PRICESMART INC
Form 10-K/A
July 11, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended August 31, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 000-22793

PRICESMART, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**33-0628530**
(State of other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

9740 SCRANTON RD, SAN DIEGO, CA 92121

(Address of principal executive offices, Zip Code)

Registrant s telephone number, including area code: (858) 404-8800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.0001 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the Registrant s voting stock held by non-affiliates of the Registrant as of February 28, 2007 was $164,073,460, based on the last reported sale of $14.54 per share on February 28, 2007.

As of November 23, 2007, a total of 29,358,211 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s Annual Report for the fiscal year ended August 31, 2007 are incorporated by reference into Part II of this Form 10-K.

Explanatory Note

This Amendment No. 2 is filed to amend the Annual Report on Form 10-K of PriceSmart, Inc. (PriceSmart or the Company) for the year ended August 31, 2007, originally filed on November 29, 2007, as amended by Amendment No. 1 thereto filed December 26, 2007 (as amended, the Original Filing), to expand or correct disclosures in the Original Filing as discussed below. The expanded or corrected disclosures are in response to comment letters dated February 28, 2008 and April 24, 2008 from the staff of the Division of Corporation Finance of the Securities and Exchange Commission (the SEC) in conjunction with the SEC s review of the Company s Original Filing. As disclosed in Part I, Item 1B of this Amended Filing, none of the staff s comments remain unresolved as of the date of this filing. The following items were amended:

Item 7: The Company has provided additional disclosure at pages 13 - 16 to discuss known material trends and uncertainties that will have, or are reasonably likely to have, a material impact on the Company s revenues or income or result in the Company s liquidity increasing or decreasing in any material way;

Item 11: The Company revised the disclosure at pages 34 - 43 to elaborate on how the Compensation Committee determines executive compensation levels and to summarize the information that is gathered by the Company s President and Chief Financial Officer and provided to the Compensation Committee;

Item 12: The Company inserted data in the Equity Compensation Plan Information table that was inadvertently omitted from the Original Filing;

Item 13: The Company provided additional disclosure at page 46 to describe its policies and procedures for review, approval or ratification of related-party transactions; and

Item 15: The Company revised the signature page to include the signature of John Heffner, the Company s principal financial officer and principal accounting officer.

Except as described above, no other changes have been made to the Original Filing. The Original Filing, as amended, continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events that occurred subsequent to the filing of the Original Filing. As part of the Amended Filing, Exhibits 31.1, 31.2 and 32.1, containing the certifications of our Chief Executive Officer and Chief Financial Officer, as well as Exhibit 23.1, containing the consent of our independent register public accounting firm, that were filed as exhibits to the Original Filing have been re-executed and re-filed as of the date of this Amended Filing.

PRICESMART, INC.

ANNUAL REPORT ON FORM 10-K FOR

THE YEAR ENDED AUGUST 31, 2007

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PART I

Item 1. Business

This Form 10-K contains forward-looking statements concerning PriceSmart, Inc. s (PriceSmart or the Company) anticipated future revenues and earnings, adequacy of future cash flow and related matters. These forward-looking statements include, but are not limited to, statements containing the words expect, believe, will, may, should, project, estimate, scheduled and like expressions, and the negative thereof. statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements, including foreign exchange risks, political or economic instability of host countries, and competition as well as those risks described in the Company s Securities and Exchange Commission reports, including the risk factors referenced in this Form 10-K. See Part I, Item 1A Risk Factors.

PriceSmart s business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. The number of warehouse clubs in operation, as of August 31, 2007 and 2006, the Company s ownership percentages and basis of presentation for financial reporting purposes by each country or territory are as follows:

Country/Territory	Number of Warehouse Clubs in Operation (as of August 31, 2007)	Number of Warehouse Clubs in Operation (as of August 31, 2006)	Ownership (as of August 31, 2007)	Basis of Presentation
Panama	4	4	100%	Consolidated
Costa Rica	4	4	100%	Consolidated
Dominican Republic	2	2	100%	Consolidated
Guatemala	2	2	100%	Consolidated
El Salvador	2	2	100%	Consolidated
Honduras	2	2	100%	Consolidated
Trinidad	2	2	95%	Consolidated
Aruba	1	1	90%	Consolidated
Barbados	1	1	100%	Consolidated
U.S. Virgin Islands	1	1	100%	Consolidated
Jamaica	1	1	100%	Consolidated
Nicaragua	1	1	51%	Consolidated
Totals	23	23		

During fiscal year 2006, the Company purchased land in Honduras for the construction of a warehouse club. The Company completed construction and relocated its San Pedro Sula, Honduras warehouse club to this new site, which is also located in San Pedro Sula. The opening at the new site took place on November 4, 2006 (fiscal year 2007). During fiscal year 2007, the Company purchased land in Guatemala and Trinidad, where it plans to complete construction and open new warehouse clubs in November and December 2007 (fiscal year 2008), respectively.

On November 18, 2005 (fiscal year 2006), the Company opened its fourth warehouse club in Costa Rica. Also during fiscal year 2006, the Company acquired the 32.5% of minority interests in PriceSmart Jamaica, increasing the Company s ownership to 100%. In addition, the Company acquired an additional 5% interest in its PriceSmart Trinidad subsidiary, increasing its ownership to 95% from 90%.

On August 28, 2007, Grupo Gigante S.A. de C.V. agreed to purchase all 164,046 shares held by PriceSmart, Inc. in PSMT Mexico for $2.0 million, thereby allowing Grupo Gigante S.A. de C.V. to assume 100% control and ownership of PSMT Mexico. PSMT Mexico, S.A. de C.V. is a 50/50 joint venture of PriceSmart and Grupo Gigante S.A. de C.V. which operated three membership warehouse clubs in Mexico until February 28, 2005. The sale of the shares was finalized on October 31, 2007. At the end of August 2007 and 2006, the total number of consolidated warehouse clubs in operation was 23 operating in 11 countries and one U.S. territory. The average age of the 23 warehouse clubs included in continuing operations was 80 months and 68 months as of the end of fiscal year 2007 and fiscal year 2006, respectively.

In addition to the warehouse clubs operated directly by the Company or through joint ventures, there is one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earns a royalty fee. During the second quarter of fiscal year 2005, the Company terminated the license agreement with its China licensee, under which such licensee previously operated 11 warehouse clubs. No licensing revenue has been recorded with respect to the China licensee in the past three fiscal years.

International Warehouse Club Business

The Company owns and operates U.S.-style membership shopping warehouse clubs through majority or wholly owned ventures operating in Central America and the Caribbean using the trade name PriceSmart. In addition, there is one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earns a royalty fee. The warehouse clubs sell basic consumer goods to individuals and businesses, sales are typically comprised of approximately 50% U.S.-sourced merchandise and approximately 50% locally sourced merchandise, with an emphasis on quality and low prices. By offering low prices on brand name and private label merchandise, the warehouse clubs seek to generate sufficient sales volumes to operate profitably at relatively low gross profit margins. The typical no-frills warehouse club-type buildings range in size from 48,000 to 72,000 square feet and are located primarily in urban areas to take advantage of dense populations and relatively higher levels of disposable income. Product selection includes perishable foods and basic consumer products. Ancillary services include food services, bakery, tire centers, and photo centers. The shopping format includes an average annual membership fee of approximately $25.

Business Strategy

PriceSmart s mission is to efficiently operate U.S.-style membership warehouse clubs in Central America and the Caribbean that sell high quality merchandise at low prices to PriceSmart members and that provide fair wages and benefits to PriceSmart employees, as well as a fair return to PriceSmart stockholders. The Company delivers U.S. brand-name and locally sourced products to its small business and consumer members in a warehouse club format that provides high value to its members. By focusing on providing exceptional value on quality merchandise in a low cost operating environment, the Company seeks to grow sales volume and membership which in turn will allow for further efficiencies, resulting in price reductions and improved value to our members.

Membership Policy

PriceSmart believes that membership reinforces customer loyalty. In addition, membership fees provide a continuing source of revenue, which allows us to continue lowering prices for the members. PriceSmart has two types of members: Business and Diamond (individual).

Business owners and managers qualify for Business membership. PriceSmart promotes Business membership through its merchandise selection and its marketing programs primarily targeting small businesses like restaurants, hotels and convenience stores. Business members pay an annual membership fee of approximately $25 for a primary and spouse membership card and approximately $10 for additional add-on membership cards. Diamond (individual) members pay an annual membership fee of approximately $20 and approximately $10 for an add-on membership card.

The Company recognizes membership fee revenues over the term of the membership, which is 12 months. Deferred membership income is presented separately on the balance sheet and totaled $6.6 million and $5.8 million as of August 31, 2007 and 2006, respectively. PriceSmart s membership agreements contain an explicit right to refund if its customers are dissatisfied with their membership. The Company s historical rate of membership fee refunds has been approximately 0.5% of membership income.

Expansion Plans

In the past, the Company rapidly expanded into new countries and markets as part of its strategy to gain volume buying benefits and to move quickly into underserved areas. The Company is currently focusing its management attention on improving the operations of its current locations and believes that its existing portfolio provides the opportunity for improved sales and profitability. However, the Company continues to evaluate various options for expansion, particularly in the countries in which it has already established a strong market presence. In that regard, the Company currently plans to complete construction and open new warehouse clubs in Trinidad and Guatemala early in fiscal year 2008, which would bring to three the total number of warehouse clubs in both Guatemala and Trinidad.

Warehouse Club Closings and Asset Impairment

During fiscal year 2005, the Company recorded $11.4 million in asset impairment and closure costs related to the closed warehouse clubs in Guatemala and Dominican Republic, and an impairment charge for the U.S. Virgin Islands warehouse club operation.

As of August 31, 2005, the Company had signed a sub-lease agreement with a sub-tenant for the closed warehouse club in Guatemala, and began marketing the closed warehouse club location in East Santo Domingo, Dominican Republic for an amount that was consistent with the carrying value of the asset.

During fiscal year 2006, the Company recorded $1.8 million in asset impairment and closure costs, which were primarily due to the write-down of two real estate assets of the Company, one in Honduras and one in the Dominican Republic. The Company s original San Pedro Sula, Honduras location was vacated and the operation was relocated to a new site which was acquired during the fiscal year 2006 in another section of the city. The charge in the Dominican Republic relates to the previously closed warehouse club in East Santo Domingo.

During fiscal year 2007, the Company recorded $1.6 million in asset impairment and closure costs. These were primarily due to the write down of the vacated San Pedro Sula, Honduras location and the loss on the sale of the East Santo Domingo, Dominican Republic location. In addition there were closure costs recorded in Guatemala for the closed Plaza warehouse, and closure costs in the Dominican Republic and Honduras incurred in operating and preparing the respective properties for sale. In September 2007, the Company finalized the sale of the vacated San Pedro Sula, Honduras location at the net impaired value of the asset.

Discontinued Operations

With the disposition of the Company s interest in PSMT Philippines, Inc., this entity, as well as the Company s Guam operation, which was closed on December 24, 2003, qualify for treatment as discontinued operations in the Company s consolidated financial statements. The prior periods have been reclassified for comparative purposes.

International Licensee Business

The Company had one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people at the end of fiscal year 2007, through which the Company receives royalties.

Intellectual Property Rights

It is the Company s policy to obtain appropriate proprietary rights protection for trademarks by filing applications for registrable marks with the U.S. Patent and Trademark Office, and in certain foreign countries. In addition, the Company relies on copyright and trade secret laws to protect its proprietary rights. The Company attempts to protect its trade secrets and other proprietary information through agreements with its joint ventures, employees, consultants and suppliers and other similar measures. There can be no assurance, however, that the Company will be successful in protecting its proprietary rights. While management believes that the Company s trademarks, copyrights and other proprietary know-how have significant value, changing technology and the competitive marketplace make the Company s future success dependent principally upon its employees technical competence and creative skills for continuing innovation.

There can be no assurance that third parties will not assert claims against the Company with respect to existing and future trademarks, trade names, domain names, sales techniques or other intellectual property matters. In the event of litigation to determine the validity of any third-party s claims, such litigation could result in significant expense to the Company and divert the efforts of the Company s management, whether or not such litigation is concluded in favor of the Company.

While the Company has registered under various classifications the mark PriceSmart in several countries, certain registration applications remain pending; because of objections by one or more parties, there can be no assurance that the Company will obtain all such registrations or that the Company has proprietary rights to the marks.

In August 1999, the Company and Associated Wholesale Grocers, Inc. (AWG) entered into an agreement regarding the trademark PriceSmart and related marks containing the name PriceSmart. The Company agreed not to use the PriceSmart mark or any related marks containing the name PriceSmart in connection with the sale or offer for sale of any goods or services within AWG s territory of operations, including the following ten states: Kansas, Missouri, Arkansas, Oklahoma, Nebraska, Iowa, Texas, Illinois, Tennessee and Kentucky. The Company, however, may use the mark PriceSmart or any mark containing the name PriceSmart on the internet or any other global computer network whether within or outside such territory, and in any national advertising campaign that cannot reasonably exclude the territory, and the Company may use the mark in connection with various travel services. AWG has agreed not to oppose any trademark applications filed by the Company for registration of the mark PriceSmart or related marks containing the name PriceSmart, and AWG has further agreed not to bring any action for trademark infringement against the Company based upon the Company s use outside the territory (or with respect to the permitted uses inside the territory) of the mark PriceSmart or related marks containing the name PriceSmart.

Employees

As of August 31, 2007, the Company and its consolidated subsidiaries had a total of 3,434 employees. Approximately 94% of the Company s employees were employed outside of the United States.

Seasonality

Historically, the Company s merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, the Company s operating results fluctuate quarter-to-quarter as a result of economic and political events in markets served by the Company, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that the Company s future results will be consistent with past results or the projections of securities analysts.

Item 1A. Risk Factors

In evaluating our business, you should consider the following discussion of risk factors, in addition to other information contained in this report as well as our other public filings with the Securities and Exchange Commission.

The Company s financial performance is dependent on international operations, which exposes it to various risks. The Company s international operations account for nearly all of the Company s total sales. The Company s financial performance is subject to risks inherent in operating and expanding the Company s international membership business, which include: (i) changes in and interpretation of tariff and tax laws and regulations, as well as inconsistent enforcement of laws and regulations, (ii) the imposition of foreign and domestic governmental controls, (iii) trade restrictions, (iv) greater difficulty and costs associated with international sales and the administration of an international merchandising business, (v) thefts and other crimes, (vi) limitations on U.S. company ownership in certain foreign countries, (vii) product registration, permitting and regulatory compliance, (viii) volatility in foreign currency exchange rates, (ix) the financial and other capabilities of the Company s joint venturers and licensees, and (x) general political as well as economic and business conditions.

Any failure by the Company to manage its widely dispersed operations could adversely affect the Company s business. As of August 31, 2007, the Company had in operation 23 consolidated warehouse clubs in 11 countries and one U.S. territory (four in Panama; four in Costa Rica; two each in the Dominican Republic, Guatemala, El Salvador, Honduras and Trinidad; and one each in Aruba, Barbados, Jamaica, Nicaragua and the United States Virgin Islands). The success of the Company s business will depend to a significant degree on the Company s ability to (i) efficiently operate warehouse clubs on a profitable basis and (ii) maintain positive comparable warehouse club sales growth in the applicable markets. In addition, the Company will need to continually evaluate the adequacy of the Company s existing personnel, systems and procedures, including warehouse management and financial and inventory control. Moreover, the Company will be required to continually analyze the sufficiency of the Company s inventory distribution channels and systems and may require additional facilities in order to support the Company s operations. The Company may not adequately anticipate all the changing demands that will be imposed on these systems. An inability or failure to retain effective warehouse personnel or to update the Company s internal systems or procedures as required could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company faces significant competition. The Company s international merchandising businesses compete with exporters, wholesalers, local retailers and trading companies in various international markets. Some of the Company s competitors may have greater resources, buying power and name recognition. There can be no assurance that additional competitors will not decide to enter the markets in which the Company operates or that the Company s existing competitors will not compete more effectively against the Company. The Company may be required to implement price reductions in order to remain competitive should any of the Company s competitors reduce prices in any of the Company s markets. Moreover, the Company s ability to operate profitably in its markets, particularly small markets, may be adversely affected by the existence or entry of competing warehouse clubs or discount retailers.

The Company faces difficulties in the shipment of and inherent risks in the importation of merchandise to its warehouse clubs. The Company s warehouse clubs typically import half or more of the merchandise that they sell, which originates from various countries and is transported over great distances, typically over water, which results in: (i) substantial lead times needed between the procurement and delivery of product, thus complicating merchandising and inventory control methods, (ii) the possible loss of product due to theft or potential damage to, or destruction of, ships or containers delivering goods, (iii) product markdowns as a result of it being cost prohibitive to return merchandise upon importation, (iv) product registration, tariffs, customs and shipping regulation issues in the locations the Company ships to and from, and (v) substantial ocean freight and duty costs. Moreover, each country in which the Company operates has different governmental rules and regulations regarding the importation of foreign products. Changes to the rules and regulations governing the importation of merchandise may result in additional delays, costs or barriers in the Company s deliveries of products to its warehouse clubs or product it selects to import. For example, several of the countries in which the Company s warehouse clubs are located have imposed restrictions on the importation of some U.S. beef products because of concerns about Bovine Spongiform Encephalopathy (BSE), commonly referred to as mad cow disease. As a result of these restrictions, the sales of U.S. beef products may be impaired for the duration of these restrictions and may continue following the lifting of these restrictions because of perceptions about the safety of U.S. beef among people living in these countries. In addition, only a limited number of transportation companies service the Company s regions. The inability or failure of one or more key transportation companies to provide transportation services to the Company, any collusion among the transportation companies regarding shipping prices or terms, changes in the regulations that govern shipping tariffs or the importation of products, or any other disruption in the Company s ability to transport the Company s merchandise could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company is exposed to weather and other risks associated with international operations. The Company s operations are subject to the volatile weather conditions and natural disasters such as earthquakes and hurricanes, which are encountered in the regions in which the Company s warehouse clubs are located and which could result in significant damage to, or destruction of, or temporary closure of, the Company s warehouse clubs. For example, during September 2004, while no damage was sustained from the multiple hurricanes in the Caribbean, a total of eight days of sales were lost due to selected warehouse club closures resulting from heavy rains, local flooding and government advisories to stay off the roads. Losses from business interruption may not be adequately compensated by insurance and could have a material adverse effect on the Company s business, financial condition and results of operations.

Declines in the economies of the countries in which the Company operates its warehouse clubs would harm its business. The success of the Company s operations depends to a significant extent on a number of factors that affect discretionary consumer spending, including employment rates, business conditions, consumer spending patterns and customer preferences and other economic factors in each of the Company s foreign markets. Adverse changes in these factors, and the resulting adverse impact on discretionary consumer spending, would affect the Company s growth, sales and profitability. In addition, a significant decline in these economies may lead to increased governmental ownership or regulation of the economy, higher interest rates, increased barriers to entry such as higher tariffs and taxes, and reduced demand for goods manufactured in the United States. Any general instability in the national or regional economies of the foreign countries, in which the Company currently operates, could have a material adverse effect on the Company s business, financial condition and results of operations.

