

CHARLOTTE RUSSE HOLDING INC

Form 10-Q

May 11, 2001

Table of Contents

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 11, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE
QUARTERLY
PERIOD
ENDED
MARCH 31,
2001 []
TRANSITION
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE
SECURITIES
EXCHANGE
ACT OF 1934

COMMISSION FILE NUMBER 0-27677

CHARLOTTE RUSSE HOLDING, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation or Organization)

33-0724325
(I.R.S. Employer
Identification No.)

4645 MORENA BOULEVARD, SAN DIEGO, CA 92117
(Address, including Zip Code, of Registrant's Principal Executive Offices)

(858) 587-1500

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK, par value \$0.01 per share, number of shares outstanding as of May 1, 2001: 20,699,860 shares.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets as of March 31, 2001 (unaudited) and September 30, 2000

Consolidated Statements of Income (unaudited) for the three and six months ended March 31, 2001 and March 25, 2000

Consolidated Statements of Cash Flows (unaudited) for the three and six months ended March 31, 2001 and March 25, 2000

Notes to Consolidated Financial Statements (unaudited)

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 2. CHANGES IN SECURITIES

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Table of Contents

CHARLOTTE RUSSE HOLDING, INC. TABLE OF CONTENTS

**PAGE
NO.**

PART I. FINANCIAL INFORMATION

ITEM 1.
CONSOLIDATED
FINANCIAL
STATEMENTS

Consolidated
Balance Sheets as
of March 31,
2001(unaudited)
and September 30,
20002

Consolidated
Statements of
Income
(unaudited) for the
three and six
months ended
March 31, 2001 and
March 25, 20003

Consolidated
Statements of Cash
Flows
(unaudited) for the
three and six
months ended
March 31, 2001 and
March 25, 20004

Notes to
Consolidated
Financial
Statements
(unaudited)5 ITEM

2.
MANAGEMENT S
DISCUSSION
AND ANALYSIS
OF FINANCIAL
CONDITION AND
RESULTS OF
OPERATIONS6 ITEM

3.
QUANTITATIVE
AND
QUALITATIVE
DISCLOSURES
ABOUT MARKET
RISK10

**PART II. OTHER
INFORMATION**

ITEM 1. LEGAL
PROCEEDINGS10 ITEM

2. CHANGES IN

SECURITIES10 ITEM
 3. DEFAULTS
 UPON SENIOR
 SECURITIES10 ITEM
 4. SUBMISSION
 OF MATTERS TO
 A VOTE OF
 SECURITY
 HOLDERS10 ITEM
 5. OTHER
 INFORMATION11 ITEM
 6. EXHIBITS AND
 REPORTS ON
 FORM 8-K11

1

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2001	September 30, 2000
	(unaudited)	(audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$13,516,306	\$3,829,352
Inventories	17,868,733	15,026,508
Other current assets	2,370,472	2,115,376
Deferred tax assets	2,600,000	2,160,000
	<hr/>	<hr/>
Total current assets	36,355,511	23,131,236
Fixed assets, net	59,540,708	54,273,890
Goodwill, net	29,203,747	29,617,939
Other assets	1,426,824	1,482,345
	<hr/>	<hr/>
Total assets	\$126,526,790	\$108,505,410

**LIABILITIES AND
STOCKHOLDERS EQUITY**

Current liabilities:

Accounts payable trade
 \$18,578,902\$12,767,401

Accounts payable other
 629,7294,780,008

Accrued payroll and related expense
 2,274,9402,009,179

Income and sales taxes payable
 1,256,4643,494,327

Other current liabilities
 6,310,8704,705,033

Total current liabilities
 29,050,90527,755,948

Notes payable to bank

Deferred rent
 4,612,8613,677,480

Other liabilities
 250,023278,098

Deferred tax liabilities
 2,600,0002,300,000

Total liabilities
 36,513,78934,011,526

Commitments

Stockholders equity:

Preferred Stock \$0.01 par value,
 3,000,000 shares authorized, none
 issued and outstanding

Common Stock \$0.01 par value,
 100,000,000 shares authorized,
 issued and outstanding shares -
 20,656,260 at March 31, 2001 and
 20,319,412 at September 30, 2000
 206,563203,194

Additional paid-in capital
 38,015,96233,980,470

Deferred compensation
 (444,000)(516,000)

Retained earnings
 52,234,47640,826,220

Total stockholders equity
 90,013,00174,493,884

Total liabilities and stockholders
 equity
 \$126,526,790\$108,505,410

See accompanying notes.

