IRON MOUNTAIN INC
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

IRON MOUNTAIN INCORPORATED

(Name of Registrant as Specified In Its Charter)
a

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(3) Filing Party:

(4) Date Filed:

IRON MOUNTAIN INCORPORATED

**NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 10, 2011**

To the Stockholders of
IRON MOUNTAIN INCORPORATED:

Iron Mountain Incorporated will hold its 2011 Annual Meeting of Stockholders at the offices of Sullivan & Worcester LLP, One Post Office Square, 21st Floor, Boston, Massachusetts 02109, on June 10, 2011 at 9:30 a.m. local time for the following purposes:

1. To elect eleven directors to the Board of Directors of Iron Mountain Incorporated for a one-year term as directors or until their successors are elected and qualified;

2. To hold a non-binding, advisory vote on the compensation of our named executive officers as described in the accompanying Proxy Statement;

3. To hold a non-binding, advisory vote on the frequency (every one, two or three years) of future advisory votes of stockholders on the compensation of our named executive officers;

4. To ratify the selection by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2011; and

5. To transact such other business as may properly come before the Annual Meeting.

Attached to this notice is a Proxy Statement relating to the proposals to be considered at the Annual Meeting. The Board of Directors has fixed the close of business on April 12, 2011 as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting or at any adjournment or postponement thereof. This Proxy Statement is dated April 29, 2011 and is first being mailed to stockholders on or about May 2, 2011.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES THAT YOU OWN. We urge you to read the Proxy Statement carefully and, whether or not you plan to attend the Annual Meeting, to vote for the Board of Directors' recommended nominees by promptly submitting a proxy by signing, dating, and returning the enclosed proxy card in the postage-paid envelope provided or by submitting your proxy by telephone or the internet. Instructions regarding telephone and internet voting are included on the proxy card. Proxies may be revoked, or the votes reflected in the proxy changed, by delivering written notice or another duly executed proxy bearing a later date to the Secretary of the Company, by completing another proxy by using the telephone or internet or by attending the Annual Meeting and voting in person. Instructions regarding telephone and internet voting are included on the proxy card.

All stockholders are cordially invited to attend the Annual Meeting. If you have any questions about this proxy or require assistance in voting your shares on the proxy card, or need additional copies of the Company's proxy materials, please contact the firm assisting us in the solicitation of proxies: Innisfree M&A Incorporated, toll free at (877) 717-3898.

By order of the Board of Directors,

ERNEST W. CLOUTIER, *Secretary*

Boston, Massachusetts
April 29, 2011

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 10, 2011: This Notice of Annual Meeting and Proxy Statement, the Company's Annual Report to Stockholders for the year ended December 31, 2010 and directions to the Annual Meeting are available at www.readourmaterials.com/irm2011

IRON MOUNTAIN INCORPORATED

PROXY STATEMENT
FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS

To be held on June 10, 2011

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors, or the Board, of Iron Mountain Incorporated, or Iron Mountain or the Company, for use at the Annual Meeting of Stockholders to be held on June 10, 2011, or the Annual Meeting, or at any adjournment or postponement thereof. All stockholders of record on April 12, 2011 are invited to attend the Annual Meeting. This Proxy Statement, the accompanying proxy card and the Company's Annual Report to Stockholders for the year ended December 31, 2010, are first being mailed to stockholders of the Company on or about May 2, 2011.

Iron Mountain will bear all costs of solicitation of proxies. Brokers, banks, custodians and other fiduciaries will be requested to forward proxy soliciting materials to the beneficial owners of shares held of record by such persons, and the Company will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of such proxy materials. Solicitation of proxies by mail may be supplemented by telephone, telecopier or personal solicitation by directors, officers or other regular employees of the Company (who will not receive any additional compensation for any solicitation of proxies) as well as the firm of Innisfree M&A Incorporated, which has been retained by the Company to assist in the solicitation for fees of approximately $15,000, plus reasonable expenses.

The Board unanimously recommends that you use the proxy card accompanying this Proxy Statement to vote:

FOR the election of each of the Board's nominees for director;

FOR the approval of a non-binding, advisory resolution approving the compensation of our named executive officers;

To hold a non-binding, advisory vote on the frequency of future advisory votes of stockholders on the compensation of our named executive officers EVERY YEAR; and

FOR the ratification of the selection by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2011.

STOCKHOLDERS ENTITLED TO VOTE

Iron Mountain's common stock, $0.01 par value per share, or the Common Stock, is the only class of voting securities outstanding and entitled to vote at the Annual Meeting. As of the close of business on April 12, 2011, the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting, 200,836,210 shares of Common Stock were outstanding and entitled to vote. Each share is entitled to one vote on each matter.

HOW TO VOTE

Your vote is very important to the Board no matter how many shares of Common Stock you own. Whether or not you plan to attend the Annual Meeting, we urge you to vote your shares today.

Stockholders may vote their shares by promptly submitting a proxy by signing, dating, and returning the enclosed proxy card in the postage-paid envelope provided or submitting your proxy by telephone or the internet. Stockholders may also vote by attending the Annual Meeting and voting in person. Instructions regarding telephone and internet voting are included on the proxy card.

If you are a Registered Holder of Common Stock

If you are a registered holder of Common Stock, you may vote your shares either by voting by proxy in advance of the Annual Meeting or by voting in person at the Annual Meeting. By submitting a proxy, you are legally authorizing another person to vote your shares on your behalf. We urge you to use the enclosed proxy card to vote (1) **FOR** the Board's nominees, (2) **FOR** the approval of a non-binding, advisory resolution approving the compensation of our named executive officers, (3) to hold a non-binding, advisory vote on the frequency of future advisory votes of stockholders on the compensation of our named executive officers **EVERY YEAR**, and (4) **FOR** the ratification of the selection by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2011. If you submit your executed proxy card, your shares will be voted as specified by you on the proxy, and, unless otherwise directed, will be voted in accordance with the Board's recommendations set forth in this Proxy Statement. In addition, if any other matters are brought before the Annual Meeting (other than the proposals contained in this Proxy Statement), then the individuals listed on the proxy card will have the authority to vote your shares on those other matters in accordance with their discretion and judgment.

In case a quorum is not present at the Annual Meeting, the holders of a majority of the voting power of the shares present at the Annual Meeting in person or represented by proxy may adjourn the Annual Meeting (without notice other than announcement of adjournment at the Annual Meeting) to another time, or to another time and place.

Whether or not you plan to attend the Annual Meeting, we urge you to promptly vote by telephone, over the internet, or by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. Instructions regarding telephone and internet voting are included on the proxy card. If you later decide to attend the Annual Meeting and vote in person, that vote will automatically revoke any previously submitted proxy.

If You Hold Your Shares in "Street Name"

If your shares are held in the name of a brokerage firm, bank, nominee or other institution (referred to as "in street name"), you may generally vote your shares by telephone, over the internet, or by signing, dating and returning the enclosed voting instruction form in the postage-paid envelope provided. Instructions regarding telephone and internet voting are included on the voting instruction form. If you submit your executed voting instruction form, your shares will be voted as specified by you on the proxy, and, unless otherwise directed, will be voted in accordance with the Board's recommendations set forth in this Proxy Statement. In addition, if any other matters are brought before the Annual Meeting (other than the proposals contained in this Proxy Statement), then the individuals listed on the proxy card will have the authority to vote your shares on those other matters in accordance with their discretion and judgment.

IMPORTANT: If your shares are held in the name of a brokerage firm, bank, nominee or other institution, you should provide instructions to your broker, bank, nominee or other institution on how to vote your shares. Please contact the person responsible for your account and give instructions for a proxy to be completed for your shares.

Questions on How to Vote

If you have any questions or require any assistance with voting your shares, please contact the Company's proxy solicitor:

Innisfree M&A Incorporated
Stockholders May Call Toll-Free: (877) 717-3898
Banks and Brokers May Call Collect: (212) 750-5833

QUORUM, VOTES REQUIRED, ABSTENTIONS AND BROKER NON-VOTES

Quorum

The presence at the Annual Meeting, in person or by proxy, of stockholders entitled to cast at least a majority of the votes that all stockholders are entitled to cast at the Annual Meeting will constitute a quorum. Shares represented by valid proxies will be treated as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is noted as casting a vote or abstaining. Shares represented by broker non-votes will be treated as present for purposes of determining a quorum. Shares voted by a broker on any issue other than a procedural motion will be considered present for all quorum purposes, even if the shares are not voted on every matter.

Votes Required

As more fully described in this Proxy Statement:

- Because this is an uncontested election, the nominees for director must receive a majority of the votes cast at the Annual Meeting, in person or by proxy, to be elected.

- Approval of a non-binding, advisory resolution approving the compensation of our named executive officers requires the affirmative vote of a majority of the votes cast on the proposal.

- The frequency that receives the highest number of votes will be considered the frequency recommended by stockholders to hold a non-binding, advisory vote on the compensation of our named executive officers.

- Approval of the proposal to ratify the selection of the Company's independent registered public accounting firm requires the affirmative vote of a majority of the votes cast on the proposal.

Abstentions and Broker Non-Votes

A "broker non-vote" occurs on an item when a broker identified as the record holder of shares is not permitted by the rules of the New York Stock Exchange, or NYSE, to vote on that item without instruction from the beneficial owner of the shares and no instruction has been received. Under the NYSE rules, brokers may vote on "routine" matters even without instructions from the street name holder, such as the ratification of our auditors. The election of directors and the advisory votes on executive compensation and frequency of future advisory votes on executive compensation are not "routine" matters for purposes of broker voting. If you do not instruct your broker how to vote with respect to these items, your broker may not vote with respect to these proposals and those votes will be counted as "broker non-votes."

A properly completed proxy, if received in time for voting and not revoked, will be voted at the Annual Meeting in accordance with the instructions contained therein; and, unless otherwise directed, the shares represented by the proxy card will be voted:

- "For" the election of the Board of Directors' nominees for director listed herein;

- "For" the approval of a non-binding, advisory resolution approving the compensation of our named executive officers;

- To hold a non-binding, advisory vote on the frequency of future advisory votes of stockholders on the compensation of our named executive officers "every year"; and

- "For" the ratification of the selection by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2011.

Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not affect the proposals that are being submitted to the stockholders at the Annual Meeting. Although the advisory votes on the proposed resolution to approve the compensation of our named executive officers and the proposal on the frequency of future advisory votes of stockholders on the compensation of our named executive officers every year are non-binding, the Compensation Committee will consider the outcome of the votes when making future compensation decisions for our named executive officers.

ATTENDANCE AT THE ANNUAL MEETING

Attendance at the Annual Meeting or any adjournment or postponement thereof will be limited to stockholders of record of the Company as of the close of business on the record date and guests of the Company. If you are a stockholder of record, your name will be verified against the list of stockholders of record prior to your admittance to the Annual Meeting or any adjournment or postponement thereof. Please be prepared to present photo identification for admission. If you hold your shares in street name or through the Company's 401(k) Plan, you will need to provide proof of beneficial ownership, such as a brokerage account statement, a copy of a voting instruction form provided by your custodian or the plan trustee with respect to the Annual Meeting, or other similar evidence of ownership, as well as photo identification, in order to be admitted to the Annual Meeting. Please note that if you hold your shares in street name and intend to vote in person at the Annual Meeting, you must also provide a "legal proxy" obtained from your custodian. Note that 401(k) Plan participants will not be able to vote their 401(k) Plan shares in person at the Annual Meeting.

REVOCABILITY OF PROXIES

Any stockholder has the power to revoke a previously submitted proxy at any time before it is exercised. If you are a registered holder of Common Stock, you may revoke a previously submitted proxy by:

- voting over the internet or by telephone at a later time in the manner provided on the proxy card;
- signing, dating and returning the enclosed proxy card in the postage-paid envelope provided;
- delivering to the Secretary of the Company a written notice of revocation c/o Iron Mountain Incorporated, 745 Atlantic Avenue, Boston, Massachusetts 02111; or
- attending the Annual Meeting and voting in person.

Please note, however, that only your last-dated proxy will count any proxy may be revoked at any time prior to its exercise at the Annual Meeting as described in this Proxy Statement.

If your shares are held in the name of a brokerage firm, bank, nominee or other institution, and you have instructed your brokerage firm, bank, nominee or other institution to vote your shares, you must follow the instructions received from your brokerage firm, bank, nominee or other institution to change those voting instructions. Please contact your custodian for detailed instructions on how to revoke your voting instruction and the applicable deadlines.

Our website address is included several times in this Proxy Statement as a textual reference only and the information in the website is not incorporated by reference into this Proxy Statement.