A few of the Company s stockholders have control over the Company s voting stock, which will make it difficult to complete some corporate transactions without their support and may prevent a change in control. On October 31, 2007, a group comprised of Robert E. Price, who is the Company s Chairman of the Board and Chief Executive Officer, Jose Luis Laparte, the Company s President, Sol Price, a significant stockholder of the Company and father of Robert E. Price, and Jack McGrory, Murray Galinson, and Keene Wolcott, members of our Board of Directors, and affiliates of these individuals, including Price Charities, and The Price Group, LLC filed an amended Schedule 13D reporting their collective ownership of approximately 51% of the Company s outstanding shares of common stock and stating their intention to act as a group with respect to voting of the Company s common stock. Because the group beneficially owns, in the aggregate, more than 50.0% of the Company s common stock, PriceSmart is a controlled company within the meaning of Nasdaq Marketplace Rule 4350(c)(5). As a result of their beneficial ownership, these stockholders have the ability to control the outcome of all matters submitted to the Company s stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of the Company s common stock by potential investors and could have an anti-takeover effect, possibly depressing the trading price of the Company s common stock.

The loss of key personnel could harm the Company s business. The Company depends to a large extent on the performance of its senior management team and other key employees, such as U.S. expatriates in certain locations where the Company operates, for strategic business direction. The loss of the services of any members of the Company s senior management or other key employees could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company is subject to volatility in foreign currency exchange rates. The Company, primarily through majority or wholly owned subsidiaries, conducts operations in Central America and the Caribbean, and as such is subject to both economic and political instabilities that cause volatility in foreign currency exchange rates or weak economic conditions. As of August 31, 2007, the Company had a total of 23 consolidated warehouse clubs operating in 11 foreign countries and one U.S. territory, 16 of which operate under currencies other than the U.S. dollar. For fiscal year 2007, approximately 78% of the Company s net warehouse club sales were in foreign currencies. Also, as of August 31, 2007, the Company had a 50/50 joint venture accounted for under the equity method of accounting, which operates under the Mexican Peso. The Company may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net warehouse sales denominated in foreign currencies.

Foreign currencies in most of the countries where the Company operates have historically devalued against the U.S. dollar and are expected to continue to devalue. For example, the Dominican Republic experienced a net currency devaluation of 81% between the end of fiscal year 2002 and the end of fiscal year 2003 and 13% (significantly higher at certain points of the year) between the end of fiscal year 2003 and the end of fiscal year 2004. Foreign exchange transaction gains (losses), including repatriation of funds, which are included as part of the costs of goods sold in the consolidated statement of operations, for fiscal years 2007, 2006 and 2005 were approximately $5,000, $(1.5) million and $551,000, respectively.

The Company faces the risk of exposure to product liability claims, a product recall and adverse publicity. The Company markets and distributes products, including meat, dairy and other food products, from third-party suppliers, which exposes the Company to the risk of product liability claims, a product recall and adverse publicity. The Company may inadvertently redistribute food products that are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at the foodservice or consumer level. The Company generally seeks contractual indemnification and insurance coverage from its major suppliers. However, if the Company does not have adequate insurance or contractual indemnification available, product liability claims relating to products that are contaminated or otherwise harmful could have a material adverse effect on the Company s ability to successfully market its products and on the Company s business, financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding a product recall or any assertion that the Company s products caused illness or injury could have a material adverse effect on the Company s reputation with existing and potential customers and on the Company s business, financial condition and results of operations.

Potential future impairments under Financial Accounting Standards Board Statement of Financial Accounting Standard No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets could adversely affect the Company s future results of operations and financial position. In accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets are assessed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be measured and recognized if the sum of the expected future discounted cash flows is less than the carrying amount of the asset. If the carrying amount of the asset were determined to be impaired, an impairment loss to write-down the carrying value of the asset to fair value by using quoted market prices, when available, would be required. When a quoted market price is not available, an estimated fair value would be determined through other valuation techniques. The Company has used projected cash flows discounted to reflect the expected commercial, competitive and other factors related to its long-lived assets and comparisons to similar asset sales and valuations by others to estimate the fair value of its intangible assets. These future tests may result in a determination that these assets have been impaired. If at any time the Company determines that an impairment has occurred, it will be required to reflect the impaired value as a charge, resulting in a reduction in earnings in the quarter such impairment is identified and a corresponding reduction in our net asset value. For example, the Company was required to take an impairment charge pursuant to SFAS No. 144 on the old San Pedro Sula, Honduras warehouse site in fiscal year 2007 of approximately $897,000. This was due to the revised fair valuation of the land and building as a result of the disposal agreement. In addition the Company recorded $2.6 million impairment charge related to the write down of the Company s interest in its Mexico joint venture as a result of the disposal agreement.

In fiscal year 2006, the Company was required to take an impairment charge pursuant to SFAS 144 of $1.6 million for its Honduras warehouse club operation, which was due to the intended relocation in November 2006 from the original San Pedro Sula location to a new site acquired during 2006 in another section of the city, and for the closed warehouse club operations in the Dominican Republic. In fiscal year 2005 the Company was required to take an impairment charge pursuant to SFAS 144 of $10.4 million in fiscal year 2005 for its U.S. Virgin Island warehouse club operation and for closed warehouse club operations in Guatemala and Dominican Republic, as well as $1.1 million and $3.1 million related to the write down of the Company s interest in its Mexico joint venture in fiscal years 2005 and 2004, respectively. A material reduction in earnings resulting from such a charge could cause the Company to fail to be profitable in the period in which the charge is taken or otherwise to fail to meet the expectations of investors and securities analysts, which could cause the price of the Company s stock to decline.

Write-offs pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standard No. 142 (SFAS 142), Goodwill and Other Intangible Assets could adversely affect the Company s future results of operations and financial position. Under statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets, goodwill and intangible assets deemed to have indefinite lives are not amortized but instead are subject to annual impairment tests in accordance with the Statement. As of August 31, 2007, the Company had goodwill of approximately $31.7 million, net of accumulated amortization originating prior to the adoption of SFAS 142. The Company performed its impairment test on goodwill as of August 31, 2007 and August 31, 2006, and no impairment losses were recorded. In the future, the Company will test for impairment at least annually. Such tests may result in a determination that these assets have been impaired. If at any time the Company determines that an impairment has occurred, the Company will be required to reflect the impaired value as a part of operating income, resulting in a reduction in earnings in the period such impairment is identified and a corresponding reduction in the Company s net asset value. A material reduction in earnings resulting from such a charge could cause the Company to fail to be profitable or increase the amount of its net loss in the period in which the charge is taken or otherwise to fail to meet the expectations of investors and securities analysts, which could cause the price of the Company s stock to decline.

The Company faces increased compliance risks associated with compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Like many smaller public companies, the Company faces a significant impact from required compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires management of public companies to evaluate, and the independent auditors to attest to the effectiveness of internal control over financial reporting and the evaluation performed by management. The Securities and Exchange Commission has adopted rules implementing Section 404 for public companies as well as disclosure requirements. The Public Company Accounting Oversight Board, or PCAOB, has adopted documentation and attestation standards that the independent auditors must follow in conducting its attestation under Section 404.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our asset; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Any failure to effectively implement new or improved internal controls, or to resolve difficulties encountered in their implementation, could harm the Company s operating results, cause it to fail to meet reporting obligations, result in management being required to give a qualified assessment of the Company s internal controls over financial reporting or the Company s independent auditors providing an adverse opinion regarding their attestation of the effectiveness of the Company s internal controls over financial reporting. Any such result could cause investors to lose confidence in the Company s reported financial information, which could have a material adverse effect on the Company s stock price.

If remediation costs or hazardous substance contamination levels at certain properties for which the Company maintains financial responsibility exceed management s current expectations, the Company s financial condition and results of operations could be adversely impacted. In connection with its spin-off from Price Enterprises, Inc. (PEI) in 1997, the Company agreed to indemnify PEI for all of PEI s liabilities (including indemnification obligations for environmental liabilities) arising out of PEI s prior ownership of certain properties. The Company s ownership of real properties and its agreement to indemnify PEI could subject it to certain environmental liabilities. Certain of these properties are located in areas of current or former industrial activity, where environmental contamination may have occurred. For example, PEI sold an unimproved, 12.9-acre site located in Meadowlands, New Jersey in August 1995. A prior owner used this site as a debris disposal area. Elevated levels of heavy metals (including a small area contaminated with polychlorinated biphenyl) and petroleum hydrocarbons are present in soil at the Meadowlands site. To date, the Company has not been advised that PEI has been notified by any governmental authority, and is not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with the Meadowlands site. Nevertheless, PEI s previous ownership of the Meadowlands site creates the potential of liability for remediation costs associated with groundwater beneath the site. The Company also retains certain environmental indemnification obligations with respect to a parcel of land in Silver City, New Mexico, which PEI sold in March 1996 but agreed to retain responsibility for certain environmental matters. This site contains petroleum hydrocarbons in the soil and groundwater. There are no known receptors (groundwater users) down gradient of the Silver City site and the extent of soil and groundwater contamination is limited. The Company is continuing to monitor the soil and groundwater at this property under supervision of local authorities. If the Company were to incur costs for remediating contamination at the Meadowlands or Silver City sites (or any other site for which the Company maintains environmental responsibility) which exceed management s current expectations, the Company s financial condition and results of operations could be adversely impacted.

Available Information

The PriceSmart, Inc. website or internet address is www.pricesmart.com. On this website the Company makes available, free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after electronically filing such material with or furnishing it to the Securities and Exchange Commission (SEC). The Company s SEC reports can be accessed through the investor relations section of its website under SEC Filings. All of the Company s filings with the SEC may also be obtained at the SEC s Public Reference Room at Room 1580, 100 F Street NE, Washington, DC 20549. For information regarding the operation of the SEC s Public Reference Room, please contact the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At August 31, 2007, PriceSmart operated twenty-three membership warehouse clubs and construction is underway for the opening of two additional warehouse clubs:

Number of warehouse clubs	Own land and building	Lease land and/ or building	Warehouse expected openings	Total
CENTRAL AMERICA				
Panama	3	1		4
Guatemala[1]		2	1	3
Costa Rica	4			4
El Salvador	2			2
Honduras[2]	1	1		2
Nicaragua	1			1
CARIBBEAN				
Dominican Republic	2			2
Aruba		1		1
Barbados[5]		1		1
Trinidad[1]	1	1	1	3
U.S. Virgin Islands		1		1
Jamaica	1			1
Total	15(3)	8(4)	2	25

(1) Land purchased in Guatemala and Trinidad in March 2007. The Company is expecting to open new warehouse clubs in November and December 2007 (fiscal year 2008), respectively.

(2) San Pedro Sula 1 not included; warehouse club was closed October 27, 2006 and sold after year-end in September 2007.

(3) Queretaro, Mexico not included; warehouse club was closed February 28, 2005. Agreement in principle for sale of PriceSmart shares and interest in assets of PSMT Mexico reached with Grupo Gigante, S.A. de C.V. in August 2007, which was finalized on October 31, 2007.

(4) Barrigada, Guam not included; warehouse club was closed December 24, 2003. Land and building currently subleased to third-parties.

(5) The Company acquired the land and building leased in Barbados on November 15, 2007 (fiscal year 2008).

At August 31, 2007, our warehouse clubs occupied approximately a total of 1,453,000 square feet of which 466,652 square feet were on leased property. The following is a summary of the warehouse clubs located on leased property:

Location[1]	Date Opened	Approximate Warehouse Club Square Footage	Current Lease Expiration Date	Remaining Options to Extend
Via Brazil, Panama	December 4, 1997	68,696	October 31, 2026	10 years
Miraflores, Guatemala	April 8, 1999	66,059	December 31, 2020	5 years
Pradera, Guatemala	May 29, 2001	48,438	May 28, 2025	5 year option/ indefinite periods
Tegucigalpa, Honduras	May 31, 2000	64,735	May 30, 2020	none
Oranjestad, Aruba	March 23, 2001	54,229	March 23, 2021	10 years

Bridgetown, Barbados[2]	August 31, 2001	56,403	September 6, 2016	10 years
Port of Spain, Trinidad	December 5, 2001	54,046	July 5, 2031	none
St. Thomas, U.S.V.I.	May 4, 2001	54,046	February 28, 2020	10 years

(1) Barrigada, Guam not included; warehouse club was closed December 24, 2003. Land and building currently subleased to third-parties, net costs are included in discontinued operations line item.

(2) The Company acquired the land and building leased in Barbados on November 15, 2007 (fiscal year 2008).

Corporate Headquarters. The Company maintains its headquarters at 9740 Scranton Road, San Diego, California 92121-1745. The Company leases approximately 35,000 square feet of office space at a rate of $49,999 per month, with a 2% annual increase. The current term expires on March 31, 2011. The Company also leases two facilities in Miami, Florida. The first is an 85,000 square foot facility leased at a rate of $42,650 per month that expires on December 31, 2009. The second is a 24,700 square foot facility leased at a rate of $38,472 per month that expires on February 28, 2008. The Company is in the process of negotiating a new lease agreement. The Company believes that its existing facilities are adequate to meet its current needs and that suitable additional or alternative space will be available on commercially reasonable terms as needed.

Item 3. Legal Proceedings

From time to time, the Company and its subsidiaries are subject to legal proceedings, claims and litigation arising in the ordinary course of business, the outcome of which, in the opinion of management, would not have a material adverse effect on the Company. The Company evaluates such matters on a case by case basis, and vigorously contests any such legal proceedings or claims which the Company believes are without merit.

The SEC issued a formal order of private investigation on January 8, 2004 to investigate the circumstances surrounding a financial restatement associated with fiscal year 2002 and the first three quarters of fiscal year 2003. The SEC issued subpoenas to the Company for the production of documents and has taken testimony, pursuant to subpoena, from several of the Company s present and former employees, but to the Company s knowledge there has been no activity relating to this matter for approximately two years.

On March 22, 2007, the Company notified Tecnicard, Inc. (Tecnicard) and Banco de la Producción, S.A. (Banpro) that it was terminating and would not be renewing the agreement pursuant to which Tecnicard provided co-branded and/or dual purpose credit cards to the Company s members in several markets under a contract set to expire on April 30, 2007, nor a similar contract between Banpro and the Company s Nicaraguan subsidiary, which contract had already expired.

By letters dated April 5, 2007 and April 10, 2007, PSC, S.A., Banco de la Producción, S.A. and Tecnicard, S.A. (the Promerica Entities) disputed the Company s right to terminate either the contracts or the credit card services relationships between the parties, notwithstanding expiration of the credit card services agreements by their terms, and threatened to take legal action if the Company proceeded with the terminations.

On April 30, 2007 the Company filed with the American Arbitration Association (AAA) a Notice of Arbitration and Statement of Claim against the Promerica Entities. The Statement of Claim seeks a declaratory judgment that the Company has not breached any of three agreements entered into during the past seven years by the Company and one or more of the Promerica Entities and that the Company has the right to not renew the credit card relationship.

On or about May 16, 2007 the Promerica Entities commenced several proceedings against the Company. Those proceedings are: (i) a Demand for Mediation with the International Chamber of Commerce (ICC); (ii) a Demand for Mediation with the AAA; (iii) a Demand for Arbitration with the ICC; (iv) a Demand for Arbitration with Request for Interim Measures in the form of Preliminary Injunctions, filed with the AAA; and (v) an Emergency Motion for Temporary Injunction filed with the Florida state court in Miami-Dade County.

PSC, S.A., one of the Promerica Entities, beneficially owns approximately 3.0% of the Company s outstanding common stock. In June 2000 the Company acquired from PSC the 40% interest in the Company s PSMT Caribe, Inc. subsidiary previously held by PSC, for 679,500 shares of the Company s common stock. The Company already owned the remaining 60% of PSMT Caribe. The Company and PSC are currently shareholders of PriceSmart s Nicaragua subsidiary (PriceSmart owning 51% and PSC owning 49%), and the Promerica Entities and their affiliates, per various agreements with the Company, have provided credit card services to the Company s members in several markets and operate bank branches in many PriceSmart warehouse clubs. In connection with the Company s acquisition of the 40% minority interest in PSMT Caribe, the Company agreed to give PSC opportunities to have representation on the boards of directors of PSMT Caribe and the Company. PSC then selected Edgar A. Zurcher as its designee to serve on the Company s Board of Directors, and Mr. Zurcher continues to serve on the Company s Board of Directors. Mr. Zurcher is a director, President and 9.1% shareholder of PSC.

The various proceedings filed by the Promerica Entities asserted multiple causes of action for breach of contract with reference to the credit card services agreements and other agreements between the parties. The Promerica Entities also have asserted causes of actions alleging that the Company has misappropriated and inappropriately disclosed to a competing credit card company confidential or proprietary trade secrets owned by the Promerica Entities (particularly certain data related to credit card usage) and is unfairly competing with one or more of the Promerica Entities. The Promerica Entities additionally alleged that the Company breached its duty of good faith and fair dealing in 2000 by using purportedly overvalued shares of the Company s common stock as consideration for the acquisition of PSC s 40% interest in PSMT Caribe, Inc. The relief sought by the Promerica Entities included monetary damages as well as injunctive relief prohibiting PriceSmart from proceeding with certain commercial activities with the new credit card provider.

Also, by letters dated May 16, 2007 and November 9, 2007, counsel for PSC demanded that the PriceSmart Board of Directors appoint an independent committee to investigate various alleged breaches of fiduciary duty by officers and/or directors of the Company.

The following activities have occurred in relation to the various proceedings: (i) the Company s Board has appointed the independent committee to investigate the alleged breaches of fiduciary duty and that Committee has held several meetings; (ii) the Company has removed the state court litigation filed by the Promerica Entities to federal court; (iii) the federal court held a hearing on the Promerica Entities Emergency Motion for Temporary Injunction on June 12-14 and August 1, 2007, and (iv) the federal court denied the Promerica Entities Emergency Motion for Temporary Injunction by Order dated September 18, 2007, stating that the Promerica Entities had failed to show a substantial likelihood of success on the merits on all but one of its claims for injunctive relief, and as for the remaining claim a damages award may be appropriate but injunctive relief is not. The Promerica Entities have filed a Notice of Appeal of the Order.

The parties have agreed to resolve in a single arbitration with the International Center for Dispute Resolution (a division of the AAA) all matters previously submitted to arbitration by either PriceSmart or the Promerica Entities. On October 23, 2007 the parties participated in a preliminary hearing with the arbitrator. At that time the arbitrator ordered that the parties submit final amended Statements of Claims by November 12, 2007 several other procedural and discovery matters were addressed, and the matter was set for evidentiary hearing on March 24, 2008.

