CHARLOTTE RUSSE HOLDING INC
Form 10-Q
July 19, 2002

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 19, 2002

UNITED STATES 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 JUNE 29, 2002

/ / 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	**33-0724325**
(State or Other Jurisdiction of Incorporation or Organization)	(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 /X/ 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 July 18, 2002: 21,210,107 shares.

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CHARLOTTE RUSSE HOLDING, INC.

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

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CHARLOTTE RUSSE HOLDING, INC.
CONSOLIDATED BALANCE SHEETS

	June 29, 2002	September 29, 2001
	(unaudited)	(audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,141,593	$ 10,031,398
Inventories	28,985,152	23,536,420
Other current assets	3,496,148	2,560,153
Deferred tax assets	4,200,000	3,700,000
Total current assets	47,822,893	39,827,971
Fixed assets, net	90,740,171	77,350,576
Goodwill, net	28,790,000	28,790,000
Other assets	1,430,822	1,452,387
Total assets	$168,783,886	$147,420,934
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable trade	$ 22,921,411	$ 19,607,137
Accounts payable other	1,104,977	4,825,946
Accrued payroll and related expense	3,799,638	1,931,838
Income and sales taxes payable	1,707,233	5,091,687
Other current liabilities	8,035,735	5,928,411
Total current liabilities	37,568,994	37,385,019
Notes payable to bank		
Deferred rent	7,754,707	5,574,982
Other liabilities	193,882	269,470
Deferred tax liabilities	1,700,000	2,000,000
Total liabilities	47,217,583	45,229,471
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 21,210,107 at June 29, 2002 and 20,802,747 at September 29, 2001	212,101	208,028
Additional paid-in capital	42,715,203	40,038,464
Deferred compensation	(198,000)	(372,000)
Retained earnings	78,836,999	62,316,971
Total stockholders equity	121,566,303	102,191,463
Total liabilities and stockholders equity	$168,783,886	$147,420,934

See accompanying notes.

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CHARLOTTE RUSSE HOLDING, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 29, 2002	**June 30, 2001**	**June 29, 2002**	**June 30, 2001**
Net sales	$101,956,349	$78,405,523	$299,964,241	$235,485,698
Cost of goods sold, including buying, distribution and occupancy costs	74,060,688	55,410,915	216,947,189	162,512,528
Gross profit	27,895,661	22,994,608	83,017,052	72,973,170
Selling, general and administrative expenses	18,604,917	14,877,943	55,821,032	45,621,013
Amortization of goodwill		223,842		671,526
Operating income	9,290,744	7,892,823	27,196,020	26,680,631
Other income (expense):				
Interest income, net	13,335	114,995	97,050	324,331
Other charges, net	(62,500)	(91,892)	(211,056)	(232,414)
Total other income (expense)	(49,165)	23,103	(114,006)	91,917
Income before income taxes	9,241,579	7,915,926	27,082,014	26,772,548
Income taxes	3,604,217	3,126,790	10,561,986	10,575,156
Net income	$ 5,637,362	$ 4,789,136	$ 16,520,028	$ 16,197,392
Earnings per share:				
Basic	$ 0.27	$ 0.23	$ 0.79	$ 0.79
Diluted	$ 0.24	$ 0.20	$ 0.70	$ 0.69
Weighted average shares outstanding:				
Basic	21,193,883	20,718,658	20,989,745	20,530,928
Diluted	23,877,320	23,593,848	23,704,176	23,398,585

See accompanying notes.

