance, LLC as agent for the lenders; and certain of the Company's subsidiaries as guarantors, incorporated by reference to Form 8-K of the Registrant dated July 31, 2009, filed on August 6, 2009 (File No. 000-07258, Exhibit 4.1).
10.1	Offer Letter dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty, incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.1).
10.2	Severance Agreement dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty, incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.2).
10.3	Stock Appreciation Rights Agreement dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty (Inducement Grant), incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.3).

10.4	Stock Appreciation Rights Agreement dated as of April 2, 2009 by and between Charming Shoppes, Inc. and James P. Fogarty (Time-Based Grant), incorporated by reference to Form 8-K of the Registrant dated April 2, 2009, filed on April 7, 2009 (File No. 000-07258, Exhibit 10.4).
10.5	Form of Amendment to the Severance Agreements between certain executive vice presidents and the Company, including the following named executive officers: Eric M. Specter, Joseph M. Baron, James G. Bloise and Colin D. Stern, incorporated by reference to Form 8-K of the Registrant dated May 1, 2009, filed on May 5, 2009 (File No. 000-07258, Exhibit 10.1).
10.6	Purchase Agreement dated as of August 12, 2009 among SOANB and CSRC, as sellers, SOAI, and WFNNB, as purchaser, incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.1).
10.7	Private Label Credit Card Plan Agreement for Lane Bryant and Petite Sophisticate dated as of August 12, 2009 between WFNNB and Lane Bryant, Inc., Petite Sophisticate, Inc., Outlet Division Management Co., Inc., and Sierra Nevada Factoring, Inc., incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.2).
10.8	Private Label Credit Card Plan Agreement for Fashion Bug dated as of August 12, 2009 between WFNNB and Fashion Bug Retail Companies, Inc. and Sierra Nevada Factoring, Inc., incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.3).
10.9	Private Label Credit Card Plan Agreement for Catherines dated as of August 12, 2009 among WFNNB, Catherines Stores Corporation, and Sierra Nevada Factoring, Inc., incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.4).
10.10	Agreement Regarding CHRS Subsidiary Private Label Plans dated as of August 12, 2009 between CSI and WFNNB, incorporated by reference to Form 8-K of the Registrant dated August 12, 2009, filed on August 14, 2009 (File No. 000-07258, Exhibit 10.5).
10.11	Charming Shoppes, Inc. 2004 Stock Award and Incentive Plan, incorporated by reference to Appendix A of the Registrant's Proxy Statement pursuant to Section 14 of the Securities Exchange Act of 1934, filed on May 15, 2009 (File No. 000-07258).
10.12	2003 Non-Employee Directors Compensation Plan, Amended and Restated Effective May 1, 2009.
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.