On November 12, 2007 the Company and the Promerica Entities filed their amended claims. The Company s amended claim supplemented its April 30 Statement of Claim by requesting additional declaratory and injunctive relief related to actual and threatened activities by PSC, pertaining to PSC s assertion that it is entitled to have two directors appointed to the Board of Directors of the Company and to several of its subsidiaries. PriceSmart s amended claim additionally seeks an accounting on certain obligations of the Promerica Entities, alleges that the Promerica Entities have breached two agreements, and that the Company is entitled to monetary damages in excess of $650,000 as well as attorneys fees and costs. The Promerica Entities supplemented their May 16, 2007 Demand with additional factual allegations and contentions relating to their previously alleged claims, and the assertion of two new claims. The new claims allege that the Company violated section 10(b) of the Exchange Act and Rule 10b-5 promulgated there under and fraud in the inducement. Both claims allege that PSC was misled in June 2000 when it conveyed to the Company its 679,000 shares of the Company s common stock in return for its 49% interest in PSMT Caribe, Inc., evidently because the Company restated its consolidated financial statements in December 2003 for fiscal year 2002 and the first three quarters of fiscal year 2003. The amended claim continues to seek injunctive relief as to various activities of the Company as related to the issues in dispute and unspecified compensatory damages, as well as treble damages and attorney s fees and costs. Although the Company has been exploring opportunities to achieve a global resolution as an alternative to proceeding with the litigation, the Company intends to continue to diligently proceed with its amended claim filed on November 12, 2007 and to vigorously defend all of the claims asserted by the Promerica Entities in the event the parties are unable to reach a satisfactory resolution. (See Note 10 Commitments and Contingencies).

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

The Company did not submit any matters to a vote of security holders during the fourth quarter of fiscal year 2007.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The information required by Item 5 is incorporated herein by reference to PriceSmart s Annual Report to Stockholders for the fiscal year ended August 31, 2007 under the heading Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Item 6. Selected Financial Data

The information required by Item 6 is incorporated herein by reference to PriceSmart s Annual Report to Stockholders for the fiscal year ended August 31, 2007 under the heading Selected Financial Data.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report contains forward-looking statements concerning the Company s anticipated future revenues and earnings, adequacy of future cash flow and related matters. These forward-looking statements include, but are not limited to, statements containing the words expect, believe, will, may, should, project, estimate, scheduled, and like expressions, and the negative thereof. These statements are subject to risks and uncertainties that could cause actual results to differ materially, including the following risks: the Company s financial performance is dependent on international operations; any failure by the Company to manage its widely dispersed operations could adversely affect its business; although the Company has taken steps to significantly improve its internal controls, there may be material weaknesses or significant deficiencies that the Company has not yet identified; the Company faces significant competition; the Company may encounter difficulties in the shipment of and inherent risks in the importation of merchandise to its warehouse clubs; the Company is exposed to weather and other risks associated with international operations; declines in the economies of the countries in which the Company operates its warehouse clubs would harm its business; a few of the Company s stockholders have control over the Company s voting stock, which will make it difficult to complete some corporate transactions without their support and may prevent a change in control; the loss of key personnel could harm the Company s business; the Company is subject to volatility in foreign currency exchange; the Company faces the risk of exposure to product liability claims, a product recall and adverse publicity; a determination that the Company s long-lived or intangible assets have been impaired could adversely affect the Company s future results of operations and financial position; and the Company faces compliance risks associated with Section 404 of the Sarbanes-Oxley Act of 2002; as well as the other risks detailed in the Company s SEC reports, including the Company s Form 10-K for the fiscal year ended August 31, 2007 filed pursuant to the Securities Exchange Act of 1934.

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 2007 and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report.

PriceSmart s mission is to efficiently operate U.S.-style membership warehouse clubs in Central America and the Caribbean that sell high quality merchandise at low prices to PriceSmart members and that provide fair wages and benefits to PriceSmart employees as well as a fair return to PriceSmart stockholders. The Company delivers U.S. brand-name and locally sourced products to its small business and consumer members in a warehouse club format that provides, high value to its members. By focusing on providing exceptional value on quality merchandise in a low cost operating environment, the Company seeks to grow sales volume and membership which in turn will allow for further efficiencies and price reductions and ultimately improved value to our members.

PriceSmart s business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. The number of warehouse clubs in operation, as of August 31, 2007 and August 31, 2006 and the Company s ownership percentages and basis of presentation for financial reporting purposes by each country or territory are as follows:

Country/Territory	Number of Warehouse Clubs in Operation (as of August 31, 2007)	Number of Warehouse Clubs in Operation (as of August 31, 2006)	Ownership (as of August 31, 2007)	Basis of Presentation
Panama	4	4	100%	Consolidated
Costa Rica	4	4	100%	Consolidated
Dominican Republic	2	2	100%	Consolidated
Guatemala	2	2	100%	Consolidated
El Salvador	2	2	100%	Consolidated
Honduras	2	2	100%	Consolidated
Trinidad	2	2	95%	Consolidated
Aruba	1	1	90%	Consolidated
Barbados	1	1	100%	Consolidated
U.S. Virgin Islands	1	1	100%	Consolidated
Jamaica	1	1	100%	Consolidated
Nicaragua	1	1	51%	Consolidated
Totals	23	23		

During fiscal year 2005, the Company disposed of its interest in PSMT Philippines, Inc., the Company s former Philippine subsidiary, resulting in the reduction by four of the number of consolidated warehouse clubs. The sale was completed on August 12, 2005. With the sale of the Company s interest in PSMT Philippines, Inc., all associated financial information for it, as well as the Company s Guam operation, which was closed on December 24, 2003, qualify for treatment as discontinued operations in the Company s consolidated financial statements. The prior periods have been reclassified for comparative purposes.

On November 18, 2005, the Company opened its fourth warehouse club in Costa Rica. Also during the first and second quarters of fiscal year 2006, the Company acquired the 32.5% remaining minority interest in PriceSmart Jamaica, increasing the Company s ownership to 100%. In addition, during the second quarter of fiscal year 2006, the Company acquired an additional 5% interest in its PriceSmart Trinidad subsidiary, increasing its ownership to 95% from 90%.

During fiscal year 2006, the Company purchased land in Honduras for the construction of a warehouse club. In Honduras, the Company completed construction and relocated its San Pedro Sula warehouse club to this new site, which is also located in San Pedro Sula. The opening at the new site took place on November 4, 2006 (fiscal year 2007). During fiscal year 2007, the Company purchased land in Guatemala and Trinidad, where it plans to complete construction and open new warehouse clubs in November and December 2007 (fiscal year 2008), respectively.

On August 28, 2007, Grupo Gigante S.A. de C.V. agreed to purchase all 164,046 shares held by PriceSmart, Inc. in PSMT Mexico for $2.0 million, thereby allowing Grupo Gigante S.A. de C.V. to assume 100% control and ownership of PSMT Mexico. PSMT Mexico, S.A. de C.V. is a 50/50 joint venture of PriceSmart and Grupo Gigante S.A. de C.V. which operated three membership warehouse clubs in Mexico until February 28, 2005. The sale of the shares was finalized on October 31, 2007.

At the end of August 2007 and 2006, the total number of consolidated warehouse clubs in operation was 23 operating in 11 countries and one U.S. territory. The average age of the 23 warehouse clubs in operation as of August 31, 2007 was 80 months and was 68 months for the 23 warehouse clubs included in continuing operations as of August 31, 2006.

In addition to the warehouse clubs operated directly by the Company, there is one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earns a royalty fee. During the second quarter of fiscal year 2005, the Company terminated the license agreement with its China licensee, under which such licensee previously operated 11 warehouse clubs and no licensing revenue has been recorded in the past three fiscal years.

In general, the Company s earnings improve and cash flows from operations increase as sales increase. Although the Company s cost of goods sold is largely variable with sales, a portion of the Company s selling, general and administrative expenses rise relatively slowly in relation to sales increases. Therefore, the Company prioritizes initiatives that it expects will have the greatest impact on increasing sales. Looking forward to the next several quarters, the following items are likely to have an impact on business and the results of operations:

General Economic Factors

- Global increases in fuel and food prices may reduce PriceSmart members discretionary purchasing power. This would result in lower sales for the Company, particularly in high ticket or discretionary items.

Many PriceSmart markets are susceptible to foreign exchange rate volatility. Exchange rate changes either increase or decrease the cost of imported products. Approximately 49% of the Company s net warehouse sales are comprised of products imported into the markets where PriceSmart warehouse clubs are located. The Company purchases these goods in dollar-denominated transactions. In general, local currencies in PriceSmart markets have gradually declined relative to the dollar, with the exception of the currencies of Costa Rica and Guatemala whose currencies have appreciated relative to the dollar in the past few months. Declines in local currencies relative to the dollar effectively increase the cost to the Company s members of imported products, and appreciation in local currencies make imported products more affordable. There is no way to accurately forecast how currencies may trade in the future. PriceSmart monitors movements in currency rates and makes adjustments to pricing of U.S. merchandise from time to time.

Inflation rates have been increasing in certain markets, with the highest annual rate being in Nicaragua at a reported 16% per year. Inflation has had and may continue to have a positive impact on Company sales, particularly basic food commodities. However, inflation increases the Company s expenses, particularly wages and utilities.

Current and Future Management Actions

The Company s strategy is to continually seek ways to reduce prices for its members. This involves improving purchasing and lowering operating expenses. The strong growth in sales that the Company has experienced during the last three years has improved the Company s buying power and has resulted in leveraging of costs. This allows for reduced prices, thereby providing better value to PriceSmart members.

The Company has recently signed a lease for a larger dry distribution center in Miami, Florida. The additional space will permit the Company to more efficiently service the PriceSmart locations and to realize efficiencies in distribution operating expenses. The Company is evaluating the requirements for its frozen and refrigerated distribution center, which may result in relocation to a larger facility.

The Company continues to introduce its co-branded credit card to PriceSmart members in Central America. The Company anticipates that as more members obtain and use the card, there will be additional expense savings. Also, the Company is working on an agreement to introduce a co-branded credit card to the PriceSmart locations in the Caribbean to reduce expenses and to provide a benefit to PriceSmart members.

Based on the success of previously expanding the size of certain PriceSmart buildings, four additional PriceSmart locations will be expanded by an average of 7,500 square feet each. These expansions will result in larger sales areas to support additional sales.

The Company continues to evaluate sites for additional PriceSmart locations. Although a specific target for new warehouse club openings in fiscal year 2008 and beyond has not been set, management believes that there are opportunities to add locations in certain PriceSmart markets. The Company will announce plans to open new warehouse clubs if and when suitable sites are identified.

The Company s policy is to own its real estate wherever possible because of the lower operating expenses associated with ownership and because PriceSmart s successful business enhances real estate values. In that regard, the Company considers purchasing additional land adjacent to new PriceSmart locations for commercial real estate development both as a profit center and to complement the PriceSmart business format.

Key items for fiscal year 2007 included:

Net warehouse sales increased 20.8% over the prior year, driven mostly by increases in comparable warehouse club sales (that is, sales in warehouse clubs that have been open for greater than 13 months).

Membership income for fiscal year 2007 increased 20.3% to $13.9 million as a result of an 11% increase in membership accounts, continued strong renewal rates at 83% and a 6% increase in the average membership fee.

Gross profits (net warehouse sales less cost of merchandise) increased 21.8% over the prior year, and gross margin increased 13 basis points as a percent of net warehouse sales.

Selling, general and administrative expenses as a percentage of net warehouse sales improved 104 basis points, as increased sales offset the cost increases associated with wages, utilities, credit cards, supplies, and expenses related to repairs and maintenance of our warehouse clubs.

Operating income for the fiscal year was $28.0 million, which included $1.6 million in asset impairment and closure costs, and a reserve for settlement of pending litigation of $5.5 million.

Net income attributable to common stockholders for the fiscal year was $12.9 million, or $0.44 per diluted share.

Comparison of Fiscal Year 2007 and Fiscal Year 2006

Net warehouse club sales increased 20.8% to $869.1 million in fiscal year 2007 from $719.6 million in fiscal year 2006. The Company s sales were positively impacted by a generally strong economic environment in its markets as well as ongoing improvements in the selection and value of the merchandise carried in the clubs and a growing membership base. Approximately 50% of the sales growth experienced from fiscal year 2006 to fiscal year 2007 resulted from increased transactions, which is in line with the growth in membership accounts. The other portion of sales growth is attributable to growth in the value of the average transaction by our members. Warehouse clubs in all countries registered increased sales from fiscal year 2006 to fiscal year 2007. The Company opened a new warehouse club in Costa Rica in November of 2005, which contributed approximately 69 basis points of growth as a result of being open for a full 12 months in fiscal year 2007 compared to 9 1/2 months in fiscal year 2006. The following table indicates the percent growth in net warehouse club sales in the segments in which the Company operates.

	Years Ended August 31,					
	2007		2006			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase (Decrease)	Change
			(Amounts in thousands)			
Central America	$ 529,150	60.9%	$ 439,501	61.0%	$ 89,649	20.4%
Caribbean	339,952	39.1%	280,075	39.0%	59,877	21.4%
	$ 869,102	100.0%	$ 719,576	100.0%	$ 149,526	20.8%

Comparable warehouse club sales, which are for warehouse clubs open at least 12 full months, increased 20.1% for the 52-week period ended September 2, 2007, compared to the same period last year. The Company reports comparable warehouse sales on a same week basis with 13 weeks in each quarter beginning on a Monday and ending on a Sunday. The periods are established at the beginning of the fiscal year to provide as close a match as possible to the calendar month that is used for financial reporting purposes. This approach equalizes the number of weekend days and week days in each period for improved sales comparison, as the Company experiences higher warehouse club sales on the weekends. Further, each of the warehouse clubs used in the calculations was open for at least 13 1/2 calendar months before its results for the current period were compared with its results for the prior period. For example, the sales related to the new warehouse club opened in Costa Rica on November 18, 2005 were not used in the calculation of same-warehouse-club sales until the month of February 2007.

The following table indicates the approximate percentage of net sales accounted for by each major category of items sold by the Company during the fiscal years ended August 31, 2007, 2006 and 2005:

	Fiscal Year Ended August 31,		
	2007	**2006**	**2005**
Sundries (including candy, snack foods, health and beauty aids, tobacco, alcoholic beverages, soft drinks, cleaning and paper products and pet supplies)	31%	30%	29%
Food (including dry and fresh foods)	42%	43%	44%
Hardlines (including major appliances, electronics, hardware, office supplies, garden and patio, sporting goods, business machines and automotive supplies)	16%	16%	17%
Softlines (including apparel, domestics, cameras, jewelry, housewares, media, toys, home furnishings, and small appliances)	9%	9%	8%
Other (including one-hour photo and food court)	2%	2%	2%
	100%	100%	100%

The Company s warehouse club gross profit margin (defined as net warehouse club sales less associated cost of goods sold) for fiscal year 2007 increased $23.6 million to $131.8 million, or 15.2% of net warehouse sales, from $108.2 million, or 15.0% of net warehouse sales for fiscal year 2006. The increase in warehouse gross profit margin dollars was primarily due to higher sales in the current fiscal year as compared to the prior fiscal year. As a percentage of sales, warehouse gross profit improved approximately 13 basis points. Merchandise inventory management and operational control activities which resulted in a small improvement in merchandise margins as a percentage of sales were offset by value-added tax contingencies related to the past disposal of inventory in certain countries. Foreign exchange-related expense contributed 20 basis points of improvement as the Company recorded a relatively small loss in fiscal year 2007 of approximately $5,000 compared to a currency related loss of $1.5 million in fiscal year 2006.

Export sales were $1.0 million for fiscal year 2007, compared to export sales of $63,000 for fiscal year 2006, due primarily to direct sales to institutional customers (primarily retailers) in the Philippines for which the Company earns a margin of approximately 5% of those sales.

Membership income, which is recognized into income ratably over the one-year life of the membership, increased 20.3% to $13.9 million, or 1.6% of net warehouse sales, in fiscal year 2007 compared to $11.5 million, or 1.6% of net warehouse sales, in fiscal year 2006. The increase in membership income reflects both an 11% increase in the number of membership accounts, a 6% increase in the average membership fee from the end of fiscal year 2006 to the end of fiscal year 2007 and a membership renewal rate of 83%. Total membership accounts as of the end of fiscal year 2007 were approximately 535,000, an increase of approximately 55,000 accounts over the end of fiscal year 2006. The principal reasons for the increase in membership levels has been the Company s ability to maintain membership retention levels combined with an increase in the membership base as at our existing warehouse locations.

Other income consists of commission revenue, rental income, advertising revenue, construction management revenue, fees for in-store product demonstrations, and fees earned from licensees. Other income in fiscal year 2007 was $4.8 million, compared to $3.5 million in fiscal year 2006. Contributing to the increase was $500,000 in non-recurring income recognized in the third quarter of fiscal year 2007 related to the marketing fees earned on the Company s co-branded credit card agreement with Banco Promerica. In addition, increased income was attributable to higher rental income and construction management income.

Warehouse operating expenses increased 11.7% to $88.0 million, or 10.1% of warehouse sales, for fiscal year 2007 from $78.8 million, or 10.9% of warehouse sales, in fiscal year 2006. The increase in warehouse club operating expenses resulted from increased payroll-related expenses including ex-pat costs ($4.1 million), higher bank and credit card fees related to higher sales ($1.7 million), and increased operating costs for utilities, repair and maintenance, and supplies ($1.2 million). In addition, depreciation expense increased ($239,000) resulting from capital investments made in Honduras (San Pedro Sula) and Panama (Via Brasil). The Company also experienced higher costs related to professional services, primarily related to tax advisory and audit services ($703,000) within the countries in which it operates. Across all spending categories, the inclusion of a full year s costs associated with the new club in Costa Rica, which opened on November 18, 2005, resulted in $572,000 of increased warehouse club operating expenses in fiscal year 2007, compared to fiscal year 2006.

General and administrative expenses increased to $27.1 million, or 3.1% of net warehouse sales, for fiscal year 2007 from $24.1 million, or 3.3% of net warehouse sales, in fiscal year 2006. The increased costs were a result of salaries and related benefits for the Company s corporate headquarters and U.S. buying operation ($2.4 million) as well as increased professional costs associated with tax advisory services, legal support, and audit related services ($867,000).

Expenses incurred before a warehouse club is in operation are captured in pre-opening expenses. Pre-opening expenses in fiscal year 2007 were $373,000, of which $256,000 were primarily associated with the opening of the relocated San Pedro Sula, Honduras location. The remainder related to the new Trinidad and Guatemala warehouse clubs which are scheduled to open in November and December 2007 (fiscal year 2008). Pre-opening expense of $349,000 in the prior fiscal year was associated with the opening of the Company s fourth warehouse club in Costa Rica.