ITEM 1

ELECTION OF DIRECTORS

The size of the Board is currently fixed at twelve. Due to the resignation of Robert T. Brennan from the Board on April 12, 2011, the Board currently consists of eleven directors. Each director serves for a one-year term, and their terms will expire at the Annual Meeting. The term of Paul F. Deninger, who joined the Board in September 2010, will likewise expire at the Annual Meeting. Constantin R. Boden has informed the Company that he will not stand for re-election at the Annual Meeting. As more fully described on page 17 of this Proxy Statement, pursuant to the agreement dated April 18, 2011, between the Company, Elliott Associates, L.P. and Elliott International, L.P., or, together, Elliott, the Board has made certain agreements regarding the process by which the Nominating and Governance Committee will identify and evaluate candidates to fill the vacancy on the Board that will result due to Mr. Boden's decision not to stand for re-election as a director at the Annual Meeting.

At the Annual Meeting, all directors are to be elected for one-year terms to serve until the Company's 2012 Annual Meeting of Stockholders, or until their successors are elected and qualified. The Board has selected as nominees the following individuals, all of whom are current directors of the Company: Clarke H. Bailey, Kent P. Dauten, Paul F. Deninger, Per-Kristian Halvorsen, Michael W. Lamach, Arthur D. Little, C. Richard Reese, Vincent J. Ryan, Laurie A. Tucker and Alfred J. Verrecchia. In addition, pursuant to an agreement dated April 18, 2011, between the Company and Elliott, the Board chose to nominate Allan Z. Loren for election to the Board at the Annual Meeting to fill the vacancy created by Mr. Brennan's departure. Each nominee has agreed to serve if elected, and management has no reason to believe that any of the nominees will be unavailable to serve.

The Board recommends that you vote FOR the election of each of the Board's eleven nominees to serve as directors of Iron Mountain until the 2012 Annual Meeting of Stockholders, or until their successors are elected and qualified.

Required Vote

Because the Annual Meeting is an uncontested election, the nominees for director must receive a majority of the votes cast at the Annual Meeting, in person or by proxy, to be elected. This means a nominee will be elected to the Board only if the votes cast "for" the nominee's election exceed the votes cast "withheld" from the nominee's election, with abstentions and "broker non-votes" not counting as votes "for" or "withheld." Under the Company's Bylaws, if the number of votes cast "for" a director nominee does not exceed the number of votes "withheld" from the director nominee, and if the nominee is an incumbent director, then he or she must promptly tender his or her resignation from the Board. Each incumbent director has already tendered an irrevocable resignation that will be effective upon (a) the failure to receive the required number of votes for reelection at the Annual Meeting or any meeting of stockholders at which he or she faces reelection, and (b) acceptance of such resignation by the Board. The Board will decide within 90 days of the certification of the stockholder vote, through a process managed by the Nominating and Governance Committee and excluding the nominee in question, whether to accept the resignation. The Board's explanation of its decision will be promptly disclosed in a filing with the Securities and Exchange Commission, or SEC.

As previously mentioned, brokers are not permitted to vote your shares for the election of directors absent instruction from you. Therefore, we urge you to give voting instructions to your broker on the proxy so that your votes may be counted on this important matter.

Information Concerning the Directors and Director Nominees

Background information with respect to the Board's nominees for election as directors of Iron Mountain appears below. See "Security Ownership of Certain Beneficial Owners and Management" for information regarding such persons' holdings of equity securities of the Company. Set forth below is the name and age of each of our directors and director nominees and his or her principal occupation as of April 15, 2011, as well as his or her business experience during the past five years and the names of certain other companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity and sound judgment and excellent analytical skills. Each of our directors has demonstrated business acumen and a commitment of service to the Company and our Board and complements the attributes and skills of the other directors. Each of the nominees has consented to be named in this Proxy Statement and to serve on the Board, if elected.

Director Nominees

Nominee	Principal Occupations, Directorships and Business Experience During the Past Five Years
Clarke H. Bailey Age 56	Mr. Bailey has been one of our directors since January 1998. Since 1990, Mr. Bailey has served as a director of EDCI Holdings, Inc., a publicly held company engaged in the manufacture and distribution of CDs and DVDs, and has served as its chairman since June 1999 and its chief executive officer since July 2009. Mr. Bailey also previously served as chief executive officer of EDCI Holdings, Inc. from November 2003 to November 2006. Mr. Bailey served as a director of Tengasco, Inc. from August 2004 to March 2007. He holds a Master of Business Administration degree from The Wharton School, University of Pennsylvania. We believe Mr. Bailey's qualifications for nomination include his deep industry knowledge and experience gained as the former chief executive officer of Arcus Data Security, an offsite data protection business acquired by Iron Mountain in 1998, his understanding of our businesses, operations and strategies as an Iron Mountain board member for the past thirteen years, his experience as chairman and chief executive officer of another public company, his service on the boards of directors of other public companies, and his experience as chairman of our Compensation Committee.
Kent P. Dauten Age 55	Mr. Dauten has been one of our directors since November 1997. He also serves as managing director of Keystone Capital, Inc., a private management and investment advisory services firm, a position he has held since founding the firm in February 1994. Mr. Dauten currently serves as a director of Health Management Associates, Inc., a publicly held hospital management company. He holds a Master of Business Administration degree from Harvard Business School. We believe Mr. Dauten's qualifications for nomination include his deep industry knowledge and experience as the former president of HIMSCORP, Inc., a records management company acquired by Iron Mountain in 1997, his extensive knowledge of the capital markets and business management as the managing director of a private management and investor advisory business, his understanding of our businesses, operations and strategies as an Iron Mountain board member for over thirteen years, his qualification as a financial expert on our Audit Committee, his service on the board of directors of another public company, and his experience as our lead independent director.

Nominee	Principal Occupations, Directorships and Business Experience During the Past Five Years
Paul F. Deninger Age 52	Mr. Deninger joined our Board in September 2010. Mr. Deninger has been a senior managing director at Evercore Partners, Inc., an investment banking advisory firm, since February 2011. From December 2003 until October 2010, Mr. Deninger served as a vice chairman at Jefferies & Company, Inc., a global securities and investment banking firm and the principal operating subsidiary of Jefferies Group, Inc. Prior to Jefferies, Mr. Deninger held various positions at Broadview International LLC, a private banking firm he joined in 1987, including serving as its chairman and chief executive officer at the time Broadview was acquired by Jefferies in 2003. Mr. Deninger holds a Bachelor of Science degree from Boston College and a Masters of Business Administration from Harvard Business School. We believe Mr. Deninger's qualifications for nomination include his deep knowledge of capital markets, merger and acquisition strategies and technology services businesses as well as his extensive management experience including as a former chief executive officer.
Per-Kristian Halvorsen Age 59	Mr. Halvorsen joined our Board in September 2009. Mr. Halvorsen has been chief innovation officer and senior vice president of Intuit Inc., or Intuit, since December 2008. Prior to that role, Mr. Halvorsen served as Intuit's chief technology officer from 2007 to 2008 and chief technology innovation officer from 2006 to 2007. Prior to Intuit, Mr. Halvorsen was vice president and center director of Solutions and Services for Hewlett Packard Company where, from 2000 to 2005, he oversaw global research and advanced technology for its IT services division. Mr. Halvorsen was principal scientist at Xerox Palo Alto Research Center, where he worked for seventeen years and founded the Information Sciences and Technology Lab. He is a director of Autodesk Inc., a publicly held company. Mr. Halvorsen holds a Ph.D. and M.A. from the University of Texas at Austin. We believe Mr. Halvorsen's qualifications for nomination include his extensive knowledge about the technology industry, particularly his background in document and content processing using digital technology, the development and use of new technology and the overall operation of technology businesses through his experience at large technology companies with offerings that are document and information intensive, his understanding and insight with respect to international businesses, and his experience as a member of the boards of directors of public companies.

Nominee	Principal Occupations, Directorships and Business Experience During the Past Five Years
Michael W. Lamach Age 47	Mr. Lamach joined our Board in July 2007. In June 2010, Mr. Lamach was appointed as chairman, president and chief executive officer of Ingersoll Rand, plc., or Ingersoll Rand, a publicly held diversified industrial company. Prior to this, he held the positions of president and chief executive officer of Ingersoll Rand from February 2010 through June 2010. Mr. Lamach served as president and chief operating officer of Ingersoll Rand from February 2009 through February 2010 and was a senior vice president and president of various sectors of Ingersoll Rand since February of 2004. He holds a bachelor of science degree in Engineering from Michigan State University and holds an MBA from Duke University. We believe Mr. Lamach's qualifications for nomination include his extensive career of successfully leading global businesses, which brings significant experience and expertise to the Company's management and governance, and his twenty-five years of business leadership, which encompasses global responsibilities in the automotive components, controls, security and HVAC systems segments, representing a broad and diverse range of products, services, markets and channels, applied technologies and operational profiles.
Allan Z. Loren Age 72	Mr. Loren is currently an executive coach to chief executive officers. Mr. Loren served as both chairman and chief executive officer of Dun & Bradstreet, or D&B, a public company that is a leading source of commercial information and insight on businesses, from 2000 through 2004 and as chairman of D&B from January 2005 until May 2005. Prior to D&B, he served as executive vice president and chief information officer of American Express, a public global service company whose principal products are charge and credit payment card products and travel-related services, from 1994 to 2000, as president and chief executive officer of Galileo International, a private company with a consortium of eleven airlines and leading provider of electronic global distribution services for the travel industry, from 1991 to 1994, and as president of Apple Computer USA, from 1988 to 1990. Mr. Loren has served on the board of directors of PHH Corporation since 2009 and serves on the Board of Trustees of the Queens College Foundation, City University of New York. Mr. Loren previously served on the boards of directors of the following public companies: Fair Isaac Corporation, Hershey Foods, Reynolds & Reynolds, U.S. Cellular, and Venator Group (currently known as Foot Locker, Inc.). Mr. Loren holds a bachelor's degree in mathematics from Queens College, City of New York and completed the Executive Management Program at Stanford University. We believe Mr. Loren's qualifications for nomination include the business and technology acumen, leadership experience and valued perspective on macro and micro issues he has developed through his extensive executive experience and board membership at large public companies as well as through his work as an executive coach to chief executive officers.

Nominee	Principal Occupations, Directorships and Business Experience During the Past Five Years
Arthur D. Little Age 67	Mr. Little has been one of our directors since November 1995. Mr. Little is a director and the president of A & J Acquisition Company, Inc., a private company which he founded in 1996. Mr. Little has served as an Advisory Board member of Capital Resource Partners since 1992. Mr. Little has also been the president and a principal of L Squared, Inc. since 2005. He holds a Bachelor of Arts degree in history from Stanford University. We believe Mr. Little's qualifications for nomination include his extensive knowledge of the capital markets and business management as a venture capitalist, his understanding of our businesses, operations and strategies as an Iron Mountain board member for sixteen years, his qualification as a financial expert on our Audit Committee, and his experience as chairman of our Nominating and Governance Committee.
C. Richard Reese Age 65	Mr. Reese has been one of our directors since 1990. Mr. Reese assumed the role of the Company's first executive chairman of the Board in June 2008 and assumed the role of Chief Executive Officer in April 2011. Mr. Reese had been chairman of the Board from 1995 to 2008 and chief executive officer from 1981 to 2008. Mr. Reese is a member of the investment committee of Schooner Capital LLC, or Schooner, a stockholder in the Company. He is also a director of Charles River Laboratories, Inc., a publicly held company. From time to time, Mr. Reese also serves as an advisor or board member of several small, private companies. He holds both Bachelor and Master of Science degrees in engineering from Clemson University and a Master of Business Administration degree from Harvard Business School. We believe Mr. Reese's qualifications for nomination include his deep understanding of our businesses, operations and strategies as our current and former chief executive officer and as an Iron Mountain board member for twenty-one years, his extensive knowledge of the capital markets and acquisition strategies, and his experience as a member of the board of directors of another public company.
Vincent J. Ryan Age 75	Mr. Ryan has been one of our directors since prior to 1990. Mr. Ryan is the founder of Schooner. Mr. Ryan has served as the chairman and chief executive officer of Schooner since 1971, and as its president from 1971 to 1985 and from 1996 to 1999. Prior to November 1995, Mr. Ryan served as chairman of our Board. We believe Mr. Ryan's qualifications for nomination include his extensive knowledge of the capital markets and business management as a venture capitalist, his understanding of our businesses, operations and strategies as an Iron Mountain board member for more than twenty years, his experience in the records management and offsite data protection industries for more than thirty years, and his experience as chairman of our Finance Committee. Due to Mr. Ryan's exceptional qualifications and contributions to our Board, and pursuant to the Company's Corporate Governance Guidelines and, specifically, the Company's director retirement and term limits, the Board has affirmatively determined it to be in the Company's best interests that Mr. Ryan stand for re-election after reaching the age of seventy-five.