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CHARLOTTE RUSSE HOLDING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 29, 2002	**June 30, 2001**	**June 29, 2002**	**June 30, 2001**
Operating Activities				
Net income	$ 5,637,362	$ 4,789,136	$ 16,520,028	$ 16,197,392
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	3,627,878	2,740,268	10,012,636	7,627,095
Deferred rent	791,256	535,165	2,179,725	1,470,546
Amortization of deferred compensation	27,000	36,000	81,000	108,000
Loss on disposal of asset	(1)	(13,147)	23,744	203,709
Deferred income taxes	(400,000)	(200,000)	(800,000)	(340,000)
Changes in operating assets and liabilities:				
Inventories	(3,798,016)	(3,382,267)	(5,448,732)	(6,224,492)
Other current assets	(574,339)	500,938	(935,995)	245,842
Accounts payable trade	(258,254)	81,868	3,314,274	5,893,369
Accounts payable other	(2,243,428)	91,070	(3,720,969)	(4,059,209)
Accrued payroll and related expense	1,130,373	1,023,107	1,867,800	1,288,868
Income and sales taxes payable	145,967	1,450,673	(1,265,084)	831,197
Other current liabilities	51,441	(1,023,298)	2,152,341	608,097
Other liabilities	14,999	12,076	(75,588)	(2,078)
Net cash provided by operating activities	4,152,238	6,641,589	23,905,180	23,848,336
Investing Activities				
Purchases of fixed assets	(4,297,825)	(11,433,921)	(23,359,348)	(21,345,812)
Other assets	(26,498)	(30,112)	(45,062)	(19,010)
Net cash used in investing activities	(4,324,323)	(11,464,033)	(23,404,410)	(21,364,822)
Financing Activities				
Payments on capital leases		(20,066)	(45,017)	(59,544)
Proceeds from notes payable to bank			11,000,000	6,300,000
Payments on notes payable to bank			(11,000,000)	(6,300,000)
Secondary stock offering costs	(450,000)		(450,000)	
Proceeds from issuance of common stock	231,446	319,700	1,104,442	2,740,174
Net cash provided by (used in) financing activities	(218,554)	299,634	609,425	2,680,630
Net increase (decrease) in cash and cash equivalents	(390,639)	(4,522,810)	1,110,195	5,164,144
Cash and cash equivalents at beginning of the period	11,532,232	13,516,306	10,031,398	3,829,352
Cash and cash equivalents at end of the period	$11,141,593	$ 8,993,496	$ 11,141,593	$ 8,993,496

See accompanying notes.

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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 29, 2001.

Due to the seasonal nature of the Company s business, the results of operations for the nine month period ended June 29, 2002 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 29, 2001 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 (SFAS) No. 128, *Earnings Per Share,* the following table reconciles income and share amounts utilized to calculate basic and diluted net income per common share.

	Three Months Ended		Nine Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net income	$ 5,637,362	$ 4,789,136	$16,520,028	$16,197,392
Earnings per share:				
Basic	$ 0.27	$ 0.23	$ 0.79	$ 0.79
Effect of dilutive stock options	(0.01)	(0.01)	(0.03)	(0.03)
Effect of dilutive warrants	(0.02)	(0.02)	(0.06)	(0.07)
Diluted	$ 0.24	$ 0.20	$ 0.70	$ 0.69
Weighted average number of shares:				
Basic	21,193,883	20,718,658	20,989,745	20,530,928
Effect of dilutive stock options	797,508	976,446	844,326	988,440
Effect of dilutive warrants	1,885,929	1,898,744	1,870,105	1,879,217
Diluted	23,877,320	23,593,848	23,704,176	23,398,585

3. Goodwill

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires business

combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadens the criteria for recording intangible assets apart from goodwill. Under SFAS No. 142, goodwill and intangible assets that have indefinite useful lives will no longer be amortized but will be tested at least annually for impairment. The goodwill test for impairment consists of a two-step process that begins with an estimation of the fair value of the reporting unit. The first step of the test is a screen for potential impairment and the second step measures the amount of impairment, if any. SFAS No. 142 requires an entity to complete the first step of the transitional goodwill impairment test within six months of adopting the Statement. The impairment test noted no impairment of the recorded goodwill.

The following table provides the Company s net income and net income per share had the non-amortization provisions of SFAS No. 142 been adopted for all periods presented after taking into account the related tax impact of the portion of expense that is tax deductible:

	Three Months Ended		Nine Months Ended	
	June 29, 2002	**June 30, 2001**	**June 29, 2002**	**June 30, 2001**
Net Income	$5,637,362	$4,789,136	$16,520,028	$16,197,392
Add back: goodwill amortization		223,842		671,526
Related income tax impact		(88,418)		(265,253)
Adjusted net income	$5,637,362	$4,924,560	$16,520,028	$16,603,665
Basic earnings per share	$ 0.27	$ 0.23	$ 0.79	$ 0.79
Add back: goodwill amortization, net of related income tax impact		0.01		0.02
Adjusted basic earnings per share	$ 0.27	$ 0.24	$ 0.79	$ 0.81
Diluted earnings per share	$ 0.24	$ 0.20	$ 0.70	$ 0.69
Add back: goodwill amortization, net of related income tax impact		0.01		0.03
Adjusted diluted earnings per share	$ 0.24	$ 0.21	$ 0.70	$ 0.72

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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, 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 the Company s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 13, 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.