Asset impairment and closure costs for fiscal year 2007 were $1.6 million compared to $1.8 million in fiscal year 2006. Asset impairment and closure costs in the current fiscal year were impacted by the Company taking a further write-down of the value of the original San Pedro Sula, Honduras warehouse club which was vacated in early fiscal year 2007 in favor of a new club that was built in another section of the city. The further write-down of $897,000 was a result of entering into an agreement to sell the location for $2.5 million which was completed in September 2007. The Company incurred approximately $128,000 in additional closure costs during the fiscal year 2007 related to the vacating of the San Pedro Sula warehouse site. Net closure costs of $315,000 were incurred in the Dominican Republic related to the sale of the East Side Santo Domingo warehouse for the fiscal year 2007. The remaining asset impairment and closure costs during fiscal year 2007 related to the on-going operating costs of the closed location in Guatemala of approximately $210,000. In fiscal year 2006, asset impairment and closure costs were primarily due to the write-down of the real estate assets in Honduras and the Dominican Republic. The impairment charge of $785,000 taken at the end of fiscal year 2006 reduced book value of the vacated Honduras site to the then-expected market value as a buyer or leasing opportunity was pursued. In the Dominican Republic, the Company s previously closed warehouse club had been on the market for three years. As a result, the Company took an additional $813,000 impairment charge based upon management s revised assessment of the market value of that asset.

PriceSmart, while vigorously defending the claims made by the Promerica Entities (see Item 3. Legal Proceedings) and diligently pursuing its own claims against the Promerica Entities, has been exploring opportunities to achieve a global resolution as an alternative to proceeding with the litigation in order to maintain management s focus on the business and to avoid the disruptions and significant legal expenses associated with this complex litigation.

In the fourth quarter of fiscal year 2007, the Company established a reserve of $5.5 million related to a potential settlement of pending litigation. The amount of the reserve is equal to management s current estimate of the potential impact of a global settlement on PriceSmart s fiscal year 2007 consolidated net income. The amount of the reserve is based upon various factors, including tax considerations, that are subject to management s current estimates and judgments.

No agreements have been executed and there is no guarantee that a settlement will be ultimately reached as discussions may continue or may be abandoned altogether if the Company determines that a final settlement will not be reached on terms that are in the best interest of the Company and its stockholders. In the event a settlement is reached, the final cost of a settlement may differ from the reserve taken.

Operating income for fiscal year 2007 was $28.0 million, or 3.2% of warehouse sales, compared to $18.1 million, or 2.5% of warehouse sales, in fiscal year 2006.

Interest income reflects earnings on cash and cash equivalent balances and restricted cash deposits securing working capital lines of credit. Interest income was $1.6 million in fiscal year 2007 compared to $2.0 million in fiscal year 2006. The decrease reflects generally lower average cash balances on deposits in the current period compared to a year ago offset by higher interest rates associated with cash on deposit.

Interest expense reflects borrowings by the Company s majority or wholly owned foreign subsidiaries to finance the capital requirements of warehouse club operations and on going working capital requirements. Interest expense decreased to $788,000 in fiscal year 2007 from $3.2 million in fiscal year 2006, resulting from a reduction in debt held by the Company.

During fiscal year 2007, the Company incurred current tax expense of $13.4 million. The Company also recognized a net deferred tax benefit of $1.1 million, primarily related to the generation of additional foreign tax credits, net of the use of NOLs in the U.S., resulting in a net tax expense of $12.3 million. During fiscal year 2006, the Company incurred current income tax expense of $6.4 million. The Company also recognized a net deferred tax expense of $1.7 million, primarily related to the use of NOL on the U.S. income from continuing operations, resulting in a net tax expense of $8.1 million for fiscal year 2006.

Equity of unconsolidated affiliate represents the Company s 50% share of losses from its Mexico joint venture. The joint venture is accounted for under the equity method of accounting in which the Company reflects its proportionate share of income or loss. On February 28, 2005, the Company and Grupo Gigante S.A. closed the warehouse club operations of PSMT Mexico, S.A. de C.V. The joint venture sold two of the three locations consisting of land and buildings in September 2005 for an aggregate price of $11.2 million. In August 2007, the Company agreed to sell its interest in PSMT Mexico, S.A. de C.V. to Grupo Gigante for $2.0 million. The transaction was finalized on October 31, 2007. Consequently, the Company wrote down the value on its balance sheet.

The write-down includes $892,000 related to the amounts carried as Investment in unconsolidated subsidiaries, and $1.7 million in accumulated unrealized loss associated with currency changes recorded as Accumulated other comprehensive loss on the consolidated balance sheet. While the Company believes that the value of the investment as indicated on the consolidated balance sheet would over time be realized, there were concerns about the Company s control of the actions necessary to achieve those outcomes given that a substantial portion of the realizable assets related to refunds from the Mexican tax authorities for pre-paid taxes. The Company, with the concurrence of the Board of Directors, concluded that it was in the Company s best interest to complete the divestment of its Mexico holdings and reduce its involvement in activities not related to the future growth of the membership warehouse business in its targeted markets.

Minority interest is the allocation of the joint venture income or loss to the minority stockholders respective interest. Minority interest stockholders respective share of net income was $476,000 in fiscal year 2007. In the same period last year, the joint ventures for which there was a minority stockholder interest was $354,000. During the third quarter of fiscal year 2006, the Company acquired the 7.5% ownership interest of the one remaining shareholder in its Jamaica subsidiary after having acquired the 25% interest of two other minority stockholders in the first fiscal quarter. As a result, the Company now records 100% of that subsidiary s income or loss. The Company also acquired an additional 5% ownership in its Trinidad subsidiary in the second quarter of fiscal year 2006, increasing its ownership percentage to 95% from 90%.

Income from continuing operations for fiscal year 2007 was $12.8 million compared to $8.2 million in the same period last year.

Discontinued operations, net of tax are the consolidated income and expenses associated with those warehouse clubs within the Company that were closed or disposed of and which meet the criteria for such treatment. Discontinued operations includes PSMT Philippines which was disposed of effective August 12, 2005, and the costs associated with the Company s previously closed warehouse location in Guam. In fiscal year 2007, the Company recognized income net of tax of $143,000 from discontinued operations. In fiscal year 2006, the Company recognized income net of tax of $3.7 million from discontinued operations, primarily related to the $5.8 million reversal of a provision against recoverability of loan principal and accrued interest receivable related to that loan, from PSMT Philippines which was collected during the year.

The costs included in discontinued operations, net of taxes are comprised of the following:

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Guam pre-tax income (loss) from operations	$ 151	$ 73	$ (74)
Philippines pre-tax income (loss) from operations	(8)	5,704	(4,232)
Pre-tax loss on divestiture			(24,827)
Income (loss) before income taxes and minority interest	143	5,777	(29,133)
Income tax (provision) benefit		(2,103)	9,674
Discontinued operations, net of tax	$ 143	$ 3,674	$ (19,459)

Comparison of Fiscal Year 2006 and Fiscal Year 2005

Net warehouse club sales increased 18.9% to $719.6 million in fiscal year 2006 from $605.0 million in fiscal year 2005. The Company s sales were positively impacted by a generally strong economic environment in its markets as well as ongoing improvements in the selection and value of the merchandise carried in the clubs and a growing membership base. Warehouse clubs in all countries registered increased sales from fiscal year 2005 to fiscal year 2006. The Company opened a new warehouse club in Costa Rica in November of 2005, which contributed approximately 300 basis points of growth. The following table indicates the percent growth in net warehouse club sales in the segments in which the Company operates.

	Years Ended August 31, 2006		2005			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase (Decrease)	Change
	(Amounts in thousands)					
Central America	$ 439,501	61.0%	$ 369,673	61.1%	$ 69,828	18.9%
Caribbean	280,075	39.0%	235,321	38.9%	44,754	19.0%

	$ 719,576	100.0%	$ 604,994	100.0%	$ 114,582	18.9%

Comparable warehouse club sales, which are for warehouse clubs open at least 12 full months, increased 15.6% for the 52-week period ended September 3, 2006, compared to the same period last year. The Company reports comparable warehouse sales on a same week basis with 13 weeks in each quarter beginning on a Monday and ending on a Sunday. The periods are established at the beginning of the fiscal year to provide as close a match as possible to the calendar month that is used for financial reporting purposes. This approach equalizes the number of weekend days and week days in each period for improved sales comparison, as the Company experiences higher warehouse club sales on the weekends. Further, each of the warehouse clubs used in the calculations was open for at least 13 $^{1}/2$ calendar months before its results for the current period were compared with its results for the prior period. For example, the sales related to the new warehouse club opened in Costa Rica on November 18, 2005 were not used in the calculation of same-warehouse-club sales until February 2007.

The following table indicates the approximate percentage of net sales accounted for by each major category of items sold by the Company during the fiscal years ended August 31, 2006, 2005 and 2004:

	Fiscal Year Ended August 31,		
	2006	**2005**	**2004**
Sundries (including candy, snack foods, health and beauty aids, tobacco, alcoholic beverages, soft drinks, cleaning and paper products and pet supplies)	30%	29%	29%
Food (including dry and fresh foods)	43%	44%	43%
Hardlines (including major appliances, electronics, hardware, office supplies, garden and patio, sporting goods, business machines and automotive supplies)	16%	17%	17%
Softlines (including apparel, domestics, cameras, jewelry, housewares, media, toys, home furnishings, and small appliances)	9%	8%	9%
Other (including one-hour photo and food court)	2%	2%	2%
	100%	100%	100%

The Company s warehouse club gross profit margin (defined as net warehouse club sales less associated cost of goods sold) for fiscal year 2006 increased $19.8 million to $108.2 million, or 15.0% of net warehouse sales, from $88.4 million, or 14.6% of net warehouse sales for fiscal year 2005. The improvement in gross margin as a percent of sales generally reflects improvements in the merchandise and operating efforts of the Company during the year. Margins as a percent of sales for the full year were negatively impacted by 20 basis points due to foreign exchange movements during the year ($1.5 million). In the prior year, foreign exchange movements resulted in a 9 basis point improvement in margins as a percent of sales ($551,000). However, fiscal year 2005 margins were negatively impacted by a $1.0 million (17 basis points) charge to cost of sales recorded in that year resulting from additional duties paid in conjunction with customs inspection covering fiscal years 2002, 2003 and 2004 in one of the Company s foreign subsidiaries.

Export sales were $63,000 for fiscal year 2006, compared to export sales of $425,000 for fiscal year 2005, due primarily to the decrease in direct sales to institutional customers (primarily retailers) in the Philippines for which the Company earns a margin of approximately 5% of those sales.

Membership income, which is recognized into income ratably over the one-year life of the membership, increased 22.2% to $11.5 million, or 1.6% of net warehouse sales, in fiscal year 2006 compared to $9.4 million, or 1.6% of net warehouse sales, in fiscal year 2005. The increase in membership income reflects a 16% increase in the number of membership accounts, a 2% increase in the average membership fee and a membership renewal rate of 84% in fiscal year 2006 compared to a renewal rate of 84% in fiscal year 2005. Total membership accounts as of the end of fiscal year 2006 were approximately 480,000, an increase of approximately 66,000 accounts over the end of fiscal year 2005.

Other income consists of commission revenue, rental income, advertising revenue, construction revenue, fees for in-store product demonstrations, and fees earned from licensees. Other income for fiscal year 2006 was $3.5 million compared to $4.0 million in fiscal year 2005. The decrease is primarily a result of $400,000 in non-recurring income recognized in fiscal year 2005 related to the refund to the Company of an accumulated marketing fund.

Warehouse operating expenses increased 7.4% to $78.8 million, or 10.9% of warehouse sales, for fiscal year 2006 from $73.4 million, or 12.1% of warehouse sales, in fiscal year 2005. The $5.4 million increase in operating expenses were primarily a result of higher utility costs of $772,000, increased costs of bank and credit card fees related to higher sales of $852,000, and $848,000 in increased repair and maintenance spending in the clubs. Payroll related expenses increased $3.4 million from fiscal year 2005 to fiscal year 2006 reflecting increased wages, and the addition of staff in certain locations. Across all spending categories, the addition of the new club in Costa Rica which opened in November resulted in $1.9 million of increased operating expenses in fiscal year 2006 compared to fiscal year 2005. Higher sales resulted in a 118 basis point improvement in warehouse operating expenses as a percent of sales in fiscal year 2006 compared to the prior year.

General and administrative expenses increased to $24.1 million, or 3.3% of net warehouse sales, for fiscal year 2006 from $22.3 million, or 3.7% of net warehouse sales, in fiscal year 2005. The Company experienced increased costs related to salaries and related benefits including incentive bonus payments for its corporate and US buying operation totaling $1.5 million. Stock-based compensation expense increased $1.0 million primarily related to the Company s adoption of Financial Accounting Standards Board Statement of Financial Accounting Standard No. 123R (SFAS 123R), Share-Based Payment, and stock grants that were awarded in the second quarter of fiscal year 2006. SFAS 123R revises SFAS 123, Accounting for Stock-Based Compensation, which the Company adopted as of the beginning of its fiscal year 2003, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Expense accruals associated with the expected cost of the fiscal year end audit added $981,000. General and administrative expenses in the prior year included consulting costs totaling $1.5 million associated with the documentation of processes for Sarbanes-Oxley 404 compliance. In addition, the results of fiscal year 2005 also included $700,000 in legal costs related to the settlement of securities litigation not covered by insurance.

Expenses incurred before a warehouse club is in operation are captured in pre-opening expenses. Pre-opening expenses primarily associated with the opening of the Company s fourth warehouse club in Costa Rica on November 18, 2005 were $349,000 during fiscal year 2006, compared to $99,000 in fiscal year 2005.

Asset impairment and closure costs for fiscal year 2006 were $1.8 million compared to $11.4 million in fiscal year 2005. Asset impairment and closure costs in fiscal year 2006 are primarily due to the write-down of two real estate assets of the Company, one in Honduras and one in the Dominican Republic. The Company s original San Pedro Sula, Honduras location was vacated in fiscal year 2007 and the operation was relocated to a new site which was acquired during fiscal year 2006 in another section of the city. The Company believes that this new location will have a positive impact on the results of that warehouse club. The impairment charge of $785,000 reduces the book value of the vacated site to the expected market value as a buyer or leasing opportunity is pursued. In the Dominican Republic, the Company s previously closed warehouse club has been on the market for three years. An additional $813,000 impairment charge is being taken based upon management s revised assessment of the market value of that asset. In fiscal year 2005, asset impairment and closure costs included a $7.1 million non-cash asset impairment charge associated with the write-down of the long-lived assets (leasehold improvements, and furniture and equipment) at the Company s U.S. Virgin Islands warehouse club operation. The Company also incurred asset impairment and closure costs during fiscal year 2005 primarily related to a reassessment of certain liabilities and long-lived assets for its previously closed warehouse locations in Guatemala ($1.6 million) and Dominican Republic ($2.4 million). The Guatemala location, which is leased by the Company, has been sublet effective July 2005.

Interest income reflects earnings on cash and cash equivalent balances and restricted cash deposits securing either long-term debt or working capital lines of credit. Interest income was $2.0 million in fiscal year 2006 and $1.8 million in fiscal year 2005, reflecting generally higher interest rates earned on those deposits.

Interest expense primarily reflects borrowings by the Company s majority or wholly owned foreign subsidiaries to finance the capital requirements of the initial construction of the warehouse clubs, local currency loans secured by U.S. deposits and on-going capital requirements. The reduction in interest expense from $5.4 million in fiscal year 2005 to $3.2 million in fiscal year 2006 resulted from a reduction in both short-term and long-term debt held by the Company in fiscal year 2006 compared to fiscal year 2005.

During fiscal year 2006, the Company incurred current tax expense of $6.4 million. The Company also recognized a net deferred tax expense of $1.7 million, primarily related to the use of NOL on the U.S. income from continuing operations, resulting in a net tax expense of $8.1 million. During fiscal year 2005, the Company incurred foreign current income tax expense of $4.7 million which included $2.6 million for income tax contingencies. The Company also recognized a net deferred tax expense of $4.4 million, primarily related to the use of NOL on the U.S. income from continuing operations, resulting in a net tax expense of $9.1 million for fiscal year 2005.

During fiscal year 2006, the Company recognized $97,000 as its proportionate share of the operating losses generated by PSMT Mexico. In fiscal year 2005, the operations of PSMT Mexico incurred losses primarily associated with liquidation of merchandise subsequent to the closure announcement. In addition, the Company recognized an impairment charge of $1.1 million to reduce the carrying value of the investment.

Minority interest is the allocation of the joint venture income or loss to the minority stockholders respective interest. Minority interest stockholders respective share of net income was $354,000 in fiscal year 2006. In the prior year, the joint ventures for which there was a minority stockholder interest incurred a consolidated loss, $566,000 of which was allocated to the minority stockholders interest. The joint venture loss last year included results from Guatemala, Jamaica and Trinidad. The Company acquired the 34% interest of the minority shareholder of the Company s Guatemala subsidiary in the third quarter of fiscal year 2005 and now records 100% of that subsidiary s income or loss. During the second quarter of fiscal year 2006, the Company acquired the 7.5% ownership interest of the one remaining shareholder in its Jamaica subsidiary after having acquired the 25% interest of two other minority stockholders in the first fiscal quarter. As a result, the Company now records 100% of that subsidiary s income or loss. The Company also acquired an additional 5% ownership in its Trinidad subsidiary in the second quarter of fiscal year 2006, increasing its ownership percentage to 95% from 90%.

Discontinued operations, net of tax are the consolidated income and expenses associated with those operations within the Company that were closed or disposed of and which meet the criteria for such treatment. Discontinued operations includes PSMT Philippines which was disposed of effective August 12, 2005, and the costs associated with the Company s previously closed warehouse location in Guam. In fiscal year 2006, the Company recognized income net of tax of $3.7 million from discontinued operations, primarily related to the $5.8 million reversal of a provision against recoverability of a loan principal installment and accrued interest receivable related to that loan from PSMT Philippines which was collected during the year. In fiscal year 2005, the Company incurred $19.5 million in costs associated with discontinued operations, net of tax, primarily as a result of the Philippines divestiture as outlined below.

The costs included in discontinued operations, net of taxes are comprised of the following:

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Guam pre-tax income (loss) from operations	$ 73	$ (74)	$ (3,117)
Philippines pre-tax income (loss) from operations	5,704	(4,232)	(8,950)
Pre-tax loss on divestiture		(24,827)	
Income (loss) before income taxes and minority interest	5,777	(29,133)	(12,067)
Income tax (provision) benefit	(2,103)	9,674	(8)
Minority interest			2,881
Discontinued operations, net of tax	$ 3,674	$ (19,459)	$ (9,194)

There were no preferred dividends in fiscal year 2006, and the Company does not currently have any preferred stock as a result of the exchange of common stock for the outstanding shares of preferred stock in fiscal year 2005. In the same period in fiscal year 2005, the Company recorded $648,000 associated with dividends, which were accrued but not paid, on the Company s then-outstanding preferred stock. Also in fiscal year 2005, the Company recorded a $20.6 million non-cash charge to reflect the deemed dividend resulting from the exchange of common stock for the outstanding shares of Series A and Series B preferred stock in that period.

Liquidity and Capital Resources

Financial Position and Cash Flow

The Company had $32.1 million in consolidated cash and cash equivalents as of August 31, 2007 compared to $40.0 million in consolidated cash and cash equivalents as of August 31, 2006. The Company used cash from its reserves and cash generated by operations to retire debt, acquire significant real estate assets, and pay dividends in the current twelve month period.