2

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31, 2001	March 25, 2000	March 31, 2001	March 25, 2000
Net sales	\$64,037,474	\$47,267,889	\$157,080,175	\$110,198,977
Cost of goods sold, including buying, distribution and occupancy costs				
45,405,56033,648,362107,101,61175,271,444				
Gross profit	18,631,91413,619,52749,978,56434,927,533			
Selling, general and administrative expenses	13,172,5849,691,69230,743,07321,607,518			
Amortization of goodwill and other intangibles	223,842223,842447,684447,684			
Operating income	5,235,4883,703,99318,787,80712,872,331			
Other expenses:				
Interest income (expense), net	168,74454,627209,337(141,497)			
Other charges, net	(73,807)(62,500)(140,522)(127,762)			
Total other income (expense)	94,937(7,873)68,815(269,259)			

Income before income taxes and extraordinary item, net of income taxes

5,330,425 3,696,120 18,856,622 12,603,072

Income taxes

1,970,256 1,413,180 7,448,366 5,109,565

Income before extraordinary item

3,360,169 2,282,940 11,408,256 7,493,507

Extraordinary loss from early debt retirement

311,314

Net income

\$3,360,169 \$2,282,940 \$11,408,256 \$7,182,193

Basic earnings per share:

Income before extraordinary item

\$0.16 \$0.11 \$0.56 \$0.37

Net income

\$0.16 \$0.11 \$0.56 \$0.36

Diluted earnings per share:

Income before extraordinary item

\$0.14 \$0.10 \$0.49 \$0.33

Net income

\$0.14 \$0.10 \$0.49 \$0.32

Weighted average shares outstanding:

Basic
20,532,66220,136,98020,440,08519,906,199

Diluted
23,433,77022,958,42023,284,61722,770,058

See accompanying notes.

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

	Three Months Ended		Six Months Ended	
	March 31, 2001	March 25, 2000	March 31, 2001	March 25, 2000
Operating Activities				
Net income	\$3,360,169	\$2,282,940	\$11,408,256	\$7,182,193
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,513,502	1,841,563	4,886,827	3,589,193
Deferred rent	426,335	383,979	35,381	731,970
Amortization of deferred compensation	36,000	36,000	72,000	72,000
Loss on disposal of asset	216,856	216,856		
Extraordinary loss from early debt retirement		532,160		
Deferred income taxes	(250,000)	(140,000)		

Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form 10-Q

Changes in operating assets and liabilities:

Inventories	(5,394,135)	(3,324,905)	(2,842,225)	(1,485,954)
Other current assets	(251,850)	996,057	(255,096)	448,001
Accounts payable trade	5,312,716	2,829,277	5,811,501	175,286
Accounts payable other	(110,878)	1,543,844	(4,150,279)	(2,154,844)
Accrued payroll and related expense	(725,945)	773,507	265,760	(99,498)
Income and sales taxes payable	(6,351,237)	(3,772,231)	(619,476)	398,874
Other current liabilities	(2,347,668)	(3,532,559)	1,617,242	722,449
Other liabilities			119,097	15,390

Net cash (used in) provided by operating activities
(3,566,135) 176,569 17,206,747 10,702,220

Investing Activities

Other assets	(76,922)	(141,775)	11,102	(93,092)
Purchases of fixed assets	(2,828,411)	(3,428,284)	(9,911,891)	(9,482,056)

Net cash used in investing activities
(2,905,333) (3,570,059) (9,900,789) (9,575,148)

Financing Activities

Payments on capital leases	(19,911)	(103,394)	(39,478)	(210,776)
Payments on notes payable to bank and revolving credit facility			(19,000,000)	
Proceeds from notes payable to bank and revolving credit facility	700,000	1,700,000		
Repayments of notes receivable from officers			1,000,000	
Proceeds from issuance of common stock	2,206,050	2,420,474	13,533,500	

Net cash provided by (used in) financing activities
2,186,139 596,606 2,380,996 (2,977,276)

Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form 10-Q

Net (decrease) increase in cash and cash equivalents	(4,285,329)(2,796,884)9,686,954(1,850,204)
Cash and cash equivalents at beginning of the period	17,801,6353,928,7053,829,3522,982,025

Cash and cash equivalents at end of the period	\$13,516,306\$1,131,821\$13,516,306\$1,131,821
--	--

See accompanying notes.