Nominee	Principal Occupations, Directorships and Business Experience During the Past Five Years
Laurie A. Tucker Age 54	Ms. Tucker joined our Board in March 2007. Ms. Tucker has been employed by FedEx Services, Inc., a subsidiary of FedEx Corporation, or FedEx, a publicly held transportation, e-commerce and business services company, since 1978. She currently holds the position of senior vice president, Corporate Marketing at FedEx. Ms. Tucker earned a Bachelor of Arts degree and a Master of Business Administration degree from the University of Memphis. Ms. Tucker is a member of the board of directors of the Blues Foundation, a nonprofit organization, and serves on the advisory board of the Fogelman College of Business at the University of Memphis. She is also the FedEx co-chair for the March of Dimes and has been a United Way Alexis de Tocqueville Society member since 1998. We believe Ms. Tucker's qualifications for nomination include her extensive knowledge about business-to-business marketing strategy and operations for a global enterprise, and her strong understanding of the operation and management of business units within a large multinational enterprise that has transformed its operations and offerings.
Alfred J. Verrecchia Age 68	Mr. Verrecchia became a member of our Board in March 2010. Mr. Verrecchia has been chairman of the board of directors of Hasbro, Inc., or Hasbro, a publicly held company, since May 2008. He was the president and chief executive officer of Hasbro from 2003 until 2008, and prior to that he served as Hasbro's chief operating officer and chief financial officer. Mr. Verrecchia has served on the board of directors of Old Stone Corp. since 1987. He also served on the board of directors of FGX International Holdings from February 2009 until its acquisition by Essilor International in March 2010 and on the board of directors of CVS Caremark from September 2004 to March 2007. Mr. Verrecchia is also highly involved in the Rhode Island community, sitting on various nonprofit boards, including serving as chairman of Lifespan, a healthcare system comprising four hospitals. We believe Mr. Verrecchia's qualifications for nomination include his strong understanding and insights related to the operation of an enterprise in both the US and international markets as the current chairman and former chief executive officer and president of a multinational publicly held corporation, his experience transforming a traditional product business into new digital and media businesses, his extensive understanding of the capital markets and accounting as a former chief financial officer and staff accountant, and his experience as a member of the board of directors of other public companies.

Directors Not Standing for Re-Election

Name	Principal Occupations and Business Experience During the Past Five Years
Constantin R. Boden Age 74	Mr. Boden has been one of our directors since December 1990. Since January 1995, Mr. Boden has been the principal of Boden Partners LLC. He holds a Master of Business Administration degree from Harvard Business School. As indicated above, Mr. Boden is not a nominee for election as he has determined not to stand for re-election at the Annual Meeting.

The Company's officers were last elected as a group on June 4, 2010. At a meeting to be held immediately following the Annual Meeting, the Board currently intends to elect officers of the Company. All officers hold office at the discretion of the Board until the first meeting of the Board following the next annual meeting of stockholders or until they sooner die, resign or are removed. There are no family relationships between or among any of the Company's officers or directors.

Set forth below is the name and age of each of our executive officers who is not nominated to be a director of the Company, his principal occupation and business experience during the past five years and the names of certain other companies of which he served as a director, as of April 15, 2011.

Name	Principal Occupations and Business Experience During the Past Five Years
Marc A. Duale Age 58	Mr. Duale was appointed president, Iron Mountain International in September 2008. He served as president of Iron Mountain Europe from May 2006 to September 2008. Prior to joining the Company, Mr. Duale served as managing director for Reuters Asia from January 2002 to April 2006. From 1999 to 2002, Mr. Duale served as chief operating officer for DHL Asia. Mr. Duale holds a Master of Business Administration degree from Harvard Business School and a Master of Science degree in ocean engineering from the Massachusetts Institute of Technology. He also holds a Bachelor of Science degree and a Master of Science degree from Ecole Nationale des Techniques Avancees.
Harold E. Ebbighausen Age 56	Mr. Ebbighausen was appointed president, North America in October 2008. From May 2008 through October 2008, he served as president, Americas. From July 2007 through May 2008, he served as president, Global Standards. From December 2004 through June 2007, he served as group president of North American Service Delivery. From 1998 through 2004, he served as the president of Iron Mountain Off-Site Data Protection, a division of Iron Mountain Information Management, Inc. Mr. Ebbighausen previously had been an executive vice president of the Company since July 1997.
Brian P. McKeon Age 49	Mr. McKeon was appointed chief financial officer in April 2007. Prior to joining the Company, Mr. McKeon served as executive vice president, Finance and Administration and chief financial officer of The Timberland Company from March 2000 to March 2007. Mr. McKeon is on the board of directors and serves on the Compensation Committee of IDEXX Laboratories, Inc. Mr. McKeon holds a Bachelor of Science degree in accounting from the University of Connecticut and a Master of Business Administration degree from Harvard Business School.

Board of Directors and Committees

Independence. Our Board is comprised of a majority of directors who qualify as independent directors pursuant to the corporate governance standards for companies listed on the NYSE. In determining independence pursuant to NYSE standards, each year the Board affirmatively determines whether directors have a direct or indirect material relationship with the Company and members of the Company's management, including its subsidiaries, that may interfere with their ability to exercise their independence from the Company. When assessing the materiality of a director's relationship with the Company, the Board considers all relevant facts and circumstances, not merely from the director's standpoint but from that of the persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

The Board has determined that the following directors qualify as independent under NYSE rules: Messrs. Bailey, Boden, Dauten, Deninger, Halvorsen, Lamach, Little and Verrecchia and Ms. Tucker. Our Board has concluded that none of these directors possessed the objective relationships set forth in the NYSE listing standards that prevent independence. None of our independent directors has any relationship with the Company or its management other than his or her service as a director and on committees of the Board.

One of our directors, Mr. Reese, is a management employee involved in our day-to-day activities and is not considered to be an independent director. Although none of the relationships Mr. Ryan has with the Company would be sufficient to classify him as not independent under NYSE rules, the Board has determined not to consider Mr. Ryan an independent director due to his position with Schooner, which subleases space from the Company, and Mr. Ryan's indirect receipt of proceeds in connection with our acquisition of the remaining interest in our joint venture in Poland, Iron Mountain Poland, in January 2011 and his potential receipt of future payments based on financial and performance criteria of Iron Mountain Poland, as further described under the "Certain Relationships and Related Transactions" section of this Proxy Statement. The Board has not yet made a determination as to whether Mr. Loren is independent.

Attendance. During the fiscal year ended December 31, 2010, the Board held seven meetings and took one action by written consent. Each director attended at least 75% of the aggregate number of meetings of the Board and all committees thereof on which such director served that were held during the period for which such director served. All of our directors who were directors of the Company at the time attended our 2010 annual meeting of stockholders. All directors are expected to attend the Annual Meeting. Our policy with respect to directors' attendance at our annual meetings of stockholders can be found in our Corporate Governance Guidelines, the full text of which appears under the heading "Investors/Corporate Governance" on our website at www.ironmountain.com.

Board Leadership Structure. Our leadership structure currently consists of a combined executive chairman and chief executive officer role which is held by C. Richard Reese. We believe this structure is appropriate for the Company at this time because the executive chairman and chief executive officer is most familiar with our business and industry and possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company. As a result, we believe he is best positioned to develop agendas that ensure the Board's time and attention are focused on matters that are critical to the Company and to convey a clear and unified message to our stockholders, employees and industry partners. The executive chairman and chief executive officer is the individual selected by the Board to manage the Company's day-to-day operations and we believe his direct involvement in the business makes him best positioned to lead productive Board sessions.

In addition, the Board has appointed Mr. Dauten as our lead independent director to preside over all executive sessions of non-management directors, consult with the chairman and chief executive officer on Board meeting agendas and act as a liaison between management and non-management directors. A description of the role of our lead independent director can be found on our website, www.ironmountain.com, under the heading "Investors/Corporate Governance." The Board generally convenes in non-management executive session after each Board meeting. One of our non-management directors, Mr. Ryan, has been determined by the Board not to be considered independent. The Board's independent directors meet at least once each year without Mr. Ryan. The Board believes this leadership structure provides effective and clear leadership for the Company.

Committees. The Board has a standing Audit Committee, Nominating and Governance Committee, Compensation Committee and Finance Committee. The Board has adopted charters for the Audit Committee, Nominating and Governance Committee, Compensation Committee and Finance Committee, each of which is available on our website at www.ironmountain.com under the heading "Investors/Corporate Governance." Each of the Audit Committee, Compensation Committee, Finance

Committee and Nominating and Governance Committee has conducted annual self-evaluations and will continue to conduct annual self-evaluations under the oversight of the Nominating and Governance Committee, which will also oversee an annual review of the Board, including a self-evaluation by each individual Board member. These self-evaluations are intended to facilitate an examination and discussion by the entire Board and each director and each of these committees of their effectiveness as a group in fulfilling charter requirements and other responsibilities, as well as areas for improvement. During the fiscal year ended December 31, 2010, the Audit Committee held seven meetings and took one action by written consent, the Compensation Committee held ten meetings and took three actions by written consent, the Nominating and Governance Committee held six meetings, and the Finance Committee held nine meetings and took one action by written consent. Membership on each committee is set forth in the chart below.

Committee Membership

	Audit	**Compensation**	**Nominating and Governance**	**Finance**
Clarke H. Bailey		ü*		
Constantin R. Boden	ü		ü	ü
Kent P. Dauten	ü	ü		ü
Paul F. Deninger				ü
Per-Kristian Halvorsen			ü	
Michael W. Lamach		ü		
Arthur D. Little	ü		ü*	
C. Richard Reese				
Vincent J. Ryan				ü*
Laurie A. Tucker			ü	
Alfred J. Verrecchia	ü*			

*
Committee Chair

Audit Committee. Each member of the Audit Committee is independent as defined by the rules of the SEC, the NYSE listing standards and the Audit Committee Charter. In addition, the Board has determined that each member of the Audit Committee is an audit committee financial expert as defined by the rules of the SEC and is financially literate as defined by the NYSE listing standards. The Audit Committee: (1) assists the Board in oversight of the integrity of the Company's financial statements; (2) assists the Board in oversight of the Company's compliance with legal and regulatory requirements; (3) assists the Board in oversight of the independent registered public accounting firm's retention, qualifications and independence; (4) assists the Board in oversight of the performance of the Company's internal audit function and independent auditors; (5) prepares an Audit Committee report as required by the SEC to be included in the annual Proxy Statement; (6) performs such other duties as the Board may assign to the Audit Committee from time to time, such as approving transactions subject to our Related Person Transaction Policy described on page 53 of this Proxy Statement; and (7) takes other actions to meet its responsibilities as set forth in its written charter. The Audit Committee is also responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters, including procedures for the confidential and anonymous submission by employees of the Company of any concerns regarding accounting or auditing matters they think may be questionable. Information about these procedures can be found on our website at www.ironmountain.com under the heading "Investors/Corporate Governance."

Compensation Committee. All of the members of the Compensation Committee qualify as independent under NYSE listing standards. The Compensation Committee: (1) reviews, approves and recommends to the independent members of the Board the chief executive officer's and executive chairman's base salary, equity-based incentives and the payment of short-term incentive compensation under the Iron Mountain Incorporated 2006 Senior Executive Incentive Program, or the 2006 SEIP, and the Iron Mountain Incorporated 2003 Senior Executive Incentive Program, or the 2003 SEIP, and together with the 2006 SEIP, the SEIPs, respectively; (2) reviews and approves other senior officers' annual compensation based on recommendations from the chief executive officer, reporting to the Board on such decisions; (3) develops market-driven, competitive and equitable compensation systems for senior officers that create both short and long-term incentives; (4) takes actions to retain a skilled, creative and professional management team at the most economical cost; (5) ensures that compensation policies and programs are compliant with applicable laws and are administered without bias or prejudice; (6) takes actions to maintain a compensation philosophy of "paying for performance" for senior management; and (7) takes other actions to meet its responsibilities as set forth in its written charter. Under the SEIPs, our Compensation Committee has the right to reduce, in its discretion, incentive compensation otherwise payable if certain additional criteria are not satisfied, but our Compensation Committee may only take such actions after consulting with the chair of the Audit Committee. The Compensation Committee also annually reviews and discusses with management a draft of the Company's Compensation Discussion and Analysis to be included in the Company's Annual Report on Form 10-K and annual Proxy Statement.

The Compensation Committee has the authority to delegate its duties to a subcommittee but has not exercised this authority to date.

Annual Compensation Review Process

The Compensation Committee takes an active role in determining our compensation plans and programs for the chief executive officer and the executive chairman.