Net cash flows provided by operating activities were $31.8 million in fiscal year 2007, compared to cash provided by operating activities of $24.6 million in fiscal year 2006. Income from continuing operations improved by $4.6 million to $12.8 million in fiscal year 2007 compared to $8.2 million in fiscal year 2006. Income from continuing operations included two non-cash charges totaling $8.1 million: (i) reserve for settlement of pending litigation for $5.5 million (ii) impairment charges associated with unconsolidated affiliate for $2.6 million. Changes in operating assets and liabilities, most notably additions to merchandise inventory to support higher sales, resulted in the use of $1.9 million of cash in fiscal year 2007. In the prior year, changes in operating assets and liabilities generated $1.9 million in cash flow as increases in liabilities such as accruals and income tax payable offset increases in merchandise inventory.

Net cash used in investing activities was $30.7 million and $27.2 million in fiscal years 2007 and 2006, respectively. In the current fiscal year period, the additions to property and equipment totaled $30.9 million, primarily associated with the purchase of land in Guatemala and Trinidad for the construction of two new locations for approximately $12.8 million, and the subsequent construction related costs for initial stages of building those two clubs, the completion of construction of the Company s Honduras warehouse locations for approximately $3.9 million, the expansion of the Company s Via Brasil location in Panama City, Panama for approximately $1.0 million, and the purchase of an undivided interest in an aircraft for $658,000. The use of cash in fiscal year 2006 resulted from the acquisition of a 35,000 square meter commercial center in Panama City, Panama, which included the existing PriceSmart warehouse club along with additional commercial property for $12.7 million (including closing fees), the acquisition of land adjacent to a second warehouse club in Panama City, Panama for $3.4 million, the purchase of land and construction costs in

Honduras for $2.7 million, and $4.3 million in costs associated with the new warehouse club in Costa Rica. Additionally, in fiscal year 2006, the Company used $2.4 million to purchase the minority interest in the Company s Jamaica subsidiary and $300,000 to purchase the 5% interest of a minority shareholder in the Company s Trinidad subsidiary. This was offset by the receipt of $2.8 million as a return of a portion of its investment in the Mexico joint venture following the sale of two of the joint venture s closed warehouse clubs.

Financing activities resulted in a net cash use of $7.3 million in fiscal year 2007, primarily as a result of repaying the $17.1 million balance on the long-term debt held by the International Finance Corporation, which included a prepayment of principal in the amount of $14.9 million in September 2006 in addition to the Company s regularly scheduled principal payment of $2.2 million. This was offset by the Company establishing a new long term loan in Guatemala for $8.9 million to finance the acquisition of the land and the construction of that new warehouse club. The Company paid a cash dividend to common stockholders totaling $4.7 million during the year. The Company drew down from its available lines of short-term loans, with $3.3 million representing the net total amount of the draw down during the year. During fiscal year 2006, financing activities provided net cash of $10.7 million attributable to the sale of 2,385,553 shares of common stock for $19.0 million pursuant to the Company s $8 rights offering which expired on January 31, 2006, $12.5 million in long-term debt borrowed from a related party, PS Ivanhoe LLC, to finance the purchase of the Panama City acquisition, and the sale of $1.5 million of common stock to Sol Price, one of the Company s significant stockholders and father of Robert E. Price, who is the Company s Chairman of the Board and Chief Executive Officer, as part of a lawsuit settlement. During that same period, the Company paid off or paid down long and short term loans totaling $10.8 million.

Financing Activities

During fiscal year 2007, the Company repaid the remaining $17.1 million balance on the long-term debt held by the International Finance Corporation, which included a prepayment of principal in the amount of $14.9 million in September 2006, in addition to the Company s regularly scheduled principal payment of $2.2 million. A new long-term loan was established in Guatemala totaling $8.9 million secured by the land and building of the new warehouse club to finance the land acquisition and construction of that club. The Company accessed certain short-term debt facilities in the amount of $3.3 million at the close of the period for working capital financing purposes.

Short-Term Borrowings and Long-Term Debt

As of August 31, 2007 and 2006, the Company, together with its majority or wholly owned subsidiaries, had $3.3 million and $158,000 outstanding in short-term borrowings, respectively.

The Company has a bank credit agreement for up to $7.0 million, which can be used as a line of credit or to issue letters of credit. As of August 31, 2007, letters of credit totaling $2.5 million were outstanding under this facility, leaving availability under this facility of $4.5 million.

As of August 31, 2007 and 2006, the Company, together with its majority or wholly owned subsidiaries, had $9.4 million and $18.7 million, respectively, outstanding in long-term borrowings. The Company s long-term debt is collateralized by certain land, building, fixtures, equipment and shares of each subsidiary to which the debt relates and guaranteed by the Company up to its respective ownership percentage. Certain obligations under leasing arrangements are collateralized by the underlying asset being leased.

During the first quarter of fiscal year 2007, the Company repaid the remaining $17.1 million balance on the long-term debt held by the International Finance Corporation, which included a prepayment of principal in the amount of $14.9 million.

Contractual Obligations

As of August 31, 2007, the Company s commitments to make future payments under long-term contractual obligations were as follows (in thousands):

		Payments Due by Period			
Contractual obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**After 5 Years**
Long-term debt[1]	$ 9,419	$ 1,411	$ 1,855	$ 1,822	$ 4,331
Operating leases	120,459	7,459	14,227	12,890	85,883
Total	$ 129,878	$ 8,870	$ 16,082	$ 14,712	$ 90,214

(1) Amounts shown are for the principal portion of the long-term debt payment only.

Critical Accounting Estimates

The preparation of the Company s consolidated financial statements requires that management make estimates and judgments that affect the financial position and results of operations. Management continues to review its accounting policies and evaluate its estimates, including those related to contingencies and litigation, deferred taxes, merchandise inventories, goodwill, long-lived assets, stock-based compensation and warehouse closure costs. The Company bases its estimates on historical experience and on other assumptions that management believes to be reasonable under the present circumstances. These accounting policies, under different conditions or using different estimates, could show materially different results on the Company s financial condition and results of operations.

Contingencies and Litigation: In the ordinary course of business, the Company is periodically named as a defendant in various lawsuits, claims and pending actions. The principal risks that the Company insures against are workers compensation, general liability, vehicle liability, property damage, employment practices, errors and omissions, fiduciary liability and fidelity losses. If a potential loss arising from these lawsuits, claims and actions is probable and reasonably estimable, the Company records the estimated liability based on circumstances and assumptions existing at the time in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, Accounting for Contingencies. While the Company believes the recorded liabilities are adequate, there are inherent limitations in the estimation process whereby future actual losses may exceed projected losses, which could materially adversely affect the Company s results of operations or financial condition.

Deferred Taxes: A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized. As of August 31, 2007, the Company evaluated its deferred tax assets and liabilities and determined that, in accordance with SFAS No. 109, Accounting for Income Taxes, a valuation allowance is necessary for certain foreign deferred tax asset balances, primarily because of the existence of significant negative objective evidence, such as the fact that certain countries are in a cumulative loss position for the past three years, and the determination that certain net operating loss carryforward periods are not sufficient to realize the related deferred tax assets. The Company factored into its analysis the inherent risk of forecasting revenue and expenses over an extended period of time and also considered the potential risks associated with its business. As a result of this review, the Company concluded that a full valuation allowance was required with respect to deferred tax assets in several of its subsidiaries, as well as certain U.S. deferred tax assets.

The Company had federal and state tax net operating loss carry-forwards, or NOLs, at August 31, 2007 of approximately $51.8 million and $9.5 million, respectively. In calculating the tax provision, and assessing the likelihood that the Company will be able to utilize the deferred tax assets, the Company considered and weighed all of the evidence, both positive and negative, and both objective and subjective. The Company factored in the inherent risk of forecasting revenue and expenses over an extended period of time and considered the potential risks associated with its business. Because of the Company s U.S. income from continuing operations and based on projections of future taxable income in the United States, which have increased due to the implementation of the Financial Program (as described in Note 11 to the Consolidated Financial Statements for the year ended August 31, 2007 included herein), the Company was able to determine that there was sufficient positive evidence to support the conclusion that it was more likely than not that the Company would be able to realize substantially all of its U.S. NOLs by generating taxable income during the carry-forward period. However, if the Company does not achieve its projections of future taxable income in the United States, the Company could be required to take a charge to earnings related to the recoverability of these deferred tax assets. Also, as a result of the Financial Program, the Company has determined that due to the deemed change of ownership (as defined in section 382 of the Internal Revenue Code) in October 2004, there are annual limitations in the amount of U.S. profits that may be offset by NOLs. The NOLs generated prior to the deemed ownership change date, as well as a significant portion of the losses generated as a result of the PSMT Philippines disposal in August 2005, are limited on an annual basis. The Company does not believe this will impact the recoverability of these NOLs. Due to their shorter recovery period and limitations applicable under section 383 of the Internal Revenue code regarding changes of ownership, the Company has maintained valuation allowances on U.S. foreign tax credits (generated before the date of the deemed ownership change) and all capital loss carry-forwards.

Merchandise Inventory: The Company records its inventory at the lower of cost (average cost) or market. The Company provides for estimated inventory losses between physical inventory counts on the basis of a percentage of sales. The provision is adjusted monthly to reflect the trend of actual physical inventory count results, with physical inventories occurring primarily in the second and fourth fiscal quarters. In addition, the Company monitors slow-moving inventory to determine if provisions should be taken for expected markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise.

Goodwill: Statement of Financial Accounting Standards No. 142, Accounting for Goodwill and Other Intangible Assets, requires that the Company test goodwill for impairment based on a comparison of fair values to the carrying values of its reporting units (subsidiaries). The determination of fair value for a reporting unit involves the use of assumptions and estimates such as the future performance of the operations of the reporting unit and discount rates used to determine the current value of expected future cash flows of the reporting unit. Any change in these assumptions and estimates, and other factors such as inflation rates, competition and general economic conditions, could cause the calculated fair value of the operating unit to decrease significantly.

Long-lived Assets: The Company periodically evaluates its long-lived assets for indicators of impairment. Management s judgments are based on market and operational conditions at the time of the evaluation and can include management s best estimate of future business activity. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair market value consistent with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges. The Company recorded an approximately $897,000 impairment charge in fiscal year 2007 to write-down the long-lived assets of the San Pedro Sula, Honduras location as a result of vacating the warehouse location and moving to another section of the city. The Company also recorded approximately $813,000 and $785,000 impairment charges in fiscal year 2006 to write-down the long-lived assets at the closed Dominican Republic warehouse, and San Pedro Sula closed warehouse, respectively.

Stock-Based Compensation: As of August 31, 2007, the Company had four stock-based employee compensation plans. In the first quarter of fiscal year 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment, which revises SFAS 123, Accounting for Stock-Based Compensation. The Company had adopted the fair value based method of recording stock options consistent with SFAS 123 for all employee stock options granted subsequent to fiscal year 2002. Specifically, the Company adopted SFAS 123 using the prospective method with guidance provided from SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure an Amendment of FASB Statement No. 123. All employee stock option grants made or re-priced since the beginning of fiscal year 2003 have been or will be expensed over the related stock option vesting period based on the fair value at the date the options are granted. Prior to fiscal year 2003, the Company applied Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for stock options.

Under SFAS 123R, the Company is required to select a valuation technique or option-pricing model that meets the criteria as stated in the standard, which includes a binomial model and the Black-Scholes model. At the present time, the Company is continuing to use the Black-Scholes model. The adoption of SFAS 123R, applying the modified prospective method, as elected by the Company, requires the Company to value stock options granted prior to its adoption of SFAS 123 under the fair value method and expense these amounts over the stock options remaining vesting period. A change in the model used or in the assumptions used in the Black-Scholes model could impact the expenses we record under SFAS 123R.

Warehouse Closure Costs: The Company provides estimates for warehouse club closing costs when it is appropriate to do so, based on the applicable accounting principles. The Company has established lease obligation liabilities for its closed leased warehouse clubs. The lease obligations are based on the present value of the rent liabilities reduced by the estimated income from the subleasing of these properties. The Company is continually evaluating the adequacy of its closed warehouse club lease obligations based upon the status of existing or potential subleasing activity and makes appropriate adjustments to the lease obligations as a result of these evaluations. Future circumstances may result in the Company s actual future closing costs or the amount recognized upon sale or sublease of the property to differ materially from the original estimates.

Accounting Pronouncements

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 06-11 (EITF 06-11), Accounting for Income Tax Benefits of Dividends on Share-Based Payment Award. EITF 06-11 requires companies to recognize the tax benefits of dividends on unvested share-based payments in equity (increasing the Financial Accounting Standards (SFAS) No. 123(R) APIC Pool of excess tax benefits available to absorb tax deficiencies) and reclassify those tax benefits from additional paid-in capital to the income statement when the related award is forfeited (or is no longer expected to vest). The Company is required to adopt EITF 06-11 for dividends declared after September 1, 2008. The Company has opted for earlier application starting on September 1, 2007 for the income tax benefits of dividends on equity-classified employee share-based compensation that are declared in periods for which financial statements have not yet been issued. The adoption of EITF 06-11 will not have a material impact on the Company s consolidated financial condition and operating results.

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value at specific election dates. The Company will adopt SFAS 159 beginning September 1, 2008. The Company is currently evaluating the impact, if any, the interpretation will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. (SFAS 157) establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 simplifies and codifies related guidance within GAAP. The Company adopted SFAS 157 on September 1, 2007. The adoption of SFAS 157 is not expected to have a material impact on the Company s consolidated financial condition and operating results.

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In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, Section N, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. Section N provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatement for the purpose of a materiality assessment. The Company adopted SAB No. 108 on September 1, 2007. The adoption of SAB No. 108 is not expected to have a material impact on the Company s consolidated financial condition and operating results.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB 109, which provides guidance associated with the recognition and measurement of tax positions and related reporting and disclosure requirements. The Company is required to adopt the provisions of FIN 48 no later than fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 effective September 1, 2007. The Company is currently evaluating the impact, if any, the interpretation will have on its consolidated financial statements.

In June 2006, the EITF reached a consensus on EITF Issue No. 06-03 (EITF 06-03), How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation). EITF 06-03 provides that the presentation of taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) is an accounting policy decision that should be disclosed. The Company adopted EITF 06-03 on September 1, 2006 as required. The Company recognizes and presents revenue-producing transactions on a net basis, as defined within EITF Issue No. 06-03. The adoption of EITF 06-03 did not have a material impact on the Company s consolidated financial condition and operating results.

In October 2005, the FASB issued FASB Staff Position (FSP) 13-1, Accounting for Rental Costs Incurred during a Construction Period. The guidance requires the rental costs for ground or building operating leases during the construction period be recognized as rental expenses. The guidance permits either retroactive or prospective treatment for periods beginning after December 15, 2005. The Company has prospectively changed its policy from capitalization to expensing beginning in the third quarter of fiscal year 2006. The adoption of this FSP did not have a material impact on the Company s consolidated financial statements, as no warehouse clubs were built on leased land in fiscal year 2006.

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS 154 requires retrospective application to prior periods financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in non-discretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. The Company adopted SFAS 154 as of September 1, 2007 as required. The adoption of SFAS 154 did not have a material impact on the Company s financial condition and operating results.

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations, which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability s fair value can be reasonably estimated. The Company adopted the provisions of FIN 47 in the fourth quarter of fiscal year 2006. The adoption of this Interpretation did not have a material impact on the Company s consolidated financial position, results of operations, or cash flows.

Seasonality

Historically, the Company s merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, the Company s operating results fluctuate quarter-to-quarter as a result of economic and political events in markets served by the Company, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more expensive in local currencies and less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that the Company s future results will be consistent with past results or the projections of securities analysts.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by Item 7A is incorporated herein by reference to PriceSmart s Annual Report to Stockholders for the fiscal year ended August 31, 2007 under the heading Quantitative and Qualitative Disclosures about Market Risk.

Item 8. Financial Statements and Supplementary Data

The information required by Item 8 is incorporated herein by reference to PriceSmart s Annual Report to Stockholders for the fiscal year ended August 31, 2007 under the heading Financial Statements and Supplementary Data.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

As of August 31, 2007, under the supervision and with the participation of the Company s management, including the Company s principal executive officer and principal accounting officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). These disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in its periodic reports with the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms, and that the information is accumulated and communicated to the Company s management, including the principal executive officer and principal accounting officer, as appropriate to allow timely decisions regarding required disclosure. The design of any disclosure controls and procedures also is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based upon their evaluation, the principal executive officer and principal accounting officer concluded that the Company s disclosure controls and procedures are effective at the reasonable assurance level.

(b) Management s report on internal control over financial reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our chief executive officer and chief financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Management has used the framework set forth in the report entitled Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of our internal control over financial reporting. Based on its evaluation, management has concluded that our internal control over financial reporting was effective as of August 31, 2007, the end of our most recent fiscal year. Ernst & Young LLP, our independent registered public accounting firm, has issued an attestation report on the effectiveness of our internal control over financial reporting as of August 31, 2007, as stated in their report which is included herein.

(c) Changes in internal control over financial reporting.

There have been no changes in the Company s internal control over financial reporting, during the fourth quarter of the fiscal year ended August 31, 2007 that have materially affected or are reasonably likely to affect, the Company s internal control over financial reporting.

Item 9B. Other Information

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of PriceSmart, Inc.

We have audited PriceSmart, Inc. s internal control over financial reporting as of August 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PriceSmart, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PriceSmart, Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2007 consolidated financial statements of PriceSmart, Inc. and our report dated November 23, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California

November 23, 2007

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The table below indicates the name, position with the Company and age of each of the Company s directors as of October 31, 2007.

Name	Position	Age
Robert E. Price	Chairman of the Board; Chief Executive Officer	65
Murray L. Galinson	Director	70
Katherine L. Hensley	Director	70
Leon C. Janks	Director	58
Lawrence B. Krause	Director	77
Jack McGrory	Director; Executive Vice President Real Estate and Development	58
Keene Wolcott	Director	76
Edgar A. Zurcher	Director	56

Information Regarding Directors

Robert E. Price has been Chairman of the Board of the Company since July 1994 and Chief Executive Officer of the Company since April 2006. He served as Interim Chief Executive Officer of the Company from April 2003 until April 2006 and also served as Interim President of the Company from April 2003 until October 2004. Mr. Price also served as President and Chief Executive Officer of the Company from July 1994 until January 1998. Additionally, Mr. Price served as Chairman of the Board of Price Enterprises, Inc. (PEI) from July 1994 until November 1999 and was President and Chief Executive Officer of PEI from July 1994 until September 1997. Mr. Price was Chairman of the Board of Price/Costco, Inc. (Costco) from October 1993 to December 1994. From 1976 to October 1993, he was Chief Executive Officer and a director of The Price Company (TPC). Mr. Price served as Chairman of the Board of TPC from January 1989 to October 1993, and as its President from 1976 until December 1990. Mr. Price has also been a Manager of The Price Group since August 2000.