4

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Statements

The accompanying unaudited consolidated financial statements of Charlotte Russe Holding, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States, for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures required by accounting principles generally accepted in the United States, for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, consisting of normal recurring accruals, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated, and have been prepared in a manner consistent with the audited financial statements as of September 30, 2000.

Due to the seasonal nature of the Company's business, the results of operations for the three and six-month periods ended March 31, 2001 are not necessarily indicative of the results of a full fiscal year.

These financial statements should be read in conjunction with the audited financial statements and the footnotes for the fiscal year ended September 30, 2000 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. Net Income Per Common Share

In accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share, the following table reconciles income and share amounts utilized to calculate basic and diluted net income per common share.

Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form 10-Q

	Three Months Ended		Six Months Ended	
	March 31, 2001	March 25, 2000	March 31, 2001	March 25, 2000
Income before extraordinary item	\$3,360,169	\$2,282,940	\$11,408,256	\$7,493,507
Net income	\$3,360,169	\$2,282,940	\$11,408,256	\$7,182,193
Income before extraordinary item per share:				
Basic	\$0.16	\$0.11	\$0.56	\$0.37
Effect of dilutive securities stock options	(0.01)	(0.02)	(0.01)	
Effect of dilutive securities warrants	(0.01)	(0.01)	(0.05)	(0.03)
Diluted	\$0.14	\$0.10	\$0.49	\$0.33
Net income:				
Basic	\$0.16	\$0.11	\$0.56	\$0.36
Effect of dilutive securities stock options	(0.01)	(0.02)	(0.01)	
Effect of dilutive securities warrants	(0.01)	(0.01)	(0.05)	(0.03)
Diluted	\$0.14	\$0.10	\$0.49	\$0.32
Weighted average number of shares:				
Basic	20,532,662	20,136,980	20,440,085	19,906,199
Effect of dilutive securities stock options	1,012,006	990,918	980,376	985,306
Effect of dilutive securities warrants	1,889,102	1,830,522	1,864,156	1,878,553

Diluted

23,433,77022,958,42023,284,61722,770,058

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.

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

Forward-Looking Statements

We have made statements in this Quarterly Report that are forward-looking statements. In some cases you can identify these statements by forward-looking words such as may, will, should, expects, plans, anticipates, believes, estimates, intends, predicts, future, potential, or continue, the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include, among other things, projections of our future financial performance, our anticipated growth strategies, anticipated trends in our business and consumer preferences especially with respect to the impact of economic weakness on consumer spending, as well as projections relating to our anticipated rate of new store openings, anticipated store opening costs, capital expenditures, inventory turnover rates and vendor delivery times. These statements are only predictions based on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed in our prospectus filed with the Securities and Exchange Commission on March 7, 2001.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report might not occur.

Table of Contents

Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Financial Statements and Notes thereto of the Company included elsewhere in this Form 10-Q. The following table sets forth our operating results, expressed as a percentage of net sales, and store information for

Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form 10-Q

the periods indicated. These operating results are not necessarily indicative of the results that may be expected for any future period.

	Three Months Ended		Six Months Ended	
	March 31, 2001	March 25, 2000	March 31, 2001	March 25, 2000
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold				
		70.971.268.268.3		
Gross profit		29.128.831.831.7		
Selling, general and administrative expenses		20.620.519.619.6		
Amortization of goodwill and other intangibles		0.30.50.20.4		
Operating income		8.27.812.011.7		
Interest income (expense), net		0.20.00.1(0.1)		
Other charges, net		(0.1)0.0(0.1)(0.1)		
Income before income taxes and extraordinary item		8.37.812.011.5		
Income taxes		3.13.04.74.7		
Income before extraordinary item		5.24.87.36.8		
Extraordinary loss from early debt retirement		0.00.00.00.3		
Net income		5.2%4.8%7.3%6.5%		