For the chief executive officer and the executive chairman, the Compensation Committee reviews and approves base salary, short-term incentive compensation and long-term equity incentives and recommends such compensation and incentives to the independent members of the Board for their approval. The recommendation and approval of the chief executive officer's and executive chairman's compensation is based on the Company's performance, such officer's performance assessment as determined by the annual assessment process (as described on page 15 of this Proxy Statement) and reference to the 50th percentile for market competitive total compensation of similarly situated officers, in the relevant benchmarking data provided by outside consultants, as more fully described on pages 16 and 17 of this Proxy Statement. For 2010 compensation, the Company-wide average merit increase was also a consideration in the Compensation Committee's recommended salary for the chief executive officer. Beginning in 2011, the Compensation Committee intends to primarily consider relevant market benchmark data when determining base salaries for Named Executive Officers. The total average merit increase for the Company may be taken into consideration but will not be a primary driver in determining base salary changes for Named Executive Officers. Due to the Company-specific nature of the executive chairman role and the difficulty in finding a broad-based sample of similarly situated officers at peer companies, benchmarking was used to a lesser degree in setting base salary, short-term incentive compensation and long-term equity incentives for the executive chairman.

For the base salary, short-term incentive compensation and long-term equity incentives of Messrs. Duale, Ebbighausen and McKeon, or, collectively, the Other Named Executive Officers (and together with Messrs. Brennan and Reese, the Named Executive Officers), our chief executive officer submits recommendations to the Compensation Committee for final approval. The recommendation for each component of compensation for each of the Other Named Executive Officers is based upon such officer's performance rating as determined by the annual assessment process, the Company-wide average merit increase for the respective year and reference to the 50th percentile for market competitive total compensation for similarly situated officers in the relevant benchmarking data provided by outside consultants, as more fully described on pages 16 and 17 of this Proxy Statement. The Board has delegated the final authority for compensation decisions for the Other Named Executive Officers to the Compensation Committee.

Assessment of Individual Performance of the Chief Executive Officer and the Executive Chairman

The assessment of individual performance for the chief executive officer and executive chairman is conducted by the Compensation Committee. Both the chief executive officer and executive chairman initiate the annual assessment process with a self-assessment of their performance against their goals and objectives which the Compensation Committee reviewed, modified and approved at the beginning of the year. Each year the chief executive officer and executive chairman submit goals and objectives to the Compensation Committee to govern their performance for the upcoming year. The Compensation Committee reviews these goals and objectives, seeks input from the Board and modifies them where appropriate. These goals and objectives are taken into consideration in setting the targets for achievement of short-term incentives under the SEIPs, as discussed in the "Compensation Discussion and Analysis" section of this Proxy Statement. Based in part on the reward studies conducted by the compensation consultants described below, for 2010 the Compensation Committee and management chose return on invested capital as one of the individual goals and objectives under the short-term incentive compensation program for the executive chairman and the chief executive officer, as well as the chief financial officer.

The Compensation Committee then conducts a performance assessment of the chief executive officer and the executive chairman by holding a series of formal interviews with members of our executive team. Each interviewed executive team member is asked to comment on the chief executive officer's and executive chairman's overall performance in their respective roles and their achievement of the corporate initiatives and other goals set out for such officers. The Compensation Committee then discusses the performance of each of the chief executive officer and executive chairman in light of the interview feedback and general Board feedback and agrees on an overall assessment for the chief executive officer and executive chairman. The assessment informs the Compensation Committee's decisions and recommendations for the individual components of compensation, including base salary (including annual merit increases), short-term incentive compensation and long-term equity incentives, as described in the "Compensation Discussion and Analysis" section of this Proxy Statement.

Role of Consultants

Throughout 2010, Hewitt Associates, now known as Aon Hewitt, or Hewitt, continued the benchmarking assessment of the Company's reward programs that it began in 2009 to assess the market competitiveness of such programs for all employee populations worldwide and worked with management to develop appropriate design changes based on the Company's strategy and compensation philosophy. Hewitt was engaged by, and worked in partnership with, management on the material elements of this study.

In January of 2010, the Compensation Committee separately engaged a different Hewitt consultant to provide an independent review of the reward study mentioned above. In February of 2010, that separate consultant was part of the spinoff of a portion of Hewitt's executive compensation practice that formed Meridian Compensation Partners, LLC, or Meridian. The scope of Meridian's continued engagement was to review Hewitt's study and provide ongoing advice and perspective to the Compensation Committee. The nature and scope of the services rendered by Meridian on the Compensation Committee's behalf included:

- competitive market pay analyses and market trends;
- ongoing support with regard to the latest relevant regulatory, technical and/or accounting considerations impacting compensation and benefit programs;

assistance with the redesign of any compensation or benefit programs; and

preparation for and attendance at selected Compensation Committee meetings.

Benchmarking Studies

Beginning in 2009 and into early 2010, Hewitt was engaged by management to conduct a series of benchmarking studies to provide comparative executive compensation data for reference in setting 2010 compensation for our Named Executive Officers. We believe that market studies of the compensation of top executives by comparable companies are important because maintaining compensation at market rates is necessary to attract and retain top executives. In collaboration with the Compensation Committee, the Company's management worked with Hewitt to create a custom peer group to use as a basis for our compensation comparisons. Given our industry leading position and unique business mix in our core and digital businesses, no ideal company comparisons exist. Prior to establishing our custom peer group, we solicited input from our Investor Relations team who in turn provided data on companies viewed by the financial community as "peers" of the Company. Additionally, we looked for companies: (1) whose primary business model could be defined as "business services;" (2) that have comparable overall annual revenue and growth rates to the Company's; (3) that were recurring revenue-based businesses and (4) that utilize a significant amount of real estate in their business. Hewitt provided the Compensation Committee with a list of companies that met these criteria from which the Compensation Committee selected the custom peer group and ensured that it included companies with a digital segment to reflect that aspect of our business, which represents approximately 7% of our revenue. The custom peer group therefore included a mix of business services organizations that both we and analysts from the financial community consider as relevant for purposes of conducting a peer group analysis. The "Custom Peer Group" consists of the organizations listed on Exhibit A to this Proxy Statement. The median revenues of the Custom Peer Group were $3.2 billion, compared to the Company's 2010 revenues of $3.1 billion.

Due to the lack of prevalence of the role of executive chairman within the Custom Peer Group, Hewitt conducted a separate benchmarking study to provide market intelligence on total compensation for the role of executive chairman and established an additional benchmarking group to support the analysis of Mr. Reese's 2010 compensation. Hewitt established the "Chairman Officer Peer Group," comprised of five organizations whose chairmen serve as officers of organizations with annual revenues less than $5 billion and that fit at least two of the following criteria: (1) a primary business model that could be defined as "business services;" (2) overall annual revenue and growth rates comparable to the Company's; (3) recurring revenue-based businesses or (4) a significant amount of real estate utilized in their business. The companies comprising the Chairman Officer Peer Group are set forth on Exhibit A to this Proxy Statement.

Hewitt also assisted in benchmarking Mr. Duale's compensation for his expanded role in 2009 as president, Iron Mountain International, which carried significantly increased responsibilities from his former role as president, Iron Mountain Europe. Due to the variations in pay practices in Europe as compared to the United States, Hewitt conducted a separate benchmarking study of companies with equivalently-sized international revenue and executives with large international geographic responsibilities to use in benchmarking Mr. Duale's compensation. The "International Revenue Peer Group" is comprised of 31 multinational corporations with executives domiciled in Belgium, France, Germany, the Netherlands, Spain and Switzerland. The companies comprising the International Revenue Peer Group are set forth on Exhibit A to this Proxy Statement.

As part of its benchmarking in 2010, Hewitt provided summary data of base salary, target bonus, long-term incentives and total direct compensation (e.g., total target compensation plus the annualized value of long-term incentives) for the 50th percentile and the 75th percentile of the Chairman Officer Peer Group, the Custom Peer Group and the International Revenue Peer Group. In our analysis of all elements of 2010 compensation for Named Executive Officers, we reviewed all of the data provided and targeted the 50^{th} percentile data of the data sources described for the Named Executive Officers.

In September 2010, the Compensation Committee also engaged Meridian to update the annual executive compensation benchmarking study to help to inform 2011 compensation decisions for Named Executive Officers. In collaboration with the Compensation Committee, the Company's management worked with Meridian to create custom benchmark studies to use as a basis for our 2011 compensation comparisons. Given our industry leading position and unique business mix in our core and digital businesses, no ideal company comparisons exist. Meridian utilized a methodology for selecting the possible peer group companies that was reviewed and approved by the Compensation Committee. The criteria used in selecting companies for the 2011 Custom Peer Group were: (1) competitors for executive talent; (2) competitors for business; (3) comparable size and industry to the Company; (4) market capitalization similar to the Company and (5) degree of global operations similar to the Company. Based on the above criteria, Meridian provided the Compensation Committee with a list of possible companies from which they selected the final 2011 Custom Peer Group.

As part of its benchmarking, Meridian provided summary data of base salary, target bonus, long-term incentives and total direct compensation (e.g., total target compensation plus the annualized value of long-term incentives) for the 50^{th} percentile and the 75^{th} percentile of the 2011 Custom Peer Group. In addition, for Messrs. Reese and Duale, Meridian compiled data from a broader general industry sample to create comparisons for the executive chairman role and the president, Iron Mountain International role, as the Custom Peer Group did not provide robust enough data for benchmarking elements of compensation for those positions in 2011.

Nominating and Governance Committee. All members of the Nominating and Governance Committee qualify as independent under NYSE listing standards. The Nominating and Governance Committee: (1) recommends the composition of the Board; (2) identifies and recommends candidates for nomination to the Board; (3) recommends to the Board structures and statements of the duties and responsibilities of each committee of the Board; (4) develops and recommends to the Board and implements corporate governance guidelines applicable to the Company; (5) assists the Board in annually reviewing management succession; (6) develops and monitors an annual process to assess the effectiveness of the Board and implements and oversees an annual review of the performance of the Board (including an evaluation of each individual Board member) and each of the Board's standing committees; (7) develops and proposes, for approval by the Board, compensation policies for the Company's non-employee directors and (8) takes other actions to meet its responsibilities as set forth in its written charter.

Pursuant to the agreement between the Company and Elliott, the Board has made certain agreements regarding the process by which the Nominating and Governance Committee will identify and evaluate candidates to fill the vacancy that will exist on the Board after the Annual Meeting. Pursuant to this agreement, the Nominating and Governance Committee will engage an independent search firm to identify potential independent director candidates whose characteristics will include a combination of the following: (i) significant commercial real estate experience, (ii) a strong investment and capital allocation background and (iii) experience with real estate investment trusts. The Board and Elliott agreed that the Nominating and Governance Committee shall present to Elliott a list of potential independent director candidates from such candidates identified by the independent search firm, or the initial list. Elliott and another of the Company's stockholders, Davis Selected Advisors, L.P., or Davis, shall select from the initial list those candidates that are acceptable to them and shall present their list, or the final list, to the Board. Elliott and the Company have agreed that the final list shall include at least two candidates and that both the initial list and the final list shall include Ted R. Antenucci. The Board will, in consultation with its advisors, select and appoint a director from the final list. Notwithstanding the foregoing, in the event the Board fails to select and appoint a new director on or prior to June 30, 2011, then Davis shall be entitled to select a director from the final list or from a new list of candidates identified by the independent search firm in the same manner as set forth above, to fill such vacancy and serve on the Board. Such newly appointed director shall serve until the 2012 annual meeting of stockholders and his or her successor is duly elected and qualified, or until his or her earlier death, resignation, or removal.

Finance Committee. Although NYSE listing standards do not require members of the Finance Committee to be independent, a majority of the Finance Committee members, Messrs. Boden, Dauten and Deninger, qualify as independent under the NYSE listing standards and the Board's assessment of any material relationships with the Company. Mr. Ryan also qualifies as independent under NYSE listing standards, but the Board has determined not to consider him an independent director due to his position with Schooner, which subleases space from the Company, and Mr. Ryan's indirect receipt of proceeds in connection with our acquisition of the remaining interest in our joint venture in Poland, Iron Mountain Poland, in January 2011 and his potential receipt of future payments based on financial and performance criteria of Iron Mountain Poland, as further described under "Certain Relationships and Related Transactions." The Finance Committee: (1) reviews the Company's capital structure and financial strategies; (2) considers and reviews the Company's dividend and share repurchase policies and programs and other strategies to return capital to stockholders; (3) reviews the Company's derivatives and hedging policies and strategies; (4) reviews the Company's investment policies and practices and (5) performs such other duties as the Board may assign to the Committee from time to time.

Risk Oversight. The Board is responsible for oversight of the Company's management of enterprise risks. Iron Mountain senior management is responsible for the Company's risk management process and the day-to-day supervision and mitigation of enterprise risks. The Board receives regular reports on areas of material Company risk, including strategic, operational, financial, legal and regulatory risks. The full Board, or the committee of the Board assigned responsibility for an area of risk, receives reports from the Company executive accountable for understanding and mitigating the identified risk. Historically, of the Board's committees, the Audit Committee has led the oversight of a majority of the risk mitigation initiatives associated with the Company's enterprise risk assessment and management efforts. When a committee of the Board receives a risk report, the committee chairman provides a summary of the discussion to the Board of Directors during the next regularly scheduled Board meeting. This practice allows the Board and each of its committees to remain coordinated in their oversight of enterprise risk.