Murray L. Galinson has been a director of the Company since November 2000. Mr. Galinson served as a director of PEI from August 1994 until November 1999 and from January 2001 until September 2001, and served as a director of Price Legacy from September 2001 to December 2004. Additionally, Mr. Galinson has been Chairman of the Board of San Diego National Bank since May 1996 and has served as a director of San Diego National Bank since its inception in 1981. Mr. Galinson also served as President and Chief Executive Officer of San Diego National Bank from September 1984 to September 1997 and was Chairman of the Board and Chief Executive Officer of SDNB Financial Corporation from 1985 to 1997. Mr. Galinson is the immediate past chair of the Board of the California State University System. Mr. Galinson has also been a Manager of The Price Group since August 2000.

Katherine L. Hensley has been a director of the Company since July 1997 and served as a director of PEI from December 1994 until July 1997. She is a retired partner of the law firm of O Melveny & Myers in Los Angeles, California. Ms. Hensley joined O Melveny & Myers in 1978 and was a partner from 1986 to February 1992. From 1994 to 2000, Ms. Hensley served as a trustee of Security First Trust, an open-end investment management company registered under the Investment Company Act of 1940.

Leon C. Janks has been a director of the Company since July 1997 and served as a director of PEI from March 1995 until July 1997. He has been a partner in the accounting firm of Green, Hasson & Janks LLP in Los Angeles, California since 1980 and serves as its Managing Partner. Mr. Janks has extensive experience in domestic and international business, serving a wide variety of clients in diverse businesses, and is a certified public accountant.

Lawrence B. Krause has been a director of the Company since July 1997. Mr. Krause has been a Professor and the Director of the Korea-Pacific Program at the Graduate School of International Relations and Pacific Studies at the University of California, San Diego since 1986. He became a Professor Emeritus in 1997. Mr. Krause also serves on the board of FFTW Funds, Inc., an open-ended management investment company registered under the Investment Company Act of 1940, as amended, and on advisory boards for a number of institutions including the Korea Economic Institute, the Committee on Asian Economic Studies and the U.S. National Committee for Pacific Economic Cooperation.

Jack McGrory has been a director of the Company since November 2000 and was appointed Executive Vice President Real Estate and Development in December 2006. Mr. McGrory served as Chairman of the Board of Price Legacy from September 2001 until December 2004, served as President and Chief Executive Officer of Price Legacy from October 2003 until December 2004, and was President and Chief Executive Officer of PEI from September 1997 until November 1999. Mr. McGrory also serves as a director of the San Diego Padres, L.P. and was its Executive Vice President and Chief Operating Officer from September 1999 until August 2000. From March 1991 through August 1997, Mr. McGrory served as City Manager of San Diego. Mr. McGrory has also been a Manager of The Price Group since August 2000.

Keene Wolcott has been a director of the Company since October 2006. Mr. Wolcott has been President of Wolcott Investments, Inc., a private investment company, since 1975. Mr. Wolcott also served as a director of Price Legacy from September 2001 until December 2004 and served as a director of The Price REIT, Inc. from January 1995 until 1998. From 1969 to 1973, Mr. Wolcott served as Chief Executive Officer of the Colorado Corporation, which managed investor funds in oil and gas exploration. Prior to 1969, he served as Senior Vice President of Hayden, Stone and Company, a securities brokerage firm.

Edgar A. Zurcher has been a director of the Company since November 2000. Mr. Zurcher has been a partner in the law firm Zurcher, Odio & Raven in Costa Rica since 1980. Additionally, Mr. Zurcher is President of PSC, S.A. which owns 49% of PSMT Nicaragua (BVI), Inc. , for which he has served as a director since its inception in September 1998. He owns 13% of Capital and Advice, Inc., which is the sole shareholder of PSC, S.A. PSC, S.A. beneficially owns approximately 3.0% of the outstanding Common Stock of the Company. Mr. Zurcher has also been a 9.1% owner of Banco Promerica, and a director of Banco Promerica (Dominican Republic) and Chairman of the Board of Banco Promerica (Costa Rica), since 2000. He also owns 9.1% of Promerica Property Fund, Inc. and Portafolio Inmobiliario, S.A. (aka PINSMA).

Information Regarding the Board

Committees of the Board

Audit Committee. The Audit Committee, which consists of Messrs. Janks and Krause and Ms. Hensley, held eight meetings during fiscal 2007. The Audit Committee oversees the Company s accounting and financial reporting processes and the audits of its consolidated financial statements. The Committee reviews the annual audits conducted by the Company s independent public accountants, reviews and evaluates internal accounting controls, is responsible for the selection of the Company s independent public accountants, and conducts such reviews and examinations as it deems necessary with respect to the practices and policies of, and the relationship between the Company and its independent public accountants. All committee members satisfy the definition of independent director as established in the Nasdaq Stock Market s listing standards and the rules promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and the Board of Directors has determined that Mr. Janks qualifies as an audit committee financial expert within the meaning of the applicable SEC rules and regulations.

Compensation Committee. The Compensation Committee, which consists of Ms. Hensley and Messrs. Janks and Krause, held eight meetings during fiscal 2007. Each of the members of the Compensation Committee is an independent director within the meaning of the Nasdaq Stock Market s listing standards. The Compensation Committee reviews and approves the compensation program for the Company s executive officers. The Committee is authorized to evaluate and determine the compensation of the Corporation s Chief Executive Officer, and reviews and approves all such compensation for all other executive officers. The Committee also administers, interprets and makes grants under the Company s stock option plans.

Nominating Committee. The Nominating Committee, which consists of Ms. Hensley and Mr. Price, held one meeting during fiscal 2007. The Nominating Committee may evaluate and recommend candidates to fill vacancies on the Board of Directors or any committee thereof, which vacancies may be created by the departure of any directors, or the expansion of the number of members of the Board. The Nominating Committee may also consider the slate of nominees to be presented for reelection at annual meetings of stockholders. As noted above, the Company is not required to nominate directors through a nominating committee comprised solely of independent directors or by action of a majority of the independent directors on the board because it is a controlled company. Ms. Hensley satisfies the definition of independent director within the meaning of the Nasdaq Stock Market s listing standards, but Mr. Price does not.

Executive Committee. The Executive Committee, which consists of Messrs. Price and Janks, did not hold any meetings during fiscal 2007. The Executive Committee has all powers and rights necessary to exercise the full authority of the Board of Directors in the management of the business and affairs of the Company, except as provided in the Delaware General Corporation Law or the Bylaws of the Company.

Finance Committee. The Finance Committee, which consists of Messrs. Janks, Krause, Wolcott and Price and Ms. Hensley, held four meetings during fiscal 2007. The Finance Committee reviews and makes recommendations with respect to (1) annual budgets, (2) investments, (3) financing arrangements and (4) the creation, incurrence, assumption or guaranty by the Company of any indebtedness, obligation or liability, except, in each case, for any such transactions entered into in the ordinary course of business of the Company.

Real Estate Committee (Disbanded). The Real Estate Committee held no meetings in fiscal 2007, having been disbanded concurrent with Mr. McGrory being appointed Executive Vice President Real Estate and Development in December 2006.

Governance Committee. The Governance Committee, which consists of Mr. Krause and Ms. Hensley, was established in November 2003 and held two meetings during fiscal 2007. The Governance Committee assists the Board of Directors in establishing corporate governance guidelines and other policies and procedures pertaining to corporate governance matters, and assists the Board of Directors in evaluating potential nominees for director of the Company.

Policy Governing Stockholder Communications with the Board of Directors

The Board of Directors welcomes communications from stockholders of the Company. Any stockholder who wishes to communicate with the Board or one or more members of the Board should do so in writing in care of the General Counsel of the Company, at the principal office of the Company, 9740 Scranton Road, San Diego, California 92121. The General Counsel is directed to forward each communication to the director or directors of the Company for whom it is intended.

Executive Officers

The executive officers of the Company and their ages as of October 31, 2007 are as follows:

Name	Position	Age
Robert E. Price	Chief Executive Officer	65
Jose Luis Laparte	President	41
John M. Heffner	Executive Vice President and Chief Financial Officer	53
Robert M. Gans	Executive Vice President, Secretary and General Counsel	58
William J. Naylon	Executive Vice President and Chief Operating Officer	45
Thomas D. Martin	Executive Vice President Merchandising	51
Edward Oats	Executive Vice President Information Technology and Logistics	46
Brud E. Drachman	Executive Vice President Construction Management	52
John D. Hildebrandt	Executive Vice President Central America Operations	49
Jack McGrory	Executive Vice President Real Estate and Development	58

Robert E. Price has been Chairman of the Board of the Company since July 1994 and Chief Executive Officer of the Company since April 2006. He served as Interim Chief Executive Officer of the Company from April 2003 until April 2006 and also served as Interim President of the Company from April 2003 until October 2004. Mr. Price also served as President and Chief Executive Officer of the Company from July 1994 until January 1998. Additionally, Mr. Price served as Chairman of the Board of PEI from July 1994 until November 1999 and was President and Chief Executive Officer of PEI from July 1994 until September 1997. Mr. Price was Chairman of the Board of Costco from October 1993 to December 1994. From 1976 to October 1993, he was Chief Executive Officer and a director of TPC. Mr. Price served as Chairman of the Board of TPC from January 1989 to October 1993, and as its President from 1976 until December 1990.

Jose Luis Laparte has been President of the Company since October 2004 and served as a consultant for the Company from December 2003 to October 2004. Prior to joining the Company as a consultant, Mr. Laparte worked more than 14 years for Wal-Mart Stores, Inc. in Mexico and the United States in progressively responsible positions. From October 2002 through September 2003, he served as Vice President of Sam s International, where he directed and managed the company s operations, finance, sales, marketing, product development and merchandising. From May 2000 to October 2002, he served as Vice President, Wal-Mart de Mexico, responsible for sales and the expansion of the Sam s Club format in Mexico.

John M. Heffner has been Executive Vice President and Chief Financial Officer of the Company since January 2004 after having served as a consultant to the Company on financial matters from September 2003 through December 2003. From February 2000 until August 2003, Mr. Heffner was Vice President of Finance and CFO of Kyocera Wireless Corp. Mr. Heffner s previous professional experience was with Digital Equipment Corporation where he held a variety of financial management roles over a 20 year period, and more recently with QUALCOMM Incorporated, where he was a Vice President of Finance from July 1998 until February 2000. Mr. Heffner is a graduate of St. Lawrence University and received an MBA from Syracuse University.

Robert M. Gans has been Executive Vice President, General Counsel and Secretary of the Company since August 1997 and was Executive Vice President and General Counsel of PEI from October 1994 until July 1997. Mr. Gans graduated from the UCLA School of Law in 1975 and actively practiced law in private practice from 1975 until 1994. From 1988 until October 1994, Mr. Gans was the senior member of the law firm of Gans, Blackmar & Stevens, A.P.C., of San Diego, California.

William J. Naylon has been Executive Vice President and Chief Operating Officer of the Company since January 2002. Mr. Naylon served as Executive Vice President Merchandising of the Company from July 2001 until January 2002 and as Senior Vice President of the Company from

March 1998 until July 2001. From September 1995 through February 1998, Mr. Naylon was Managing Director for the Company s licensee warehouse club operation in Indonesia. Prior to joining the Company, Mr. Naylon was a General Manager for Costco and had served in various management roles for TPC.

Thomas D. Martin has been Executive Vice President Merchandising of the Company since October 1998 and served as Senior Vice President of the Company from August 1997 to September 1998. Mr. Martin previously served as Vice President of PEI from August 1994 until July 1997, directing merchandising strategies and product sourcing for its international merchandising business, in addition to managing its trading company activities. Prior to joining PEI as Vice President in August 1994, Mr. Martin served as Vice President of Costco from October 1993 to December 1994 and had served in various management roles for TPC.

Edward Oats has been Executive Vice President Information Technology and Logistics of the Company since November 2002 and served as Senior Vice President Logistics/Information Technology of the Company from May 2000 to October 2002. Mr. Oats previously served as Vice President of Information Technology of the Company from August 1997 to April 2000, and as International IT Manager of PEI from 1993 to 1997. From 1982 to 1993, Mr. Oats served in several positions in TPC operations and management.

Brud E. Drachman has been Executive Vice President Construction Management of the Company since November 2005, served as Executive Vice President Real Estate and Construction of the Company from February 2005 through October 2005 and had served as Executive Vice President Construction and Private Label Merchandising from November 2004 until January 2005. Mr. Drachman had served as Executive Vice President Real Estate and Construction of the Company from November 2002 until October 2004 and served as Senior Vice President Real Estate and Construction of the Company from August 1998 to October 2002. Mr. Drachman previously served as Vice President Real Estate and Construction at PEI from August 1994 to August 1997. Prior to joining PEI in 1994, Mr. Drachman served as Project Manager at TPC since 1987.

John D. Hildebrandt has been Executive Vice President Central America Operations since August 2003. Mr. Hildebrandt served as Executive Vice President Caribbean and Asia Operations from July 2001 until July 2003 and served as Senior Vice President of the Company from September 2000 until July 2001. Mr. Hildebrandt previously served as Vice President of the Company from September 1998 until August 2000, overseeing operations in Central America. Mr. Hildebrandt served as the Company s Country Manager in the Philippines and Panama from August 1997 until August 1998, and as PEI s Country Manager in the Philippines and Panama from 1996 until the Company was spun off from PEI in August 1997. Prior to joining PEI as Country Manager in 1996, Mr. Hildebrandt was a Senior Operations Manager of Costco from 1994 through 1996, and had served in various management roles for TPC since 1979.

Jack McGrory has been a director of the Company since November 2000 and was appointed Executive Vice President Real Estate and Development in December 2006. Mr. McGrory served as Chairman of the Board of Price Legacy from September 2001 until December 2004, served as President and Chief Executive Officer of Price Legacy from October 2003 until December 2004, and was President and Chief Executive Officer of PEI from September 1997 until November 1999. Mr. McGrory also serves as a director of the San Diego Padres, L.P. and was its Executive Vice President and Chief Operating Officer from September 1999 until August 2000. From March 1991 through August 1997, Mr. McGrory served as City Manager of San Diego. Mr. McGrory has also been a Manager of The Price Group since August 2000.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, directors, officers and beneficial owners of 10 percent or more of the Company s Common Stock, or reporting persons, are required to report to the SEC on a timely basis the initiation of their status as a reporting person and any changes with respect to their beneficial ownership of the Common Stock. Based solely on our review of such forms received by the Company and the written representations of the reporting persons, the Company has determined that no reporting persons known to the Company were delinquent with respect to their reporting obligations as set forth in Section 16(a) of the Exchange Act.

Code of Ethics

PriceSmart has established a Guide to Code of Business Conduct and Ethics that applies to its officers, directors and employees. The Code of Business Conduct and Ethics contains general guidelines for conducting PriceSmart s business consistent with the highest standards of business ethics, and is intended to qualify as a code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K promulgated by the Commission. PriceSmart maintains a copy of the Code of Business Conduct and Ethics on its website at www.pricesmart.com under the heading Investor Relations.

Item 11. Executive Compensation
Compensation Discussion and Analysis

The Compensation Committee of our Board, comprised entirely of independent directors, administers our executive compensation program. The role of the Compensation Committee is to oversee our compensation and benefit plans and policies, administer our stock plans and review and approve annually all compensation decisions relating to all executive officers.

The compensation programs are intended to provide a link between the creation of stockholder value and the compensation earned by our executive officers and has been designed to:

- Attract, motivate and retain superior talent;
- Encourage high performance and promote accountability;
- Align compensation with our performance and stockholder returns;
- Provide performance awards for the achievement of financial and operational targets and strategic objectives that are critical to our long-term growth; and
- Ensure that the executive officers have financial incentives to achieve substantial growth in stockholder value.

To achieve these objectives, the Compensation Committee, which is comprised of members who have knowledge of executive compensation levels of other companies by virtue of their professional background, experience and dealings external to PriceSmart, has implemented and intends to maintain compensation plans that tie a portion of the executives overall compensation to key financial and operational goals.

The compensation of our executive officers is composed of base salaries, an annual corporate incentive bonus plan and long-term equity incentives in the form of restricted stock and stock options. In determining specific components of compensation, the Compensation Committee considers each officer s performance, level of responsibility, skills and experience, and other compensation awards or arrangements. The Compensation Committee reviews and approves all elements of compensation for all of our executive officers taking into consideration recommendations from management. The Compensation Committee reviews and approves all annual bonus awards for executives and restricted stock awards and stock option grants for all employees.

Our President, in consultation with our Chief Executive Officer, sets salaries and bonus opportunities for employees below the level of Executive Vice President and makes recommendations with respect to restricted stock awards and stock option grants to people at these levels. He likewise makes recommendations with respect to salary, bonus eligibility and restricted stock and stock option awards for our Executive Vice Presidents. Our President and Chief Financial Officer also gather information and provide compensation recommendations in response to requests from the Compensation Committee. After gathering this input and receiving these recommendations, the Compensation Committee determines the compensation of our executive officers in executive session.

Management and the Compensation Committee historically have not used market surveys and competitive data gathered internally in making decisions affecting compensation. Instead, in the case of executive officers, the Compensation Committee takes into account the individual s prior position, salary, bonus opportunity and equity participation level at his or her previous employer and the compensation of PriceSmart executives with comparable experience and seniority.

Except as described below, our Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid out compensation, between cash and non-cash compensation, or among different forms of compensation. This is due to the small size of our executive team and the need to tailor each executive s award to attract and retain that executive.

Elements of Compensation

Executive compensation consists of the following elements:

Base Salary. Base salaries for our executives are generally established based on the scope of their responsibilities, level of experience and individual performance, taking into account both external competitiveness and internal equity considerations. The goal for the base salary component is to compensate employees at a level that approximates the salaries of individuals in comparable positions and markets. Base salaries are reviewed annually, and adjusted from time to time to address inflation and to take into account individual responsibilities, performance and experience.

Annual Management Bonus Program. The Company emphasizes pay-for-performance through an annual management bonus program. All PriceSmart employees with at least six months of service who meet a minimum level of acceptable performance are eligible to participate in the program. Under the program, the Compensation Committee sets targets for each participant, which are awarded if the Company achieves budgeted operating income. Mr. Laparte s target bonus amount for 2007 was $100,000, and his target bonus for 2008 is $100,000. The target bonuses for executive vice presidents were 15% of base salary for 2007 and remain at the same level for 2008. In 2007, executive vice presidents and a percentage of each executive officer s total compensation contingent upon the Company s achieving budgeted operating income levels established at the beginning of the fiscal year. Minimum performance of 90% of budgeted operating income was required for any payouts under the 2007 program, with performance between 90% and 100% of budgeted operating income resulting in bonuses at 25% of target for operating income at 90-94% of budget, 50% at 95-96% of budgeted operating income and 75% at 97 to 99% of budgeted operating income. For achievement of greater than 100% of budgeted operating income, additional bonus amounts are earned on a linear basis of up to a maximum of 133% of an executives target bonus for 120% of budgeted operating income achievement.

Under the 2008 program, for every 1% by which operating income exceeds budget, participants will earn additional bonuses of 2.5% of their target bonus amounts up to a maximum of 150% of target bonus amounts upon achievement of 120% of budgeted operating income. At the end of the year, upon an evaluation of these factors, the Compensation Committee uses discretion in determining whether to grant a bonus to each executive officer. The 2008 program also requires achievement of 90% of budgeted operating income to trigger payment and provides for the same sliding scale between 90% and 100% that the 2007 program used.