Number of stores open at end of period 156112156112

Three Months Ended March 31, 2001 Compared to Three Months Ended March 25, 2000

Net Sales. Our net sales increased to \$64.0 million from \$47.3 million, an increase of \$16.7 million or 35.5% over the same period last year. This increase is attributable primarily to \$14.4 million of net sales for the seven new stores opened during the three months ended March 31, 2001, as well as other stores opened in prior fiscal periods that did not qualify as comparable stores. Our comparable store sales increased by 5.4% and contributed \$2.3 million to the net sales increase during the three months ended March 31, 2001. The quarterly comparison of our net sales to last year's results was negatively impacted by a shift in the fiscal calendar caused by having taken an additional week of business in fiscal 2000. The calendar shift moved the week following Christmas, a higher than average sales period, out of the second quarter of fiscal 2001 which unfavorably impacted the quarterly net sales comparison.

Gross Profit. Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to \$18.6 million from \$13.6 million, an increase of \$5.0 million or 36.8% over the same period last year. This increase is the result of higher net sales and increased gross profit margin. As a percentage of net sales, gross profit increased to 29.1% from 28.8%. The increase as a percentage of net sales was principally due to higher initial mark-ups and lower markdowns partially offset by higher occupancy and freight expenses.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased to \$13.2 million from \$9.7 million, an increase of \$3.5 million or 35.9% over the same period last year. This increase is attributable to new store expansion and increased corporate expenses. As a percentage of net sales, selling, general and administrative expenses increased to 20.6% of sales from 20.5% primarily as a result of higher store operating expenses due, in part, to the calendar shift mentioned above, partially offset by lower marketing expenses.

Table of Contents

Amortization of Goodwill and Other Intangibles. Amortization of goodwill and other intangibles remained constant at \$0.2 million during these two periods.

Income Taxes. Our effective tax rate of 37.0% compares to an effective tax rate of 38.2% for the same period of the prior year. Our effective tax rate exceeds statutory tax rates due to non-deductible amortization of goodwill associated with the acquisition of the business in September 1996.

Net Income. Our net income for the three months ended March 31, 2001 increased to \$3.4 million from \$2.3 million, an increase of \$1.1 million or 47.2% over the same period last year. This increase was primarily due to an increase in

gross profit, an increase in interest income, and a \$0.3 million charge related to the early repayment of a secured bank credit facility in fiscal 2000, partially offset by an increase in selling, general and administrative expenses.

Six Months Ended March 31, 2001 Compared to Six Months Ended March 25, 2000

Net Sales. Our net sales increased to \$157.1 million from \$110.2 million, an increase of \$46.9 million or 42.5% over the same period last year. This increase is attributable primarily to \$42.4 million of net sales for the 22 new stores opened during the six months ended March 31, 2001, as well as other stores opened in prior fiscal periods that did not qualify as comparable stores. Our comparable store sales increased by 4.4% and contributed \$4.5 million to the net sales increase during the six months ended March 31, 2001.

Gross Profit. Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to \$50.0 million from \$34.9 million, an increase of \$15.1 million or 43.1% over the same period last year. This increase is the result of higher net sales and increased gross profit margin. As a percentage of net sales, gross profit increased to 31.8% from 31.7%. The increase as a percentage of net sales was principally due to higher initial mark-ups, and lower distribution and buying expenses, partially offset by higher freight, occupancy, and shrink expenses.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased to \$30.7 million from \$21.6 million, an increase of \$9.1 million or 42.3% over the same period last year. This increase is attributable to new store expansion and increased corporate expenses. As a percentage of sales, selling, general and administrative expenses are 19.6% of sales, which is consistent with the same period of the prior year.

Amortization of Goodwill and Other Intangibles. Our amortization of goodwill and other intangibles remained constant at \$0.4 million during these two periods.

Income Taxes. Our effective tax rate of 39.5% compares to an effective tax rate of 40.5% for the same period of the prior year. Our effective tax rate exceeds statutory tax rates due to non-deductible amortization of goodwill associated with the acquisition of the business in September 1996.