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

	Three Months Ended		Nine Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	72.6	70.7	72.3	69.0
Gross profit	27.4	29.3	27.7	31.0
Selling, general and administrative expenses	18.3	19.0	18.6	19.4
Amortization of goodwill	0.0	0.3	0.0	0.3
Operating income	9.1	10.0	9.1	11.3
Interest income, net	0.0	0.1	0.0	0.1
Other charges, net	(0.1)	(0.1)	(0.1)	(0.0)
Income before income taxes	9.0	10.0	9.0	11.4
Income taxes	3.5	3.9	3.5	4.5
Net income	5.5%	6.1%	5.5%	6.9%
Number of stores open at end of period	236	177	236	177

Three Months Ended June 29, 2002 Compared to the Three Months Ended June 30, 2001

Net Sales. Our net sales increased to $102.0 million from $78.4 million, an increase of $23.6 million, or 30.0%, over the prior fiscal year. This increase reflects $23.8 million of additional net sales from the 12 new stores opened during the three months ended June 29, 2002, as well as other stores opened in prior fiscal periods that did not qualify as comparable stores. This increase was partially offset by a 0.3% decrease in our comparable store sales, which resulted in decreased sales of $0.2 million compared to the same period last

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year. Net sales during the three months ended June 29, 2002 were negatively affected by Easter occurring two weeks earlier than in the prior fiscal year.

Gross Profit. Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to $27.9 million from $23.0 million, an increase of $4.9 million, or 21.3%, over the same period last year. This increase was the result of higher net sales, offset in part by decreased gross profit margins. As a percentage of net sales, gross profit decreased to 27.4% from 29.3%. The decrease as a percentage of net sales was principally due to higher occupancy expenses, incremental fixed expenses associated with operations of the Ontario, California distribution center that opened during the current quarter, and higher shrinkage expenses.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased to $18.6 million from $14.9 million, an increase of $3.7 million, or 25.1%, over the same period last year. This increase was attributable to new store expansion and increased corporate expenses. As a percentage of net sales, selling, general and administrative expenses decreased to 18.3% from 19.0%, primarily due to the impact of leveraging corporate expenses over a higher sales base.

Amortization of Goodwill. Our amortization of goodwill was discontinued as of the first quarter of fiscal 2002; therefore, this expense decreased $0.2 million compared to the same period last year.

Income Taxes. Our effective tax rate of 39.0% approximates our statutory income tax rates.

Net Income. Our net income increased to $5.6 million from $4.8 million, an increase of $0.8 million, or 17.7%, from the same period last year. This increase was primarily due to the increase in gross profit being partially offset by an increase in selling, general and administrative expenses.

Nine Months Ended June 29, 2002 Compared to the Nine Months Ended June 30, 2001

Net Sales. Our net sales increased to $300.0 million from $235.5 million, an increase of $64.5 million, or 27.4%, over the same period last year. This increase reflects $76.4 million of additional net sales from the 48 new stores opened during the nine months ended June 29, 2002, as well as other stores opened in prior fiscal years that did not qualify as comparable stores. This increase was partially offset by a 5.6% decrease in our comparable store sales, which resulted in decreased sales of $11.9 million compared to the prior fiscal year.

Gross Profit. Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to $83.0 million from $73.0 million, an increase of $10.0 million, or 13.8%, over the same period last year. This increase was the result of higher net sales, offset in part by decreased gross profit margins. As a percentage of net sales, gross profit decreased to 27.7% from 31.0%. The decrease as a percentage of net sales was principally due to higher occupancy expenses, higher markdown expenses and incremental fixed expenses associated with operations of the Ontario, California distribution center.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased to $55.8 million from $45.6 million, an increase of $10.2 million, or 22.4%, over the same period last year. This increase was attributable to new store expansion, increased corporate expenses and higher marketing expenses. As a percentage of net sales, selling, general and administrative expenses decreased to 18.6% from 19.4%, primarily due to the impact of leveraging corporate expenses over a higher sales base.

Amortization of Goodwill. Our amortization of goodwill was discontinued as of the first quarter of fiscal 2002; therefore, this expense decreased $0.7 million compared to the same period last year.

Income Taxes. Our effective tax rate of 39.0% approximates our statutory income tax rates.