The Compensation Committee reserves the right to apply its judgment to the year-end bonus pool funding based on factors that may affect reported operating income, both positively and negatively, and specifically approves the payments made to the Company s executive officers. For example, in fiscal year 2007, the Company took a $5.5 million provision for settlement of pending litigation. The Compensation Committee determined that for management bonus payout, this provision would not be included in the calculation of operating income.

Long-Term Incentive Compensation. We believe that long-term incentives are an integral part of the overall executive compensation program and that the Company s long-term performance will be enhanced through the use of equity awards that reward our executives for maximizing stockholder value over time. While we previously used stock options as the primary long-term equity incentive vehicle, in January 2006 we began using restricted stock awards instead. We have not adopted stock ownership guidelines.

Restricted Stock.

In fiscal 2007, our named executive officers were awarded restricted stock in the amounts indicated in the section entitled Grants of Plan-Based Awards. The restricted stock awards typically vest on an annual basis based upon continued employment over a five-year period.

We expect to continue to use restricted stock as our primary long-term incentive vehicle because:

- restricted stock and the related vesting period help attract and retain executives;

- the value received by the recipient of a restricted stock award can be enhanced by the growth of the stock price; therefore, restricted stock enhances the executives incentive to increase our stock price and maximize stockholder value; and

- restricted stock helps to provide a balance to the overall executive compensation program as base salary and our annual bonus plan focus on short-term compensation, while stock options reward executives for increases in stockholder value over the longer term.

In determining the number of shares of restricted stock to be granted to executives, we take into account the individual s position, scope of responsibility, ability to affect profits and stockholder value and the value of restricted stock in relation to other elements of the individual executive s total compensation. All awards of restricted stock are made by the Compensation Committee, except that our full Board will take action with respect to any equity awards made to our non-employee directors. The Company does not have equity ownership requirements or guidelines.

Executive officers recognize taxable income from restricted stock awards when and as shares vest. On each vesting date, we repurchase a portion of the shares vesting on such vesting date from the participant to cover the tax obligations triggered by the vesting. We repurchase the shares at their fair market value on the date of vesting. We pay the purchase price for the shares we repurchase directly to the taxing authorities. We generally receive a corresponding tax deduction for compensation expense in the year of vesting. The amount included in the participant s wages upon such vesting, and the amount we may deduct, is equal to the common stock price when the shares vest multiplied by the number of shares vesting.

Other Benefits. Our executives are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, long and short-term disability and life insurance, in each case on the same basis as our other employees. We also offer to our President a housing allowance and travel benefits in accordance with his employment agreement described below. The Compensation Committee believes that these perquisites are no greater than our competitors practices.

Summary of Compensation

The following table shows information regarding the compensation earned by any person who served as our Chief Executive Officer or Chief Financial Officer during fiscal year 2007, and our three other most highly compensated executive officers who were serving as executive officers at August 31, 2007. We refer to these persons as our named executive officers elsewhere in this report. Except as provided below, none of our named executive officers received any other compensation required to be disclosed by law or in excess of $10,000 annually.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(6)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Robert Price Chief Executive Officer	2007	$ 277,244	$ 0	$ 0	$ 0	$ 0	$ 0	$ 277,244
John M. Heffner Executive Vice President and Chief Financial Officer	2007	$ 235,677	$ 0	$ 0	$ 0	$ 48,000	$ 11,920(2)	$ 295,627
Jose Luis Laparte President	2007	$ 378,266	$ 0	$ 2,195,660	$ 0	$ 133,333	$ 110,518(1)	$ 2,817,777
Robert M. Gans Executive Vice President, Secretary and General Counsel	2007	$ 262,700	$ 0	$ 0	$ 0	$ 53,060	$ 27,375(3)	$ 343,135
William J. Naylon Executive Vice President and Chief Operating Officer	2007	$ 244,333	$ 0	$ 0	$ 0	$ 49,400	$ 14,050(4)	$ 307,783

(1) April 2007 dividend payment of $24,000, health benefit $263, 401(k) match $17,176, housing allowance $50,004 and tax grossed up trips home $19,075.

(2) April 2007 dividend payment $2,048, health benefit $263 and 401(k) match $9,609.

(3) April 2007 dividend payment $2,048, health benefit $301, 401(k) match $9,676 and special bonus $15,350.

(4) April 2007 dividend payment $2,048, health benefit $301 and 401(k) match $11,701.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to grants of plan-based awards for the year ended August 31, 2007 to the named executive officers.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimates Future Payouts Under Equity Incentive Plan Awards						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards**
Robert Price Chief Executive Officer	0	$ 0	$ 0	$ 0	0	0	0	0	0		
John M. Heffner Executive Vice President and Chief Financial Officer	0	$ 0	$ 0	$ 0	0	0	0	0	0		
Jose Luis Laparte President	12/7/2006	$ 0	$ 0	$ 0	0	0	0	124,400	0		$ 2,195,660
Robert M. Gans Executive Vice President, Secretary and General Counsel	0	$ 0	$ 0	$ 0	0	0	0	0	0		
William J. Naylon Executive Vice President and Chief Operating Officer	0	$ 0	$ 0	$ 0	0	0	0	0	0		

Employment Contracts

The Company has employment agreements with each of its executive officers other than Mr. Price, Mr. Heffner and Mr. McGrory. Each agreement specifies a term and a base salary amount. Each agreement states that the executive is eligible to participate in the Company s bonus plan and to receive all other benefits offered to officers under the Company s standard company benefits practices and plans. Under the agreements, the executive may terminate the agreement at any time on 90 days prior written notice. The Company may terminate the agreement for cause upon immediate notice thereof, or upon the death or disability of the executive. The executive may not engage in any activities, with or without compensation, that would interfere with the performance of his duties or that would be adverse to the Company s interests, without the Company s prior written consent. In the event that the Company terminates the agreement for any reason other than cause, death or disability, the executive will be entitled to the continuation of his base salary for one year, payable in conformity with the Company s normal payroll period. If the agreement expires and is not renewed by the Company upon expiration of the employment term with at least the same base annual salary or does not thereafter continue upon other mutually agreeable terms, the executive will be entitled to the continuation of his base salary for one year, reduced by any compensation he may receive from another employer during that year. Except as noted below, the foregoing severance benefits are the exclusive benefits that would be payable to the executive under his agreement by reason of his termination, and the Company is not obligated to segregate any assets or procure any investment in order to fund such severance benefits. The agreements also contain confidentiality provisions and other terms and conditions customary to executive employment agreements.

The following table shows the name and titles of the executive officers with employment agreements, as well as the minimum base salary specified in each executive s agreement and the current expiration date.

Executive	Title	Base Salary	Expiration Date
Jose Luis Laparte	President	$ 382,000	October 8, 2008
William J. Naylon	Executive Vice President and Chief Operating Officer	$ 247,000	January 31, 2008
Brud E. Drachman	Executive Vice President Construction Management	$ 188,000	March 31, 2008
Robert M. Gans	Executive Vice President, Secretary and General Counsel	$ 265,300	October 16, 2008
John D. Hildebrandt	Executive Vice President Central America Operations	$ 212,000	March 31, 2008
Thomas D. Martin	Executive Vice President Merchandising	$ 228,200	March 31, 2008
Edward Oats	Executive Vice President Information Technology and Logistics	$ 188,000	March 31, 2008

Pursuant to his agreement, Mr. Laparte also is entitled to receive a housing allowance of $50,000, up to 11 round-trip tickets to and from Mexico City to San Diego for Mr. Laparte and members of his family and reasonable moving expenses to Mexico at the end of the employment term. Mr. Gans agreement provides that in the event that the Company terminates the agreement for any reason other than cause, Mr. Gans will be entitled to the continuation of his base salary for one year, payable in conformity with the Company s normal payroll period, and will be entitled to participate in the 401(k) Plan, and the Company s medical plans for the remainder of the term of the agreement.

Mr. Price, Mr. Heffner and Mr. McGrory are covered by our standard severance policy. Under the policy, if they are terminated for other than cause, death or disability, they will be entitled to the continuation of their base salary for a period equal to two weeks per completed year of service up to a maximum of 26 weeks, payable in conformity with the Company s normal payroll period.

Equity Incentive Plans

The Company has four equity incentive plans.

1997 PriceSmart Stock Option Plan

The Stock Option Plan of PriceSmart, Inc. (the 1997 Plan) provides for option grants covering up to 700,000 shares of Common Stock. As of October 31, 2007, 507,135 shares had been issued upon exercise of options granted under the 1997 Plan, options to purchase an aggregate of 71,000 shares of Common Stock at prices ranging from $6.19 to $20.00 per share (other than the annual grants to directors of the Company, which range to $39.00 per share) remained outstanding, and 121,865 shares remained available for future grant.

1998 Equity Participation Plan

The 1998 Equity Participation Plan of PriceSmart, Inc. (the 1998 Plan) provides that the Compensation Committee of the Board of Directors or a subcommittee thereof may grant or issue incentive stock options, non-qualified stock options, stock purchase rights, stock appreciation rights, restricted stock, deferred stock, dividend equivalents, performance awards, stock payments and other stock related benefits, or any combination thereof. Under the stock purchase feature of the 1998 Plan, the Compensation Committee may grant to any consultant or employee the right to purchase shares of Common Stock (stock purchase rights), under the 1998 Plan from time to time, in such amounts and subject to such terms and conditions as the committee may determine, and, at the discretion of the Committee, such determinations may include determining categories of employees and the number of shares to be made available to employees in each such category. The 1998 Plan further provides that each independent director as of the date of the adoption by the Board of the 1998 Plan automatically shall be granted, on the date of such adoption, a stock purchase right to purchase a number of shares of Common Stock equal to the difference between (1) 2,716 shares of Common Stock and (2) the number of shares of Common Stock purchased by such independent director since September 1, 1997 (other than purchases pursuant to the exercise of an option granted pursuant to any stock option plan of the Company). A person who is initially elected to the Board of Directors after the adoption by the Board of Directors of the 1998 Plan and who is an independent director at the time of such initial election automatically shall be granted a stock purchase right to purchase 2,716 shares of Common Stock on the date of such initial election. The purchase price for shares of Common Stock purchased pursuant to any stock purchase right granted under the 1998 Plan shall be no less than the fair market value of such Common Stock as of the date of purchase.

The 1998 Plan provides for awards covering up to 700,000 shares of Common Stock. As of October 31, 2007, 216,190 shares had been issued upon exercise of options previously granted under the 1998 Plan, options to purchase an aggregate of 25,750 shares of Common Stock at prices ranging from $6.19 to $20.00 per share remained outstanding, 80,421 shares of Common Stock had been issued under the stock purchase provisions of the 1998 Plan, awards of 258,220 shares of restricted Common Stock had been granted, net of forfeitures, under the 1998 Plan, and 119,419 shares remained available for future grant.

The 2001 Plan provides that in the event of a Change in Control or a Corporate Transaction, each as defined in the 2001 Plan, each outstanding award shall, immediately prior to the effective date of the Change in Control or Corporate Transaction, automatically become fully vested, exercisable or payable, as applicable, for all of the shares of Common Stock at the time subject to such award and, as applicable, may be exercised for any or all of those shares as fully-vested shares of Common Stock.

2001 Equity Participation Plan

The 2001 Equity Participation Plan of PriceSmart, Inc. (the 2001 Plan) provides that the Compensation Committee of the Board of Directors or a subcommittee thereof may grant or issue incentive stock options, non-qualified stock options, stock purchase rights, stock appreciation rights, restricted stock, deferred stock, dividend equivalents, performance awards, stock payments and other stock related benefits, or any combination thereof. Under the stock purchase feature of the 2001 Plan, the Compensation Committee may grant to any employee, independent director or consultant stock purchase rights under the 2001 Plan from time to time, in such amounts and subject to such terms and conditions as the Committee may determine, and, at the discretion of the Committee, such determinations may include determining categories of employees and the number of shares to be made available to employees in each such category. The purchase price for shares of Common Stock purchased pursuant to any stock purchase right granted under the 2001 Plan shall be no less than the fair market value of such Common Stock as of the date of purchase.

The 2001 Plan provides for awards covering up to 350,000 shares of Common Stock. As of October 31, 2007, 157,795 shares had been issued upon exercise of options previously granted under the 2001 Plan, options to purchase an aggregate of 114,080 shares of Common Stock at prices ranging from $6.13 to $20.00 per share (other than the annual grants to directors of the Company, which range to $35.00 per share) remained outstanding, awards of 68,000 shares of restricted Common Stock had been granted, net of forfeitures, no shares of Common Stock had been issued under the stock purchase provisions of the 2001 Plan, and 10,125 shares remained available for future grant.

2002 Equity Participation Plan

The 2002 Equity Participation Plan of PriceSmart, Inc. (the 2002 Plan) provides that the Compensation Committee of the Board of Directors or a subcommittee thereof may grant or issue incentive stock options, non-qualified stock options, stock purchase rights, stock appreciation rights, restricted stock, deferred stock, dividend equivalents, performance awards, stock payments and other stock related benefits, or any combination thereof. Under the stock purchase feature of the 2002 Plan, the Compensation Committee may grant to any employee, independent director or consultant stock purchase rights under the 2002 Plan from time to time, in such amounts and subject to such terms and conditions as the Committee may determine, and, at the discretion of the Committee, such determinations may include determining categories of employees and the number of shares to be made available to employees in each such category. The purchase price for shares of Common Stock purchased pursuant to any stock purchase right granted under the 2002 Participation Plan shall be no less than the fair market value of such Common Stock as of the date of purchase.

The 2002 Plan provides for awards covering up to 750,000 shares of Common Stock. As of October 31, 2007, 73,682 shares had been issued upon exercise of options previously granted under the 2002 Plan, options to purchase an aggregate of 153,985 shares of Common Stock at prices ranging from $6.19 to $20.00 per share remained outstanding, awards of 347,450 shares of restricted Common Stock had been granted, net of forfeitures, no shares of Common Stock had been issued under the stock purchase provisions of the 2002 Plan, and 174,883 shares remained available for future grant.

The 2002 Plan provides that in the event of a Change in Control or a Corporate Transaction, each as defined in the 2002 Plan, each outstanding award shall, immediately prior to the effective date of the Change in Control or Corporate Transaction, automatically become fully vested, exercisable or payable, as applicable, for all of the shares of Common Stock at the time subject to such award and, as applicable, may be exercised for any or all of those shares as fully-vested shares of Common Stock.

The Retirement Plan of PriceSmart, Inc.

In 1998, the Company established a retirement plan. The retirement plan is designed to be a qualified plan under applicable provisions of The Internal Code of 1986, as amended, covering all employees who have completed three months of service, as defined in the retirement plan. Each year, participants may contribute up to 15% of their pre-tax annual compensation (as defined in the retirement plan) up to the maximum allowable by The Internal Revenue Code of 1986, as amended. Participants may also contribute amounts representing distributions from other qualified plans. The Company makes a matching contribution equal to 100% of the participant s elective deferral up to an annual maximum of 4% of base compensation. Although the Company has not expressed any intent to do so, the Company has the right under the retirement plan to discontinue its contributions at any time and to terminate the retirement plan, subject to the provisions of Employee Retirement Income Security Act of 1974, as amended.

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All participants in the retirement plan are fully vested in their voluntary contributions and earnings thereon. With regard to the remainder of a participant s account, sums contributed prior to August 15, 2005 are 50% vested after the completion of two years of service and 100% vested after the completion of his or her third year of service (such vesting based upon the participant s years of service with the Company, Price Enterprises, Costco, The Price Company and certain affiliated parties). All sums contributed after August 15, 2005 are immediately 100% vested. A participant becomes fully vested in his or her entire account upon retirement due to permanent disability, attainment of age 65 or death. In the event of a termination of the retirement plan by the Company, participants will become fully vested in their accounts.

Outstanding Equity Awards

The following table sets forth certain information with respect to outstanding equity awards at August 31, 2007 with respect to the named executive officers.

Outstanding Equity Awards at Fiscal Year-End Table

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Other Rights That Have Not Vested ($)
Robert Price Chief Executive Officer	0	0	0			0	$ 0	0	$ 0
John M. Heffner Executive Vice President and Chief Financial Officer	24,000	16,000	0	$ 6.26	1/1/2010	0	$ 0	12,800	$ 306,688
Jose Luis Laparte	50,000	0	0	$ 6.00	5/13/2010	0	$ 0	25,600	$ 613,376
President	30,000	20,000	0	$ 6.00	2/1/2010	0	$ 0	124,400	$ 2,980,624
Robert M. Gans	7,000	0	0	$ 20.00	1/17/2008				
Executive Vice President, Secretary and General Counsel	30,000	0	0	$ 6.19	2/2/2010	0	$ 0	12,800	$ 306,688
William J. Naylon Executive Vice President and Chief Operating Officer	0	0	0			0	$ 0	12,800	$ 306,688

Option Exercises and Shares Vested

The following table sets forth certain information with respect to option and stock exercises during the fiscal year ended August 31, 2007 with respect to the named executive officers.

	Option Awards		Stock Awards	
Name and Principal Position	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Robert Price Chief Executive Officer	0			
John M. Heffner Executive Vice President and Chief Financial Officer	0		3,200	$ 51,200
Jose Luis Laparte President	0		6,400	$ 102,400
Robert M. Gans Executive Vice President, Secretary and General Counsel	15,000	$ 96,150	3,200	$ 51,200
William J. Naylon Executive Vice President and Chief Operating Officer	10,000 5,000 30,000	$ 108,592 $ 33,126 $ 193,380	3,200	$ 51,200

Pension Benefits

We do not have any plan that provides for payments or other benefits at, following, or in connection with, retirement.

Nonqualified Deferred Compensation

We do not have any plan that provided for deferred compensation.

Director Compensation

Each non-employee director receives $20,000 per year for serving on the Board of Directors. In addition, non-employee directors who serve on committees of the Board of Directors (in a capacity other than chairman of a committee) receive $500 for each meeting attended. The chairmen of the committees of the Board of Directors each receive $5,000 per year in addition to their other compensation as directors, except that effective November 2002 the chairman of the Audit Committee receives $35,000 per year. Each director is eligible to receive stock grants and stock options pursuant to the Company s 1997 Stock Option Plan, 1998 Equity Participation Plan, 2001 Equity Participation Plan and 2002 Equity Participation Plan. Under the 1997 Stock Option Plan, the 2001 Equity Participation Plan or the 2002 Equity Participation Plan, as then in effect, non-employee directors are entitled to receive initial grants of non-qualified stock options to purchase 3,000 shares of Common Stock upon becoming directors and additional grants of options to purchase 1,000 shares of Common Stock on the date of each annual meeting of stockholders at which the director is re-elected to the Board. Non-employee directors joining the Board after July 1998 also are eligible to receive grants of non-qualified options under the 1998 Equity Participation Plan upon purchases of shares of Common Stock. For each such director who has purchased at least an aggregate of 500 shares of Common Stock on or after September 1, 1997, on the date such person purchases additional shares of Common Stock (other than upon the exercise of stock options), such person automatically will be granted a non-qualified stock option to purchase a number of shares of Common Stock equal to the difference between (1) three times the number of such shares of Common Stock actually purchased and (2) the number of shares of Common Stock subject to options previously granted to such director under the 1998 Equity Participation Plan. No director, however, may receive options under the 1998 Equity Participation Plan that are exercisable for more than 8,146 shares of Common Stock. The 1998 Equity Participation Plan further provides that each person who is initially elected to the Board after the adoption by the Board of the plan and who is an independent director at the time of such initial election automatically shall be granted on the date of such initial election the right to purchase 2,716 shares of Common Stock at a purchase price equal to the fair market value on the date the shares are purchased.