Net Income. Our net income for the six months ended March 31, 2001 increased to \$11.4 million from \$7.2 million, an increase of \$4.2 million or 58.8% over the same period last year. This increase was primarily due to an increase in gross profit, an increase in interest income, and a \$0.3 million charge related to the early repayment of a secured bank credit facility in fiscal 2000, partially offset by an increase in selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our capital requirements result primarily from capital expenditures related to new store openings. We have historically satisfied our cash requirements principally through cash flow from operations. At March 31, 2001, we had approximately \$13.5 million of cash and cash equivalents on hand. We had net working capital of approximately \$7.3 million.

Net cash provided by operations was \$17.2 million for the six months ended March 31, 2001 compared with \$10.7 million during the six months ended March 25, 2000. Cash flows from operating activities for the period were primarily generated by income from operations and changes in working capital account balances.

Net cash used in investing activities was \$9.9 million for the six months ended March 31, 2001 compared with \$9.6 million in the six months ended March 25, 2000. Cash used in investing activities primarily represents capital expenditures for store openings, store remodeling, and fixtures.

Table of Contents

In the six months ended March 31, 2001 and March 25, 2000, we opened 22 and 16 stores, respectively. During fiscal 2001, we plan to open at least 45 new Charlotte Russe and Rampage stores. We will also broaden the test of our Charlotte's Room concept, with three to eight locations planned for the current fiscal year. We anticipate that total capital expenditures during fiscal 2001 will approximate \$30.0 million. We plan to fund these expenditures with cash flows from operations and from borrowings under the \$15.0 million revolving credit facility, as may be required.

Net cash provided by financing activities was \$2.4 million for the six months ended March 31, 2001 compared with \$3.0 million of net cash used in financing activities for the six months ended March 25, 2000. Financing activities for the six months ended March 31, 2001 primarily represent net proceeds of \$1.8 million from the issuance of 100,000 shares of common stock in connection with our March 7, 2001 offering and the proceeds of stock option exercises.

We believe that cash generated from operations and funds available under our revolving credit facility will be sufficient to fund our store expansion program and working capital requirements for at least the next 12 months.

INFLATION

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented. There can be no assurance, however, that our business will not be affected by inflation in the future.

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks relate primarily to changes in interest rates. We borrow money, when necessary, on a revolving basis under our \$15.0 million revolving credit facility to fund capital expenditures and other working capital needs. Our revolving credit facility carries a variable interest rate pegged to market indices and, therefore, our statements of income and our cash flows may be impacted by changes in interest rates. As of March 31, 2001, there was no amount outstanding under the revolving credit facility.

Another component of interest rate risk involves the short-term investment of excess cash in short-term, investment-grade interest-bearing securities. These are considered to be cash equivalents and are shown that way on our balance sheets. Changes in interest rates affect the investment income we earn on our investments and, therefore, impact our cash flows and results of operations.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may be involved in litigation relating to claims arising out of its operations. As of the date of this filing, the Company is not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on the Company's business, financial condition or results of operations.

ITEM 2. CHANGES IN SECURITIES

UNREGISTERED SALES OF SECURITIES

None.

DIVIDENDS

We have never declared nor paid dividends on our common stock and we do not intend to pay any dividends on our common stock in the foreseeable future. We currently intend to retain earnings to finance future operations and expansions. Moreover, under the terms of our revolving credit facility, dividends, distributions and capital stock redemptions are restricted to \$5.0 million or less in any fiscal year, of which up to \$2.5 million may be cash dividends paid on a non-cumulative basis.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

An annual meeting of shareholders was held on February 13, 2001. The following directors were re-elected, each having received no less than 19,590,282 votes in favor or 98.8% of the votes cast:

Director

Paul R. Del Rossi
W. Thomas Gould
Allan W. Karp
David J. Oddi
Bernard Zeichner

The shareholders of the Company voted to increase the number of shares available under the 1999 Equity Incentive Plan.

18,430,545	1,388,395	12,686
For	Against	Withheld

Table of Contents

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits: None.
- (b) Reports on Form 8-K
No reports were filed on Form 8-K during the quarter for which this report is filed.

11

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on the 11th day of May, 2001.

CHARLOTTE RUSSE HOLDING, INC.

By: /s/ DANIEL T. CARTER

Daniel T. Carter
Executive Vice President and Chief
Financial Officer

12