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Net Income. Our net income increased to $16.5 million from $16.2 million, an increase of $0.3 million, or 2.0%, over the same period last year. This increase was primarily due to the increase in gross profit being 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, although we have also used borrowings under our unsecured credit facility. Due to rapid turnover of inventory, we generate trade payables and other accrued liabilities sufficient to offset our working capital requirements, and this allows us to generally operate with negative working capital. As of June 29, 2002, we had net working capital of approximately $10.3 million which included cash and cash equivalents of $11.1 million.

Net cash provided by operations was $23.9 million for the nine months ended June 29, 2002 compared with $23.8 million during the nine months ended June 30, 2001. 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 $23.4 million for the nine months ended June 29, 2002 compared with $21.4 million during the nine months ended June 30, 2001. Cash used in investing activities related to new store openings, the upgrade of our information systems and other corporate expenditures, including the build-out of our Ontario, California distribution center during the nine months ended June 29, 2002.

In the nine months ended June 29, 2002 and June 30, 2001, we opened 48 and 43 new stores, respectively. During fiscal 2002, we plan to open approximately 60 new Charlotte Russe and Rampage stores. We also continue to test our Charlotte s Room concept, and we opened two additional stores during the first quarter of fiscal 2002. We anticipate that total capital expenditures during fiscal 2002 will approximate $32.0 million. We plan to fund these expenditures with cash flows from operations, available cash balances and funds available under our revolving credit facility.

Net cash provided by financing activities was $0.6 million for the nine months ended June 29, 2002 compared with $2.7 million during the nine months ended June 30, 2001. Financing activities primarily represent the proceeds of stock option exercises offset by costs associated with the secondary stock offering in May 2002.

We believe that cash flows from operations, our current cash balance and funds available under our revolving credit facility will be sufficient to meet our working capital needs and contemplated capital expenditure 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.

Accounting Pronouncement

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, which are effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual

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impairment tests in accordance with SFAS No. 142. Other intangible assets will continue to be amortized over their useful lives (see Note 3).

Critical Accounting Policies and Estimates

Management Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reported periods.

On an on-going basis, management evaluates its estimates and judgments regarding inventories, receivables, fixed assets, intangible assets, accrued liabilities, income taxes and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results from this evaluation form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, alternative estimates and judgments could be derived which would differ from the estimates being used by management. Actual results could differ from any or all of these estimates.

As a retailer of women s apparel and accessories, our financial statements are affected by several critical accounting policies, many of which affect management s use of estimates and judgments, as described in the Notes to the Consolidated Financial Statements. We sell merchandise directly to retail customers and recognize revenue at the point of sale. Customers have the right to return merchandise to us, and we maintain a reserve for the financial impact of returns, which occur subsequent to the current reporting period.

Our merchandise is initially offered for sale at a regular price, but is often marked down prior to the ultimate sale of all such units. We utilize the retail method of accounting for our inventory valuation that inherently reduces the inventories carrying value as markdowns are initiated. In addition, we maintain a reserve for the financial impact of markdowns that we believe are likely to be encountered in the future. If actual demand or market conditions are more or less favorable than those projected by management, the level of the reserve for future markdowns would be subject to change in subsequent reporting periods.

We have recorded a goodwill asset that arose from the acquisition of the business in September 1996. This asset is tested for possible impairment on at least an annual basis in accordance with SFAS No. 142, *Goodwill and Other Intangibles*. The carrying value of investments in our stores and other operations is reviewed for impairment on at least an annual basis in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of*. In prior years, we established reserves for stores which have been closed, and no other stores are contemplated for closure at this time. Should the business prospects for our company or its stores deteriorate, or if we decide not to continue to develop our Charlotte s Room concept, write downs of these assets might be required.

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 June 29, 2002, there was no amount outstanding under the revolving credit facility.

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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 expansion. Moreover, under the terms of the 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. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	Exhibits filed herewith:	None
(b)	Reports on Form 8-K:	The Company filed a current report on Form 8-K dated May 7, 2002, containing the Underwriting Agreement related to the public offering of 3,910,000 shares of the Company s common stock owned by certain affiliates of Saunders Karp & Megrue Partners, LLC.

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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 19th day of July, 2002.

CHARLOTTE RUSSE HOLDING, INC.

By: /s/ DANIEL T. CARTER

Daniel T. Carter
Executive Vice President and
Chief Financial Officer

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