Stockholder Communications to Board of Directors

The Board believes it is important for stockholders and others to have a process to send communications to the Board. Accordingly, any stockholder, security holder or other interested party who desires to communicate with the Board, any individual director, including the lead director, or the independent or non-management directors as a group, may do so by regular mail or email directed to the Secretary of the Company. The Secretary's mailing address is c/o Iron Mountain Incorporated, 745 Atlantic Avenue, Boston, Massachusetts 02111; the Secretary's e-mail address is corporatesecretary@ironmountain.com. Upon receiving such mail, the Secretary will assess the appropriate director or directors to receive the message and will forward the mail to such director or directors without editing or altering it.

Selection of Board of Directors Nominees

The Board is responsible for developing and approving criteria, in addition to those set forth in our Corporate Governance Guidelines, for candidates for Board membership. The Nominating and Governance Committee is responsible for seeking candidates to become Board members, consistent with the criteria set forth in the Corporate Governance Guidelines and approved by the Board, and for recommending candidates to the entire Board for selection by the Board for nomination to fill

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Note 6. Stock-Based Compensation (continued)

The following table presents a summary of the Company s stock option activity for the twenty-six weeks ended August 2, 2008:

	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of period	5,488,489	$ 19.94
Granted	693,000	7.36
Exercised	(33,800)	0.99
Canceled or expired	(244,229)	22.27
Outstanding, end of period	5,903,460	18.48
Exercisable at August 2, 2008	4,102,326	19.64

The following table presents a summary of the Company s restricted stock activity for the twenty-six weeks ended August 2, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, beginning of period	504,671	$ 21.21
Granted	276,095	6.96
Vested	(74,068)	25.82
Canceled	(39,472)	16.77
Nonvested, end of period	667,226	15.06

For the twenty-six and thirteen weeks ended August 2, 2008 and August 4, 2007, respectively, stock-based compensation expense was allocated as follows:

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
Cost of goods sold	$1,807	$ 2,866	$ 798	$ 1,444
General, administrative and store operating expenses	4,562	7,103	2,433	3,499
Stock based compensation expense before income taxes	$6,369	$ 9,969	$3,231	$ 4,943
Income tax benefit	2,014	3,538	1,002	1,772

Total stock-based compensation expense after income taxes	$4,355	$ 6,431	$2,229	$ 3,171

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Note 7. Net Income Per Share

Basic Earnings Per Share (EPS) is computed by dividing net income by the weighted-average number of common shares outstanding. Restricted stock grants to employees and directors are not included in the computation of basic EPS until the securities vest. Diluted EPS reflects the dilutive effect of potential common shares from securities such as stock options and unvested restricted stock. The following is a reconciliation of the denominators of the basic and diluted EPS computations shown on the face of the accompanying consolidated statements of income:

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	August 2, 2008	**August 4, 2007**	**August 2, 2008**	**August 4, 2007**
Weighted average common shares outstanding basic	175,816,527	175,461,010	175,841,781	175,500,329
Dilutive effect of stock options and unvested restricted stock outstanding	198,046	1,191,098	190,316	1,217,397
Weighted average common and common equivalent shares outstanding diluted	176,014,573	176,652,108	176,032,097	176,717,726

For the three and six month periods ended August 2, 2008, 5,963,288 and 6,042,258 potential shares of common stock, respectively, were excluded from the computation of diluted EPS relating to stock option and restricted awards because the effect of including these potential shares was antidilutive.

For the three and six month periods ended August 4, 2007, 1,947,374 potential shares of common stock, were excluded from the computation of diluted EPS relating to stock option and restricted awards because the effect of including these potential shares was antidilutive.

Note 8. Fair Value Measurements

Effective February 3, 2008, the Company adopted SFAS 157, except as it applies to FASB Staff Position No. FAS 157-2 Effective Date of FASB Statement No. 157 (FSP SFAS 157-2). FSP SFAS 157-2 allows entities to defer the effective date of SFAS 157 for one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e. as least annually).

SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. Fair value is defined under SFAS 157 as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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Note 8. Fair Value Measurements (continued)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or; Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or; Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability.

The Company measures certain financial assets at fair value on a recurring basis, including its marketable securities, which are classified as available-for-sale securities, certain cash equivalents, specifically its money market accounts, and employee contributions to the Company s deferred compensation plan. In accordance with SFAS 157, the Company categorized certain of its financial assets based on the priority of the inputs to the valuation technique for the instruments, as follows (amounts in thousands):

	As of August 2, 2008			
	Total	**Level 1**	**Level 2**	**Level 3**
Current Assets				
Cash Equivalents				
Money market accounts	$ 6,811	$ 6,811	$	$
Marketable Securities				
Variable rate demand notes	230,810		231,061	
Municipal bonds	20,976		21,246	
Non Current Assets				
Plan Assets				
Deferred compensation plan assets	10,834	10,834		
Total	$269,431	$17,645	$252,307	$

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the accompanying unaudited consolidated financial statements and notes thereto and the Company s 2007 Annual Report to Stockholders.

Executive Overview

Chico s FAS, Inc. (together with its subsidiaries, the Company) is a specialty retailer of private branded, sophisticated, casual-to-dressy clothing, intimates, complementary accessories, and other non-clothing gift items operating under the Chico s, White House | Black Market (WH|BM) and Soma Intimates (Soma) brand names.

Chico s, which began operations in 1983, focuses on fashion conscious women who are 35 and over with a moderate to high income level. The styling interprets fashion trends in a unique, relaxed, figure-flattering manner using generally easy-care fabrics. WH|BM, which the Company acquired in September 2003, and which began operations in 1985, targets middle-to-upper income women who are 25 years old and up. The styling is contemporary, feminine and unique, assorted primarily in white and black and related shades. Soma was initially launched in August 2004 under the name Soma by Chico s. This concept offers foundation products in intimate apparel, sleepwear, and activewear that was initially aimed at the Chico s target customer. In early fiscal 2007, the Soma brand was repositioned under the name Soma Intimates to appeal to a broader customer base. In March 2007, the Company announced the planned closure of the Fitigues brand operations (Fitigues). Accordingly, for all periods presented, the operating results for Fitigues, if any, are shown as discontinued operations in the Company s consolidated statements of income.

The Company earns revenues and generates cash through the sale of merchandise in its retail stores, and through its website and call centers, which handle sales related to the Chico s, WH|BM, and Soma direct to consumer operations.

The primary factors which historically have influenced the Company s profitability and success have been its growth in number of stores and selling square footage, its positive comparable store sales, and its strong operating margin. In the last five years, the Company has grown from 557 stores as of February 1, 2004 to 1,075 stores as of August 2, 2008, which includes the significant store growth resulting from the acquisition of the 107 WH|BM stores in fiscal 2003 and the growth resulting from the launch of the Soma brand in fiscal 2004. The Company continues to expand its presence through the opening of new stores, the expansion of existing stores, the development of new opportunities such as Soma and through the extension of its merchandise lines. Since fiscal 2005, the Company s rate of growth (measured by overall growth in sales, growth in comparable store sales, and other factors) has decreased from the rate of overall sales growth experienced in earlier years (which had been in the range of 30-40%), reflecting in large part the Company s significantly increased size, its decision to adopt more manageable net square footage growth goals (7-8% for fiscal 2008 and 2-4% for fiscal 2009) and the more recent experience of negative same store sales.

The Company anticipates the negative same store sales to continue through the 2008 fall season, but with some improvement in trend. Particularly, because of the weakened economy and uncertainties about when the economy will recover, it is too early to predict the Company s same store sales following the fall selling season. Although the Company anticipates that it will be able to return to a positive same store sales performance, it is possible that once the Company reaches that point, it may experience only moderate increases going forward, or may even experience flat same store sales or as was the case during fiscal 2007 and the current period, decreased same store sales.

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The Company generally expects to continue to generate positive cash flow to fund its expansion and to take advantage of new opportunities. The Company has no long-term debt and foresees no current need to incur long-term debt to support its continued growth.

Factors that will be critical to determining the Company s future success include, among others, managing the overall growth strategy, including the ability to open and operate stores effectively, maximizing efficiencies in the merchandising, product development and sourcing processes, maintaining high standards for customer service and assistance, maintaining newness, fit and comfort in its merchandise offerings, matching merchandise offerings to customer preferences and needs, customer acceptance of new store concepts, integrating new or acquired businesses, developing its newer brands, implementing the process of senior management succession, initiating and maintaining strategic alliances with vendors, and generating cash to fund the Company s expansion needs. In order to monitor the Company s success, the Company s senior management monitors certain key performance indicators, including:

Comparable same store sales growth For the thirteen-week and twenty-six week periods ended August 2, 2008, the Company s consolidated comparable store sales results (sales from stores open for at least twelve full months, including stores that have been expanded or relocated within the same general market) decreased 15.9% and 16.7%, respectively, compared to the comparable periods last year ended August 4, 2007. The Company believes that its same store sales performance was affected by numerous challenges including a difficult macro economic environment, declining consumer confidence resulting in lower than anticipated customer traffic and particularly cautious spending, and merchandise offerings that failed, at times, to meet customer expectations. The Company s current strategy is to target a general overall trend to return to comparable store sales growth; although it recognizes that it continues to be affected by many of these factors. The Company believes that its ability to realize such a general overall positive trend in comparable store sales will prove to be a key factor in determining its future levels of success: (i) in effectively operating its stores across all brands, (ii) in managing its continuing store expansion program across all brands, (iii) in developing its newer brands, and (iv) in achieving its targeted levels of earnings per share.

Positive operating cash flow For the twenty-six week period ended August 2, 2008, cash flow from operations totaled $73 million compared with $129 million for the prior year s twenty-six week period ended August 4, 2007. Although operating cash flow decreased in the current period compared to the prior year, the Company still generated operating cash flow sufficient to fund the ongoing needs of operations and investments. The Company currently anticipates an increase in its free cash flow (cash flow from operations net of capital expenditures) in the second half of fiscal 2008 compared to fiscal 2007. The Company believes that a key strength of its business is the ability to consistently generate cash flow from operations. Strong cash flow generation is critical to the future success of the Company, not only to support the general operating needs of the Company, but also to fund capital expenditures related to new store openings, relocations, expansions and remodels, costs associated with the Company s proposed expansions of its existing corporate headquarters and its existing distribution center, costs associated with continued improvement of information technology tools, including the on-going conversions to the SAP software platform, any future stock repurchase programs, and costs associated with potential strategic acquisitions that may arise from time to time. See further discussion of the Company s cash flows in the Liquidity and Capital Resources section of this MD&A.

Loyalty Clubs and Customer Development Management believes that a significant indicator of the Company s success is the extent of the growth and frequency of shopping, associated with its loyalty programs, the Passport Club and The Black Book , and support for such loyalty programs that is provided through its personalized customer service training programs and its marketing initiatives.

The Passport Club, the Chico s/Soma frequent shopper club, features discounts and other special promotions for its members. Preliminary members may join the Passport Club at no cost and, upon spending $500, customers automatically become permanent members and are entitled to a lifetime 5% discount and other benefits. The Black Book loyalty program, the WH|BM frequent shopper club, is similar to the Passport Club in most key respects except that customers become permanent members upon spending $300, compared to $500 for the Passport Club. The Company believes that the continued growth in new members and repeat shopping of its existing Passport and Black Book club members indicates that the Company is still generating strong interest from its customers due in large part to the Company s commitment to personalized customer service and constant newness of product. The Company is currently evaluating and testing various enhancements to its loyalty programs which the Company believes will further the growth in new members and increase the frequency of shopping by its loyalty club members.

As of August 2, 2008, the Company had approximately 1.9 million active Chico s/Soma permanent Passport Club members and approximately 1.6 million active preliminary Passport Club members, while as of August 4, 2007, the Company had approximately 1.7 million active Chico s/Soma permanent Passport Club members and approximately 1.5 million active preliminary Passport Club members.

As of August 2, 2008, the Company had approximately 0.8 million active WH|BM permanent Black Book members and approximately 1.3 million active preliminary Black Book members, while as of August 4, 2007, the Company had approximately 0.7 million active WH|BM permanent Black Book members and approximately 1.4 million active preliminary Black Book members.

Active customers are defined as those who have purchased at any one of the Company s brands within the preceding 12 months.

Quality of merchandise offerings To monitor and maintain the acceptance of its merchandise offerings, the Company monitors sell-through levels, inventory turns, gross margins and markdown rates on a classification and style level. Although the Company does not disclose these statistics for competitive reasons, this analysis helps identify comfort, fit, and newness issues at an early date and helps the Company plan future product development and buying.

In addition to the key performance indicators mentioned above, the Company s operational strategies are focused on qualitative factors as well. The Company s ability to manage its multiple brands, to develop and grow its Soma Intimates concept, to expand the Company s direct to consumer business, to secure new store locations including relocations and/or expansions of existing stores and to launch new product categories within all brands, are all important strategies that, if successful, should contribute to the continued growth of the Company.

