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October 3, 2003

COMPANY REPORT

Retailing:

Prospects seem favorable for a significant upturn in profit margins for **Charming Shoppes (CHRS - \$6.01)**. After a difficult period of several years, partly reflecting the firm's unsuccessful effort to absorb and manage the large acquisition of Lane Bryant, a sharp turnaround seems likely during the next six to nine months. Currently, we expect results for the fourth fiscal quarter, ending January 2004 to provide evidence of an improving trend in profit margins, reflecting better merchandising as well as the impact of an extensive cost reduction program.

Although consumer spending is expected to grow strongly during the next three to four quarters, the primary impetus behind Charming's anticipated earnings gain is likely to be internal rather than external. A more positive environment for women's apparel in total, and for large sizes in particular, would aid a turnaround significantly. Purchase of **CHRS** is recommended.

Analyst's Certification: I Alan M. Silverman certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report.

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