The Company continues to evaluate and monitor the progress of its Soma intimate apparel initiative. The Company recognizes that the Soma business can be seen as complementary to its basic apparel business, but also understands that many aspects of this business require unique attention. The Company monitors Soma merchandise offerings in a manner similar to its other brands with special emphasis on repeat purchases in the foundation category. The Company anticipates that additional investment will be required to establish the Soma brand as a suitable business that meets the profitability goals of the Company over the longer term. In addition, the Company believes that eventual profitability is in part dependent on the ability to open a critical mass of Soma Intimates stores (currently believed to be at least 100-125 stores) to leverage both fixed costs and merchandise buys and the previously announced slowdown in the new store openings (in order to focus on improving the existing Soma store operations and profitability) pushed that target further into the future than originally anticipated.

For the thirteen weeks ended August 2, 2008 (the current period), the Company reported net sales, operating income and net income of $405.2 million, $7.9 million and $6.7 million, respectively. Net sales decreased by 7.1% from the comparable period in the prior fiscal year, while operating income and net income decreased by 86.4% and 82.7%, respectively, from the comparable thirteen week period ended August 4, 2007 (the prior period). The Company s gross margin percentage was 52.7% for the current period compared to 57.7% in the prior period. Chico s brand merchandise margins in the current period decreased by approximately 440 basis points compared to the prior period primarily due to higher markdowns in order to liquidate inventory and bring levels closer to the current sales trend. The gross margin percentage at the Chico s brand was also negatively impacted by continued investment in the Company s product development and merchandising functions, coupled with the deleverage of these costs attributable to the negative same store sales. These decreases in gross margin at the Chico s brand were further exacerbated by a 220 basis point decline in the gross margin at WH|BM due to lower initial markups and investments in product development and merchandising functions. Selling, general and administrative expenses (SG&A) increased 5.9% from $194.0 million to $205.5 million primarily due to increased store occupancy costs and, to a lesser extent, increased marketing spend. As a percentage of sales, SG&A in the current period increased by approximately 620 basis points over the prior period primarily due to the deleverage associated with the Company s negative same store sales as well as the larger size Chico s and WH|BM stores that the Company has been opening over the last two years and, to a lesser extent, due to the aforementioned increase in expenses.

For the twenty-six weeks ended August 2, 2008 (the current period), the Company reported net sales, operating income and net income of $814.8 million, $24.6 million and $19.4 million, respectively. Net sales decreased by 8.4% from the comparable period in the prior fiscal year, while operating income and net income decreased by 81.4% and 77.4%, respectively, from the comparable twenty-six week period ended August 4, 2007 (the prior period). The Company s gross margin percentage was 54.3% for the current period compared to 59.8% in the prior period. Chico s brand merchandise margins in the current period decreased approximately 410 basis points compared to the prior period primarily due to higher markdowns in order to liquidate inventory and bring levels closer to the current sales trend. The gross margin percentage at the Chico s brand was also negatively impacted by continued investment in the Company s product development and merchandising functions, coupled with the deleverage of these costs attributable to the negative same store sales. These decreases in gross margin at the Chico s brand were further exacerbated by a 280 basis point decline in the gross margin at WH|BM due to lower initial markups and investments in product development and merchandising functions. Selling, general and administrative expenses (SG&A) increased 4.6% from $399.1 to $417.6 million primarily due to increased store occupancy costs and, to a lesser extent, increased marketing spend. As a percentage of sales, SG&A in the current period increased by approximately 640 basis points over the prior period primarily due to the deleverage associated with the Company s negative same store sales as well as the larger size Chico s and WH|BM stores that the Company has been opening over the last two years and, to a lesser extent, due to the aforementioned increase in expenses**.**

Future Outlook

The Company is currently anticipating comparable store sales decreases through the 2008 fall season, but with some improvement in trend. The Company believes it will be profitable in the second half of the current year. The Company is steadfastly committed to protecting its free cash flow and its strong balance sheet that includes approximately $278 million dollars in cash and marketable securities and no debt as of the end of the current quarter. Further, the Company continues to look at reducing expenses and managing lower inventory levels without affecting its ability to serve its customers. The Company is also limiting capital expenditures to those considered necessary to sustain the business, while targeting an acceptable return on its investment. This, along with a loyal customer base, should position the Company to take advantage of any market opportunities when overall economic conditions improve.

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Results of Operations Thirteen Weeks Ended August 2, 2008 Compared to the Thirteen Weeks Ended August 4, 2007

Net Sales

The following table shows net sales by Chico s/Soma stores, net sales by WH|BM stores and net sales by direct to consumer in dollars and as a percentage of total net sales for the thirteen weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Thirteen Weeks Ended			
	August 2, 2008		August 4, 2007	
Net sales by Chico s/Soma stores	$277,279	68.4%	$308,772	70.8%
Net sales by WH|BM stores	114,095	28.2	110,124	25.3
Net sales by Direct to consumer	13,844	3.4	17,133	3.9
Net sales	$405,218	100.0%	$436,029	100.0%

Net sales by Soma Intimates and WH|BM stores increased in the current period from the prior period primarily due to new store openings in the case of WH|BM and due to strong sales at Soma. Net sales by Chico s and WH|BM stores were also impacted by decreases in each brands comparable store net sales. A summary of the factors impacting year-over-year sales increases is provided in the table below (dollar amounts in thousands):

	Thirteen Weeks Ended	
	August 2, 2008	August 4, 2007
Comparable store sales decreases	$(65,640)	$ (21,035)
Comparable same store sales %	(15.9)%	(5.6)%
New store sales increase, net	$ 38,118	$ 50,922

The comparable store sales decrease of 15.9% (for the thirteen-week period ended August 2, 2008 compared to the thirteen-week period ending August 4, 2007) was driven primarily by a decrease in transactions of approximately 8% at Chico s front-line stores and a decrease of approximately 22% at WH|BM front-line stores. Comparable store sales were also impacted by a decrease of 11.6% in the Chico s average unit retail price, (which average unit retail price is a financial indicator, the percentage change of which is believed by management to represent a reasonable approximation of the percentage change in Company store net sales attributable to price changes or mix), reflecting increased markdowns due to merchandise offerings that the Company believes were not as compelling from a fashion sense as the Company has offered in the past and, to a lesser extent, the general softness in the retailing environment, coupled with the Company s desire to align inventory levels closer to current sales trends. The comparable store sales decrease was offset in part, by an 11.3% increase in the WH|BM average unit retail price. In the current period, WH|BM same store sales represented approximately 27% of the total same store sales base compared to 23% in the prior period. The Chico s brand same store sales decreased by approximately 19% and the WH|BM brand s same store sales decreased by approximately 12% when comparing fiscal 2008 to the comparable weeks last year. Although Soma s comparable store sales increased significantly, it did not have a material impact on the consolidated calculation because of the relatively small number of Soma stores.

Net sales for the direct to consumer channel in the current period, which included merchandise from all of the Company s brands, decreased by $3.3 million, or 19.2%, compared to net sales for the direct to consumer channel for the prior period. This decrease is attributable to decreased sales for the Chico s and WH|BM brands, which were partially offset by a strong increase in the Soma brand s direct to consumer channel. The Company intends to continue making improvements to its direct to consumer infrastructure and merchandising approach in an effort to increase future sales through this channel.

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Cost of Goods Sold/Gross Margin

The following table shows cost of goods sold and gross margin in dollars and the related gross margin percentages for the thirteen weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Thirteen Weeks Ended	
	August 2, 2008	**August 4, 2007**
Cost of goods sold	$191,857	$ 184,300
Gross margin	213,361	251,729
Gross margin percentage	52.7%	57.7%

Gross margin percentage decreased by 500 basis points compared to the prior period resulting primarily from a decrease of approximately 440 basis points at the Chico s brand merchandise margins in the second quarter compared to the prior year s second quarter which was due to higher markdowns in order to liquidate inventory and bring levels closer to the current sales trends. The gross margin percentage was also negatively impacted by continued investment in the Company s product development and merchandising functions, coupled with the deleverage of these costs attributable to the negative same store sales. These decreases in gross margin at the Chico s brand were further exacerbated by a 220 basis point decline in the gross margin at WH|BM due to lower initial markups and investments in product development and merchandising functions.

Selling, General, and Administrative Expenses

The following tables show store operating expenses, marketing, and shared services in dollars and as a percentage of total net sales for the thirteen weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Thirteen Weeks Ended	
	August 2, 2008	**August 4, 2007**
Store operating expenses	$159,957	$ 151,259
Percentage of total net sales	39.5%	34.7%

Store operating expenses include all direct expenses, including such items as personnel, occupancy, depreciation and supplies, incurred to operate each of the Company s stores. In addition, store operating expenses include those costs necessary to support the operation of each of the Company s stores including district and regional management expenses and other store support functions. Store operating expenses as a percentage of net sales in the current period increased by approximately 480 basis points compared to the prior period primarily due to increased occupancy costs and also due to increased personnel costs as selling payroll was not able to flex in direct proportion to the decrease in comparable store sales. The increase was also impacted by the deleverage associated with the Company s negative same store sales, and to a lesser extent, the mix effect of the WH|BM and Soma Intimates stores becoming a larger portion of the Company s store base as their store operating cost structure is higher than the Chico s brand as a percentage of net sales.

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	Thirteen Weeks Ended	
	August 2, 2008	August 4, 2007
Marketing	$16,786	$ 14,791
Percentage of total net sales	4.1%	3.4%

Marketing expenses include expenses related to the Company s national marketing programs such as direct marketing efforts (including direct mail and e-mail), national advertising expenses and related support costs. Marketing expenses increased as a percentage of net sales by approximately 70 basis points due mainly to the deleverage associated with the Company s negative same store sales and, to a lesser extent, from an increased marketing spend primarily at the Chico s brand for consumer research and national magazine advertising.

	Thirteen Weeks Ended	
	August 2, 2008	August 4, 2007
Shared services	$28,737	$ 27,924
Percentage of total net sales	7.1%	6.4%

Shared services expenses consist of the corporate level functions including executive management, human resources, management information systems and finance, among others. Shared services expenses increased as a percentage of net sales by approximately 70 basis points mainly due to the deleverage associated with the Company s negative same store sales and, to a lesser extent, from increased technology costs.

Interest Income, net

The following table shows interest income, net in dollars and as a percentage of total net sales for the thirteen weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Thirteen Weeks Ended	
	August 2, 2008	August 4, 2007
Interest income, net	$1,799	$ 2,674
Percentage of total net sales	0.4%	0.6%

Interest income decreased as a percentage of sales by approximately 20 basis points in the second quarter compared to the prior period primarily due to a decrease in marketable securities and lower interest rates, offset, in part, by interest income from the Company s $25.8 million note receivable.

Provision for Income Taxes

The Company s effective tax rate for the current period was 31.0% compared to an effective tax rate of 35.9% for the prior period. Generally, income taxes for the interim periods are computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by the Company. The decrease is primarily attributable to favorable permanent differences, mainly charitable inventory contributions and tax-free interest, representing a higher portion of pre-tax income in the current period compared to the prior year, offset, in part, by a slightly higher overall state effective tax rate.

Net Income

The following table shows net income in dollars and as a percentage of total net sales for the thirteen weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Thirteen Weeks Ended	
	August 2, 2008	**August 4, 2007**
Net income	$6,680	$ 38,683
Percentage of total net sales	1.7%	8.9%

Results of Operations Twenty-Six Weeks Ended August 2, 2008 Compared to the Twenty-Six Weeks Ended August 4, 2007

Net Sales

The following table shows net sales by Chico s/Soma stores, net sales by WH|BM stores, net sales by direct to consumer and other net sales (which consists of net sales to franchisees) in dollars and as a percentage of total net sales for the twenty-six weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Twenty-Six Weeks Ended			
	August 2, 2008		**August 4, 2007**	
Net sales by Chico s/Soma stores	$ 562,974	69.1%	$ 641,824	72.2%
Net sales by WH|BM stores	221,945	27.2	213,591	24.0
Net sales by Direct to consumer	29,864	3.7	33,586	3.8
Other net sales			115	0.0
Net sales	$ 814,783	100.0%	$ 889,116	100.0%

Net sales by Soma Intimates and WH|BM stores increased in the current period from the prior period primarily due to new store openings in the case of WH|BM and due to strong sales at Soma. Net sales by Chico s and WH|BM stores were also impacted by decreases in each brands comparable store net sales. A summary of the factors impacting year-over-year sales increases is provided in the table below (dollar amounts in thousands):

	Twenty-Six Weeks Ended	
	August 2, 2008	**August 4, 2007**
Comparable store sales decreases	$(141,072)	$ (27,077)
Comparable same store sales %	(16.7)%	(3.6)%
New store sales increase, net	$ 70,576	$ 117,506

The comparable store sales decrease of 16.7% (for the twenty-six week period ended August 2, 2008 compared to the twenty-six week period ending August 4, 2007) was driven primarily by a decrease in transactions of approximately 11% at Chico s front-line stores and a decrease of approximately 18% at WH|BM front-line stores. Comparable store sales were also impacted by a decrease of 9.6% in the Chico s average unit retail price (which average unit retail price is a financial indicator, the percentage change of which is believed by management to represent a reasonable approximation of the percentage change in Company store net sales attributable to price changes or mix), reflecting increased markdowns due to merchandise offerings that the Company believes were not as compelling from a fashion sense as the Company has offered in the past and, to a lesser extent, the general overall softness in the retailing environment, coupled with the Company s desire to align inventory levels closer to current sales trends. The comparable store sales decrease was offset, in part, by an 8.0% increase in the WH|BM average unit retail price. In the current period, WH|BM same store sales represented approximately 27% of the total same store sales base compared to 22% in the prior period. The Chico s brand same store sales decreased by approximately 20% and the WH|BM brand s same store sales decreased by approximately 11% when comparing fiscal 2008 to the comparable weeks last year. Although Soma s comparable store sales increased significantly, it did not have a material impact on the consolidated calculation because of the relatively small number of Soma stores.

Net sales for the direct to consumer channel for the current period, which included merchandise from all brands decreased by $3.7 million, or 11.1%, compared to net sales for the direct to consumer channel for the prior period. The Company believes this decrease is attributable specifically to decreased sales for the Chico s brand, which were partially offset by strong increases in the Soma brand s direct to consumer channel. The Company intends to continue making improvements to its direct to consumer infrastructure and merchandising approach in an effort to increase future sales through this channel.

Cost of Goods Sold/Gross Margin

The following table shows cost of goods sold and gross margin in dollars and the related gross margin percentages for the twenty-six weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Twenty-Six Weeks Ended	
	August 2, 2008	**August 4, 2007**
Cost of goods sold	$372,620	$ 357,623
Gross margin	442,163	531,493
Gross margin percentage	54.3%	59.8%

Gross margin percentage decreased by 550 basis points compared to the prior period resulting primarily from a decrease of approximately 410 basis points at the Chico s brand merchandise margins in the current period compared to the prior year, which was due to higher markdowns in order to liquidate inventory and bring levels closer to the current sales trends as well as approximately $5.0 million of charges to clear up aged and overstock inventories for Chico s front-line and outlet stores. Gross margin percentage was also negatively impacted by continued investment in the Company s product development and merchandising functions, coupled with the deleverage of these costs attributable to the negative same store sales. These decreases in gross margin at the Chico s brand were further exacerbated by a 280 basis point decline in the gross margin at WH|BM due to lower initial markups and investments in product development and merchandising functions.

Selling, General, and Administrative Expenses

The following tables show store operating expenses, marketing, and shared services in dollars and as a percentage of total net sales for the twenty-six weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Twenty-Six Weeks Ended	
	August 2, 2008	**August 4, 2007**
Store operating expenses	$320,942	$ 305,952
Percentage of total net sales	39.4%	34.4%

Store operating expenses include all direct expenses, including personnel, occupancy, depreciation and supplies, incurred to operate each of the Company s stores. In addition, store operating expenses include those costs necessary to support the operation of each of the Company s stores, including district and regional management expenses and other store support functions. Store operating expenses as a percentage of net sales in the current period increased by approximately 500 basis points compared to the prior period primarily due to increased occupancy costs and accompanied by increased personnel costs as selling payroll was not able to flex in direct proportion to the decrease in comparable sales. The increase was also impacted by the deleverage associated with the Company s negative same store sales, and to a lesser extent, the mix effect of the WH|BM and Soma Intimates stores becoming a larger portion of the Company s store base.

	Twenty-Six Weeks Ended	
	August 2, 2008	**August 4, 2007**
Marketing	$39,630	$ 35,729
Percentage of total net sales	4.9%	4.0%

Marketing expenses include expenses related to the Company s national marketing programs such as direct marketing efforts (including direct mail and e-mail), national advertising expenses and related support costs. Marketing expenses increased as a percentage of net sales by approximately 90 basis points due mainly to the deleverage associated with the Company s negative same store sales and increased marketing spend for national magazine advertising across all three brands as well as from consumer research at the Chico s brand and television for the Soma brand.

	Twenty-Six Weeks Ended	
	August 2, 2008	**August 4, 2007**
Shared services	$57,018	$ 57,395
Percentage of total net sales	7.0%	6.5%

Shared services expenses increased as a percentage of net sales by approximately 50 basis points due to the deleverage associated with the Company s negative same store sales. Shared services expenses in dollars decreased slightly mainly due to decreased stock-based compensation costs and, to a lesser extent, decreased relocation costs, offset, in part, by increased technology costs.

Interest Income, net

The following table shows interest income, net in dollars and as a percentage of total net sales for the twenty-six weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Twenty-Six Weeks Ended	
	August 2, 2008	**August 4, 2007**
Interest income, net	$4,038	$ 4,920
Percentage of total net sales	0.5%	0.6%

Interest income decreased as a percentage of sales by approximately 10 basis points in the second quarter compared to the prior period primarily due to a decrease in marketable securities and lower interest rates, offset by interest income from the Company s $25.8 million note receivable.

Provision for Income Taxes

The Company s effective tax rate for the current period was 32.2% compared to an effective tax rate of 36.0% for the prior period. Generally, income taxes for the interim periods are computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by the Company. The decrease is primarily attributable to favorable permanent differences, mainly charitable inventory contributions and tax free interest, representing a higher portion of pre-tax income in the current period compared to the prior year, offset, in part, by a slightly unfavorable change in the Company s overall state effective tax rate.

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Net Income

The following table shows net income in dollars and as a percentage of total net sales for the twenty-six weeks ended August 2, 2008 and August 4, 2007 (dollar amounts in thousands):

	Twenty-Six Weeks Ended	
	August 2, 2008	August 4, 2007
Net income	$19,411	$ 85,842
Percentage of total net sales	2.4%	9.7%

Comparable Company Store Net Sales

Comparable Company store net sales decreased by 15.9% in the current quarter and 16.7% for the first six months when compared to the comparable period last year ended August 4, 2007 (the Chico s brand same store sales decreased by approximately 19% in the current quarter and 20% for the first six months of the fiscal year and the WH|BM brand s same store sales decreased by approximately 12% in the current quarter and 11% in the first six months of the fiscal year). The Company believes this decrease in same store sales was affected by numerous challenges including a difficult macro economic environment, declining consumer confidence resulting in lower than anticipated customer traffic and cautious spending patterns, and merchandise offerings that failed, at times, to meet customer expectations. Comparable Company store net sales data is calculated based on the change in net sales of currently open stores that have been operated as a Company store for at least twelve full months, including stores that have been expanded or relocated within the same general market area (approximately five miles).

The comparable store percentage reported above for the current quarter and first six months includes 24 and 47 stores, respectively, that were expanded or relocated within the last twelve months from the beginning of the respective prior period by an average of 1,644 and 1,542 net selling square feet, respectively. If the stores that were expanded and relocated had been excluded from the comparable store base, the decrease in comparable store net sales would have been 16.4% for the current quarter and 17.3% for the first six months (versus a decrease of 15.9% and 16.7% as reported, respectively). The Company does not consider the effect to be material to the overall comparable store sales results and believes the inclusion of expanded stores in the comparable store net sales to be an acceptable practice, consistent with the practice followed by the Company in prior periods and by some other retailers. Soma Intimates stores began entering into the comparable store sales calculation in September 2005 but have not had a material impact on the comparable store sales calculation due to the relatively small number of comparable stores.

Liquidity and Capital Resources

The Company s ongoing capital requirements have been, and continue to be for, funding capital expenditures for new, expanded, relocated and remodeled stores and increased merchandise inventories, for planned expansion of its headquarters, distribution center and other central support facilities, to fund stock repurchases under the Company s previous stock repurchase programs, and for continued improvement in information technology tools, including the Company s ongoing conversions to the SAP software platform and its e-commerce platform.

The following table shows the Company s capital resources as of August 2, 2008 and August 4, 2007 (amounts in thousands):

	August 2, 2008	August 4, 2007
Cash and cash equivalents	$ 25,381	$ 12,069
Marketable securities	252,307	275,073
Working capital	349,373	312,213

Working capital increased from August 4, 2007 to August 2, 2008 primarily due to the reclassification of the Company s $25.8 million dollar note receivable from a long-term asset to a current asset. The significant components of the Company s working capital are cash and cash equivalents, marketable securities, receivables and inventories, reduced by accounts payable and accrued liabilities.

Based on past performance and current expectations, the Company believes that its cash and cash equivalents, marketable securities and cash generated from operations will satisfy the Company s working capital needs, capital expenditure needs (see New Store Openings and Headquarter Expansion discussed below), commitments, and other liquidity requirements associated with the Company s operations through at least the next 12 months.

Operating Activities

Net cash provided by operating activities was approximately $72.8 million and $129.1 million for the twenty-six weeks ended August 2, 2008 and August 4, 2007, respectively. The cash provided by operating activities for the current and prior periods was due to the Company s net income, as adjusted for non-cash charges and changes in working capital such as:

Depreciation and amortization expense;

Deferred tax benefits;

Stock-based compensation expense and the related income tax effects thereof;

Fluctuations in accounts receivable, inventories, prepaid and other current assets, accounts payable and accrued deferred liabilities.

Investing Activities

Net cash used in investing activities was $61.3 million compared to net cash used in investing activities of $157.3 million for the twenty-six weeks ended August 2, 2008 and August 4, 2007, respectively.

The Company s investment in capital expenditures during the current period primarily related to the planning and opening of new, relocated, remodeled and expanded Chico s/Soma and WH|BM stores ($41.4 million), costs associated with system upgrades and new software implementations ($13.3 million), costs associated with the Company s headquarters expansion ($5.0 million), and other miscellaneous capital expenditures ($9.8 million) aggregating $69.5 million compared to capital expenditures aggregating $94.7 million in the prior year.

In addition, the Company sold $8.2 million, net, of marketable securities during the current twenty-six week period. In contrast, in the prior period, the Company purchased $36.7 million, net, in marketable securities.

Also, during the prior period, the Company consummated a transaction to sell a parcel of land in south Fort Myers, Florida for a sale price totaling approximately $39.7 million consisting of approximately $13.4 million in cash proceeds, net of closing costs, and a note receivable with a principal amount of approximately $25.8 million and secured by a purchase money mortgage.

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Also, during the prior twenty-six week period, the Company acquired all the territorial franchise rights to the state of Minnesota and the existing franchise locations in Minnesota for $32.9 million and also acquired a franchise store in Florida for $6.4 million.

Financing Activities

Net cash provided in financing activities for the twenty-six weeks ended August 2, 2008 was $0.1 million compared to net cash provided by financing activities for the twenty-six weeks ended August 4, 2007 of $3.0 million.

During the twenty-six weeks ended August 2, 2008 and August 4, 2007, the Company repurchased 18,144 and 4,318 shares, respectively, in connection with employee tax withholding obligations under employee compensation plans, which are not purchases under any publicly announced plan.

The Company received proceeds in both periods from the issuance of common stock related to current and former employee option exercises and employee participation in its employee stock purchase plan. During the first six months of the current fiscal year, certain of the Company s current and former employees exercised an aggregate of 33,800 stock options at prices ranging from $0.5139 to $8.60. Also, during this period, the Company sold 16,340 shares of common stock during the March offering period under its employee stock purchase plan at a price of $7.91. The proceeds from these issuances of stock, exclusive of the tax benefit realized by the Company, amounted to approximately $0.2 million.

New Store Openings and Facility Expansions

The Company is planning a 7-8% increase in its selling square footage for fiscal 2008, which is expected to result from approximately 35-40 net new stores and 31-33 relocations and expansions of existing stores. The anticipated breakdown of net new stores by brand for fiscal 2008 is as follows: 17-20 Chico s stores and 18-20 WH|BM stores. During the first six months of the fiscal year, the Company opened 43 new stores, closed 6 stores and expanded or relocated 24 stores. The Company expects to open between 7 and 9 net additional stores in the third quarter, but anticipates no net new store openings (only net closures of approximately 7 to 9 stores) in the fourth quarter. The Company also expects to expand or relocate between 8 and 10 stores over the balance of the year.

Looking forward to fiscal 2009, the Company is currently investigating whether and to what extent it will increase the number of new stores beyond the current commitments of 10 or so Chico s and WH|BM new stores.

In fiscal 2006, the Company completed the purchase of approximately 22 acres of property adjacent to the Company s current headquarters in Fort Myers, Florida to serve as the base for expansion of the Company s corporate headquarters operations. The property includes seven existing buildings aggregating approximately 200,600 square feet of space, of which all leases expired or otherwise were terminated as of August 2, 2008. The Company will utilize the vacant space, which is likely to require modifications, for its expanding corporate headquarters needs. With respect to addressing the needs for additional distribution center space, the Company is evaluating its requirements and the appropriate timing to make additional distribution center capacity available, particularly in light of its recent decision to slow its new store growth until improvements in the economy and the Company s performance are achieved. Even with the scaled down growth plans, the Company s present goal is to begin design work in late fiscal 2008. It is currently anticipated that the Company will require additional distribution space in late fiscal 2009 or fiscal 2010 and, initially, the Company is focusing its evaluation on the expansion of its current distribution center on existing adjacent land that is already owned by the Company.

The Company is working with SAP, a third party vendor, to implement an enterprise resource planning system (ERP) to assist in managing its retail operations, beginning first with its Soma brand. This fully integrated system is expected to support and coordinate all aspects of product development, merchandising, finance and accounting and to be fully scalable to accommodate rapid growth. On February 4, 2007, the Company completed the first major phase of its multi-year, planned implementation of the new ERP system by converting its Soma brand to the new merchandising system as well as rolling out the new financial systems at the same time. The second major phase anticipates an initial roll out and utilization of this new system in each of its other brands beginning in early fiscal 2009 with completion anticipated in mid to late fiscal 2009. The third major phase contemplates on-going enhancements and optimization of the new ERP across all three brands, as well as the deployment of additional functionality across various other functions within the Company through fiscal 2009 and beyond. The Company expects that the costs associated with the implementation of the ERP system will be funded from the Company s existing cash and marketable securities balances.

Given the Company s existing cash and marketable securities balances, the Company does not believe that it will need to seek other sources of financing to conduct its operations or pursue its expansion plans even if cash flow from operations should prove to be less than anticipated or if there should arise a need for additional letter of credit capacity due to establishing new and expanded sources of supply, or if the Company were to increase the number of new stores planned to be opened in future periods.

Critical Accounting Policies and Estimates

The Company s discussion and analysis of its financial condition and results of operations are based upon the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The critical accounting matters that are particularly important to the portrayal of the Company s financial condition and results of operations and require some of management s most difficult, subjective and complex judgments are described in detail in the Company s Annual Report on Form 10-K for the fiscal year ended February 2, 2008. The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to customer product returns, inventories, income taxes, insurance reserves, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no material changes to the Company s critical accounting policies as disclosed in the Company s Annual Report on Form 10-K for the fiscal year ended February 2, 2008.

Inflation

The Company s operations are influenced by general economic conditions. Historically, inflation has not had a material effect on the results of operations. The Company believes that recent spikes in inflation, particularly in the energy and food sectors, have resulted in some decreased customer spending on the Company s merchandise.

Quarterly Results and Seasonality

The Company reports its sales on a monthly basis in line with other public companies in the women s apparel industry. The Company s quarterly results may fluctuate significantly depending on a number of factors including timing of new store openings, adverse weather conditions, the spring and fall fashion lines and shifts in the timing of certain holidays. In addition, the Company s periodic results can be directly and significantly impacted by the extent to which the Company s new merchandise offerings are accepted by its customers and by the timing of the introduction of such merchandise.

Certain Factors That May Affect Future Results

This Form 10-Q may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the current views of the Company with respect to certain events that could have an effect on the Company s future financial performance, including but without limitation, statements regarding future growth rates of the established Company store concepts and the roll out of the Soma concept. The statements may address items such as future sales, gross margin expectations, operating margin expectations, earnings per share expectations, planned store openings, closings and expansions, future comparable store sales, future product sourcing plans, inventory levels, planned marketing expenditures, planned capital expenditures and future cash needs. In addition, from time to time, the Company may issue press releases and other written communications, and representatives of the Company may make oral statements, which contain forward-looking information.

These statements, including those in this Form 10-Q and those in press releases or made orally, may include the words expects, believes, and similar expressions. Except for historical information, matters discussed in such oral and written statements, including this Form 10-Q, are forward-looking statements. These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from historical results or those currently anticipated. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and in Item 1A, Risk Factors of the Company s most recent Form 10-K filed with the Securities and Exchange Commission on March 28, 2008.

These potential risks and uncertainties include the financial strength of retailing in particular and the economy in general, the extent of financial difficulties that may be experienced by customers, the ability of the Company to secure and maintain customer acceptance of the Company s styles and store concepts, the propriety of inventory mix and sizing, the quality of merchandise received from vendors, the extent and nature of competition in the markets in which the Company operates, the extent of the market demand and overall level of spending for women s privately branded clothing and related accessories, the adequacy and perception of customer service, the ability to coordinate product development with buying and planning, the ability of the Company s suppliers to timely produce and deliver clothing and accessories, the changes in the costs of manufacturing, labor and advertising, the rate of new store openings, the buying public s acceptance of any of the Company s new store concepts, the performance, implementation and integration of management information systems, the ability to hire, train, motivate and retain qualified sales associates and other employees, the availability of quality store sites, the ability to expand headquarters, distribution center and other support facilities in an efficient and effective manner, the ability to hire and train qualified managerial employees, the ability to effectively and efficiently establish and operate its direct to consumer operations, the ability to secure and protect trademarks and other intellectual property rights, the ability to effectively and efficiently operate the Chico s, WH|BM, and Soma merchandise divisions, risks associated with terrorist activities, risks associated with natural disasters such as hurricanes and other risks. In addition, there are potential risks and uncertainties that are peculiar to the Company s reliance on sourcing from foreign vendors, including the impact of work stoppages, transportation delays and other interruptions, political or civil instability, imposition of and changes in tariffs and import and export controls such as import quotas, changes in governmental policies in or towards foreign countries, currency exchange rates and other similar factors.

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The forward-looking statements included herein are only made as of the date of this Quarterly Report on Form 10-Q. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Litigation

In the normal course of business, the Company is subject to proceedings, lawsuits and other claims including proceedings under laws and government regulations relating to labor, product, intellectual property and other matters, including the matters described in Item 1 of Part II of this Quarterly Report on Form 10-Q. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at August 2, 2008, cannot be ascertained. Although these matters could affect the operating results of any one quarter when resolved in future periods, and although there can be no assurance with respect thereto, management believes that, after final disposition, any monetary liability or financial impact to the Company would not be material to the annual consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk of the Company s financial instruments as of August 2, 2008 has not significantly changed since February 2, 2008. The Company is exposed to market risk from changes in interest rates on any future indebtedness and its marketable securities.

The Company s exposure to interest rate risk relates in part to its revolving line of credit with its bank; however, as of August 2, 2008, the Company did not have any outstanding borrowings on its line of credit and, given its liquidity position, does not expect to utilize its line of credit in the foreseeable future except for its continuing use of the letter of credit facility portion thereof.

The Company s investment portfolio is maintained in accordance with the Company s investment policy which identifies allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. The Company s investment portfolio consists of cash equivalents and marketable securities, including variable rate demand notes, which are highly liquid, variable rate municipal debt securities and municipal bonds. Although the variable rate municipal debt securities have long-term nominal maturity dates ranging from 2012 to 2047, the interest rates are reset, either daily, every 7 days or monthly. Despite the long-term nature of the variable rate demand notes, the Company has the ability to quickly liquidate these securities based on the Company s cash needs thereby creating a short-term instrument. Accordingly, the Company s investments are classified as available-for-sale securities. As of August 2 2008, an increase or decrease of 100 basis points in interest rates would have had an immaterial impact on the fair value of the marketable securities portfolio.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Company s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the Company s disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company s periodic SEC filings.

Changes in Internal Controls

There were no significant changes in the Company s internal controls or in other factors that could significantly affect the Company s disclosure controls and procedures subsequent to the date of the above referenced evaluation. Furthermore, there was no change in the Company s internal control over financial reporting or in other factors during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 9, 2007, the Company was served with a lawsuit in which it was named as defendant in a putative class action in the Superior Court for the State of California, County of Los Angeles, Linda Balint v. Chico s FAS, Inc. *et al*. The Complaint alleged that the Company, in violation of California law, failed to: (1) pay overtime wages, and (2) provide meal periods, among other claims. The Company timely filed its response to the Complaint. In October 2007, the parties participated in an early mediation of this matter and reached a settlement as a result of that mediation. In January 2008, the Court gave its preliminary approval of the settlement and notice of the settlement has been sent to all class members. Class members had until April 21, 2008 to partake in, opt out of, or object to the settlement. On May 20, 2008, the Court granted its final approval of the settlement. The Company made all required payments under the settlement. The Court was notified that administration of the settlement has been completed. The total settlement costs were not material to the Company s results of operations or financial condition.

The Company was named as defendant in a putative class action filed in June 2008 in the Superior Court for the State of California, County of San Diego, Michele L. Massey Haefner v. Chico s FAS, Inc. The Complaint alleges that the Company, in violation of California law, requested or required customers to provide personal information in conjunction with credit card transactions. The Company filed an answer denying the material allegations of the Complaint. The Company believes that the case is wholly without merit and, thus, does not believe that the case should have any material adverse effect on the Company s financial condition or results of operations.

The Company is not a party to any other legal proceedings, other than various claims and lawsuits arising in the normal course of business, none of which the Company believes should have a material adverse effect on its financial condition or results of operations.

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ITEM 1A. RISK FACTORS

In addition to the other information discussed in this report, the factors described in Part I, Item 1A., Risk Factors in the Company s 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2008 should be considered as they could materially affect the Company s business, financial condition or future results. There have not been any significant changes with respect to the risks described in our 2007 Form 10-K, but these are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may adversely affect the Company s business, financial condition or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information concerning purchases made by the Company of its common stock for the periods indicated (dollar amounts in thousands, except per share amounts):

Period	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Publicly Announced Plans
May 4, 2008 to May 31, 2008	265	$7.80		$
June 1, 2008 to July 5, 2008	3,567	$6.95		$
July 6, 2008 to August 2, 2008	529	$5.64		$
Total	4,361	$6.84		$

(a) Consists of 4,361 shares of restricted stock repurchased in connection with employee tax withholding obligations under employee compensation plans, which are not purchases under any publicly announced plan.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company was held June 26, 2008. There were 176,443,600 shares of common stock entitled to vote at the meeting. The following matters were voted upon:

a) Election of Directors:

	Votes For	Votes Withheld
Class III -Term Expiring in 2011		
John W. Burden III	87,278,933	72,727,350
David F. Walker	155,274,679	4,731,604
John J. Mahoney	155,618,864	4,387,419

The terms of offices of Scott A. Edmonds, Ross E. Roeder, Verna K. Gibson, Betsy S. Atkins, and David F. Dyer continued after the annual meeting.

b) Proposal to approve and ratify Amended and Restated Chico s FAS, Inc. 2002 Omnibus Stock and Incentive Plan:

Voting Results:	For the Proposal	74,119,621
	Against the Proposal	47,214,501
	Abstentions	537,004
	Broker Non-Vote	38,135,157

c) Proposal to ratify the appointment of Ernst & Young LLP as Independent Certified Public Accountants:

Voting Results:	For the Proposal	158,791,126
	Against the Proposal	1,034,954
	Abstentions	180,203

ITEM 6. EXHIBITS

(a) The following documents are filed as exhibits to this Quarterly Report on Form 10-Q (exhibits marked with an asterisk have been previously filed with the Commission as indicated and are incorporated herein by this reference):

Exhibit 10.1*	Second Amendment to Second Restated Revolving Credit Loan Agreement, dated as of July 28, 2008 (Filed as Exhibit 10.1 to the Company s Form 8-K, as filed with the Commission on August 1, 2008)
Exhibit 10.2*	Amended and Restated Chico s FAS, Inc. 2002 Omnibus Stock and Incentive Plan (Filed as Exhibit 10.1 to the Company s Form 8-K, as filed with the Commission on July 2, 2008)
Exhibit 10.3*	Indemnification Agreement with David F. Dyer (Filed as Exhibit 10.2 to the Company s Form 8-K, as filed with the Commission on July 25, 2008)
Exhibit 10.4*	Indemnification Agreement with John J. Mahoney (Filed as Exhibit 10.1 to the Company s Form 8-K, as filed with the Commission on July 25, 2008)
Exhibit 31.1	Chico s FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Chief Executive Officer
Exhibit 31.2	Chico s FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Chief Financial Officer
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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.

	CHICO S FAS, INC.	
Date: August 26, 2008	By:	/s/ Scott A. Edmonds
		Scott A. Edmonds Chairman, President and Chief Executive Officer (Principal Executive Officer)
Date: August 26, 2008	By:	/s/ Kent A. Kleeberger
		Kent A. Kleeberger Executive Vice President Chief Financial Officer and Treasurer (Principal Financial Officer)
Date: August 26, 2008	By:	/s/ Michael J. Kincaid
		Michael J. Kincaid Senior Vice President Finance, Chief Accounting Officer, and Assistant Secretary (Principal Accounting Officer)

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