Directors also receive reimbursement for travel expenses incurred in connection with their duties as directors.

The following table sets forth a summary of the compensation we paid to our non-employee directors in the fiscal year ended August 31, 2007.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Murray Galinson	$ 25,000(1)	$ 0	$ 15,660	$ 0	$ 0	$ 0	$ 40,660
Katherine L. Hensley	$ 47,250(2)	$ 0	$ 15,660	$ 0	$ 0	$ 0	$ 62,910
Leon C. Janks	$ 80,000(3)	$ 0	$ 15,660	$ 0	$ 0	$ 0	$ 95,660
Lawrence B. Krause	$ 44,250(4)	$ 0	$ 15,660	$ 0	$ 0	$ 0	$ 59,910
Jack McGrory	$ 24,213(5)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 24,213
Keene Wolcott	$ 20,902	$ 0	$ 50,010(6)	$ 0	$ 0	$ 0	$ 86,572
Edgar Zurcher	$ 20,000(7)	$ 0	$ 15,660	$ 0	$ 0	$ 0	$ 35,660

(1) Includes $5,000 payment for fiscal year 2006.

(2) Includes $8,000 payment for fiscal year 2006.

(3) Includes $15,500 payment for fiscal year 2006.

(4) Includes $7,750 payment for fiscal year 2006.

(5) Includes $13,750 payment for fiscal year 2006.

(6) New director initial grant of 3,000 on 10/12/2006 and annual grant of 1,000.

(7) Includes $5,000 payment for fiscal year 2006.

Severance and Change in Control Payments

We have entered into agreements and maintain plans that may require us to make payments and/or provide certain benefits to our named executive officers in the event of a termination of their employment or a change of control. The following tables summarizes the potential payments to each named executive officer assuming a termination of the executive officer. In the event that the Company terminates the employment of one of our executive officers for any reason other than cause, death or disability, the executive will be entitled to the continuation of his base salary for one year, payable in conformity with the Company s normal payroll period. If the agreement expires and is not renewed by the Company upon expiration of the employment term with at least the same base annual salary or does not thereafter continue upon other mutually agreeable terms, the executive will be entitled to the continuation of his base salary for one year, reduced by any compensation he may receive from another employer during that year. Mr. Gans agreement provides that in the event that the Company terminates the agreement for any reason other than cause, Mr. Gans will be entitled to the continuation of his base salary for one year, payable in conformity with the Company s normal payroll period, and will be entitled to participate in the 401(k) Plan, and the Company s medical plans for the remainder of the term of the agreement. Mr. Price, Mr. Heffner and Mr. McGrory are covered by our standard severance policy. Under the policy, if they are terminated for other than cause, death or disability, they will be entitled to the continuation of thier base salary for a period equal to two weeks per completed year of service up to a maximum of 26 weeks, payable in conformity with the Company s normal payroll period.

The 2001 Equity Participation Plan and 2002 Equity Participation Plan provide that in the event of a Change in Control or a Corporate Transaction, each as defined in the 2002 Plan, each outstanding award shall, immediately prior to the effective date of the Change in Control or Corporate Transaction, automatically become fully vested, exercisable or payable, as applicable, for all of the shares of Common Stock at the time subject to such award and, as applicable, may be exercised for any or all of those shares as fully-vested shares of Common Stock.

The table assumes that the termination of employment or change of control occurred on August 31, 2007, the last business day of our last completed fiscal year. For purposes of estimating the value of amounts of equity compensation to be received in the event of a change of control, we have assumed a price per share of our common stock of $23.96, which represents the closing market price of our common stock as reported on the Nasdaq Global Select Market on August 31, 2007.

Named Executive Officer	Severance upon Termination without Cause	Acceleration of Options and Restricted Stock upon Change of Control
Robert Price Chief Executive Officer	[5]	
John M. Heffner Executive Vice President and Chief Financial Officer	[5]	$ 589,888[1]
Jose Luis Laparte President	$ 378,266	$ 3,594,000[2]
Robert M. Gans Executive Vice President, Secretary and General Counsel	$ 262,700	$ 306,688[3]
William J. Naylon Executive Vice President and Chief Operating Officer	$ 244,333	$ 306,688[4]

(1) Represents the acceleration of vesting on 12,800 unvested shares of restricted stock as of August 31, 2007 at an assumed price per share of $23.96 ($306,688) and the acceleration of vesting on unvested options to purchase 16,000 shares of common stock at an assumed price per share of $23.96 minus an exercise price per share of $6.26 ($283,200).

(2) Represents the acceleration of vesting on 150,000 unvested shares of restricted stock as of August 31, 2007 valued at $23.96 per share.

(3) Represents the acceleration of vesting on 12,800 unvested shares of restricted stock as of August 31, 2007 valued at $23.96 per share.

(4) Represents the acceleration of vesting on 12,800 unvested shares of restricted stock as of August 31, 2007 valued at $23.96 per share.

(5) Mr. Price and Mr. Heffner are covered by our standard severance policy. Under the policy, if they are terminated for other than cause, death or disability, they will be entitled to the continuation of their base salary for a period equal to two weeks per completed year of service up to a maximum of 26 weeks, payable in conformity with the Company s normal payroll period.

Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis provisions to be included in this 10-K/A. Based on the reviews and discussions referred to above, we recommend to the board of directors that the Compensation Discussion and Analysis referred to above be included in this report.

The foregoing has been furnished by the Compensation Committee.

Katherine L. Hensley

Leon C. Janks

Lawrence B. Krause

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised of Ms. Hensley and Messrs. Janks and Krause. No interlocking relationship exists between any member of the Compensation Committee and any member of any other company s board of directors or compensation committee.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table sets forth certain equity compensation plan information for the Company as of August 31, 2007.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	374,815	13.14	1,555,196
Equity compensation plans not approved by security holders			
Total	374,815	13.14	1,555,196

For information regarding the Company s equity compensation plans, please see Item 11. Executive Compensation Equity Incentive Plans.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of the Company s Common Stock as of October 31, 2007 by (1) each of its directors, (2) each of its Named Executive Officers, (3) each person or group known by it to own beneficially more than 5% of the Common Stock and (4) all directors and executive officers as a group.

Name and Address(1)	Number of Shares of Common Stock Beneficially Owned(2)	Percentage of Shares of Common Stock Beneficially Owned
Robert E. Price(3)(4)	13,837,473	47.1%
Murray L. Galinson(3)(5)	10,725,309	36.5%
Katherine L. Hensley(6)	28,383	*
Leon C. Janks(7)	29,558	*
Lawrence B. Krause(8)	23,808	*
Jack McGrory(3)(9)	10,718,017	36.5%
Edgar A. Zurcher(10)	686,768	2.3%
Jose Luis Laparte(11)	233,850	*
John Heffner(12)	38,638	*
Robert M. Gans(13)	44,664	*
William J. Naylon(14)	22,639	*
Keene Wolcott(15)	20,600	*
The Price Group(16) 7979 Ivanhoe Ave., Suite 520 La Jolla, CA 92037	6,820,204	23.2%
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, CA 90401	1,709,046	5.8%
All executive officers and directors as a group (16 persons)(17)	15,077,449	51.0%

* Less than 1%.

(1) Except as indicated, the address of each person named in the table is c/o PriceSmart, Inc., 9740 Scranton Road, San Diego, California 92121.

(2) Beneficial ownership of directors, executive officers and 5% or more stockholders includes both outstanding shares and shares issuable upon exercise or conversion of options, warrants or other securities that are currently exercisable or convertible or will become exercisable or convertible within 60 days after the date of this table. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and dispositive power with respect to all shares of stock beneficially owned by them.

(3) Messrs. R. Price, Galinson, McGrory and Sol Price are co-managers of The Price Group, LLC. As such, for purposes of this table, they are each deemed to beneficially own shares of Common Stock held by The Price Group, LLC. Each of Messrs. R. Price, Galinson, McGrory and S. Price has shared voting and dispositive powers with respect to, and disclaims beneficial

ownership of, the shares held by The Price Group, LLC. In addition, Messrs. R. Price, Galinson, McGrory and S. Price are directors of Price Charities (fka San Diego Revitalization Corp.). As such, for purposes of this table, they are each deemed to beneficially own 3,885,335 shares of Common Stock held by Price Charities. Each of Messrs. R. Price, Galinson, McGrory and S. Price has shared voting and dispositive powers with respect to, and disclaims beneficial ownership of, the shares held by Price Charities. If the percentages of shares of Common Stock beneficially owned by Messrs. R. Price, Galinson, McGrory and S. Price were calculated without regard to the shares held by The Price Group or Price Charities., they would own 10.7%, 0.0%, 0.0% and 3.0%, respectively, of the Common Stock.

(4) Includes 2,245,168 shares of Common Stock held by the Robert & Allison Price Charitable Remainder Trust, of which Mr. R. Price is a trustee. Also includes 829,741 shares of Common Stock held by the Robert and Allison Price Trust, of which Mr. R. Price is a trustee. Also includes 56,945 shares of Common Stock held by a trust for the benefit of Mr. R. Price s minor children, of which Mr. R. Price is a trustee.

(5) Includes 7,270 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(6) Includes 17,268 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table. Also includes 900 shares of Common Stock held in a trust of which Ms. Hensley is a beneficiary and for which she serves as trustee.

(7) Includes 21,268 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(8) Includes 6,268 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table. Also includes 4,540 shares of Common Stock held by the Krause Family Limited Partnership, of which Mr. Krause is a general partner, and 10,000 shares of Common Stock held by the Krause Family Trust, of which Mr. Krause is a trustee.

(9) Includes 7,268 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table. Also includes 5,210 shares of Common Stock held by a trust for the benefit of Mr. S. Price s grandchildren, of which Mr. McGrory is a co-trustee. Mr. McGrory disclaims beneficial ownership of the shares held by the trust.

(10) Includes 7,268 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table. Also includes 679,500 shares of Common Stock held by PSC, S.A. Mr. Zurcher is a director of PSC, S.A., and he owns 13% of Capital and Advice, Inc., which Mr. Zurcher is the sole shareholder. of PSC, S.A. Mr. Zurcher disclaims beneficial ownership of the shares held by PSC, S.A.

(11) Includes 80,000 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 153,850 shares of restricted Common Stock that are subject to vesting restrictions.

(12) Includes 24,000 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 14,638 shares of restricted Common Stock that are subject to vesting restrictions.

(13) Includes 30,000 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 14,664 shares of restricted Common Stock that are subject to vesting restrictions.

(14)

Includes 0 shares subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 14,955 shares of restricted Common Stock that are subject to vesting restrictions.

(15) Includes 600 shares of common stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(16) The Price Group is comprised of The Price Group, LLC, the Price Charities, Robert E. Price and Sol Price. Please see notes (3) and (4). Includes 601,159 shares of Common Stock held by the Sol and Helen Price Trust, of which Mr. S. Price is a trustee, and 290,600 shares held by the Price Family Charitable Trust, of which Mr. S. Price is a trustee.

(17) See notes 3-14. Also includes (a) 12,800 shares of Common Stock beneficially owned by Brud Drachman, all of which are subject to vesting restrictions, (b) 12,800 shares of Common Stock beneficially owned by John D. Hildebrandt, 0 of which are subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 12,800 shares of restricted Common Stock that are subject to vesting restrictions, (c) 40,282 shares of Common Stock beneficially owned by Thomas Martin, 12,500 of which are subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 14,638 shares of restricted Common Stock that are subject to vesting restrictions, and (d) 12,938 shares of Common Stock beneficially owned by Edward Oats, 0 of which are subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table and 12,838 shares of restricted Common Stock that are subject to vesting restrictions.

Item 13. Certain Relationships and Related Transactions, and Director Independence
Relationships with the Price Family, the Price Group, Directors Galinson and McGrory, and Former Director Cahill

Pursuant to the Company s Audit Committee Charter, the audit committee of the board of directors is responsible for reviewing and approving all transactions with related parties requiring disclosure under Item 404(a) of SEC Regulation S-K. The Company has not adopted written procedures for review of, or standards for approval of, these transactions, but instead the audit committee has reviewed, and intends to continue to review, such transactions on a case-by-case basis. In addition, any transaction requiring waiver or amendment of the Company s Code of Business Conduct and Ethics will be subject to review by the board of directors, and any such waiver or amendment must be approved by the board, with the interested directors, if any, not participating. All of the transactions described below were reviewed and approved in accordance with these policies.

As of October 31, 2007, Sol Price beneficially owned approximately 39.5% of the outstanding Common Stock. Sol Price is the father of Robert E. Price, the Company s Chairman of the Board and Chief Executive Officer. As of October 31, 2007, Robert E. Price beneficially owned approximately 47.1% of the Company s outstanding Common Stock, including shares that may be deemed to be beneficially owned by Sol Price. As of October 31, 2007, Sol Price and Robert E. Price were members of a group that beneficially owned approximately 51.0% of the Company s outstanding Common Stock.

Relationships with PS Ivanhoe and the Price Group. On October 24, 2005, the Company borrowed $12.5 million from PS Ivanhoe, LLC, a California limited liability company (PS Ivanhoe), which is managed by the Price Group pursuant to a Promissory Note (the Note). The Note bears interest at a rate of 8% per annum and has a term of two years. All unpaid principal and accrued interest was due and payable in full on October 23, 2007 (the Maturity Date). Any amounts outstanding under the Note from and after the Maturity Date bear interest at a rate equal to the lesser of 12% per annum or the maximum interest rate allowed by law. To secure the Company s obligations under the Note, the Company and PS Ivanhoe entered into a Pledge and Security Agreement pursuant to which the Company granted to PS Ivanhoe a security interest in all of the issued and outstanding shares of stock (and all ownership rights with respect thereto) in PriceSmart Real Estate, S.A., the Company s wholly owned Panamanian subsidiary. On June 13, 2006, the promissory note entered with PS Ivanhoe was repaid. The Company paid approximately $642,000 in interest on the promissory note.

Use of Private Plane. From time to time, members of the Company s management used a private plane owned in part by PFD Ivanhoe, Inc. to travel to business meetings in Central America and the Caribbean. The Price Group owns 100% of the stock of PFD Ivanhoe, and Sol Price is an officer of PFD Ivanhoe. The Price Group s members include Sol Price, Robert E. Price, Murray Galinson and Jack McGrory (Board member and current employee of the Company). If the passengers are solely Company personnel, then the Company reimburses PFD Ivanhoe for a portion of the fixed management fee and additional expenses PFD Ivanhoe incurred as a result of the hours flown, including direct charges associated with the use of the plane, landing fees, catering and international fees. The Company reimbursed PFD Ivanhoe based on the amounts the passengers would have paid if they had flown a commercial airline if one or more of the passengers is a Director of The Price Group (including Robert E. Price). This Agreement was in place through February 23, 2007. The Company paid approximately $158,000, $205,000 and $159,000 for fiscal years ended August 31, 2007, 2006 and 2005, respectively. On February 23, 2007, the Company entered into an agreement with PFD Ivanhoe to purchase their 6.25% undivided interest in a Citation XLS Aircraft for approximately $658,000. This entitles the Company top 50 hours of flight time per year. The Company still maintains an agreement to reimburse PFD Ivanhoe for use of other aircraft based on the amounts the passengers would have paid if they had flown a commercial airline if one or more of the passengers is a Director of the Price Group (including Robert E. Price).

Settlement of Suit. In connection with the settlement of a Complaint filed against Sol Price as well as the Company, as nominal defendant, alleging that Sol Price violated Section 16(b) of the Securities Exchange Act of 1934, in relation to an alleged purchase and subsequent sale of shares of the Company s Common Stock, an affiliate of Sol Price purchased an aggregate of $1,500,000 of the Company s Common Stock directly from the Company at a price of $8.90 per share, which was $0.50 above the closing price of the Company s Common Stock at the date that price was established. Additionally, Mr. Price reimbursed the Company the sum of $125,000, which was paid by the Company to Plaintiff s counsel as part of this settlement.

Relationships with Edgar A. Zurcher

Edgar A. Zurcher, a director of the Company since November 2000, is a partner in a law firm that the Company utilizes in certain legal matters. The Company incurred legal expenses with this entity of approximately $64,000, $167,000 and $313,000 during fiscal years 2007, 2006 and 2005, respectively.

Mr. Zurcher also is President and a director of PSC, S.A., and he owns 13% of Capital and Advice, Inc., which is the sole shareholder of PSC, S.A. PSC, S.A. owns 40% of Payless ShoeSource Holdings, Ltd., which rents retail space from the Company. PSC, S.A. also owns 49% of PSMT Nicaragua (BVI), Inc. and previously had owned 49% of PSMT Caribe, Inc. The Company recorded approximately $808,000, $762,000 and $748,000 in rental income from Payless ShoeSource Holdings, Ltd. during fiscal years 2007, 2006 and 2005, respectively. Mr. Zurcher is also a director and 9.1% owner of Banco Promerica, from which the Company has recorded approximately $276,000, $265,000 and $266,000 of rental income for fiscal years 2007, 2006 and 2005, respectively, for space leased to it by the Company. The Company also received approximately $647,000, $938,000 and $747,000 in incentive fees on a co-branded credit card the Company has with Banco Promerica in fiscal years 2007, 2006 and 2005, respectively. The Company received a one-time refund of approximately $500,000, $400,000 and $0 for an accumulated marketing fund related to the co-branded credit card with Banco Promerica in the fiscal years 2007, 2006 and 2005, respectively. On March 22, 2007, the Company informed certain entities with which Mr. Zurcher is affiliated that the Company was not renewing the Company s credit card relationship with those entities (with the exception of the Dominican Republic) because the Company had determined that another credit card provider, Credomatic, was more suitable for the future needs and expectations of its members. In response, PSC, S.A. and related entities have disputed the Company s right to terminate and not renew the credit card services relationships between the parties notwithstanding expiration of the credit card services agreements by their terms, and threatened to take legal action if the Company proceeded with the terminations. Legal proceedings then commenced, by and against the Company. The Company is engaged in settlement discussions with PSC, S.A. and Promerica. Under terms currently being discussed, the Company would purchase interests in PSMT Nicaragua (BVI), Inc. and certain real property rights from, and make payments to, PSC, S.A., Promerica and Portafolio Inmobiliario, S.A. (aka PINSMA), another entity of which Mr. Zurcher is a 9.1% owner.

Controlled Company

Under the Nasdaq Global Market s listing standards, a controlled company is a company of which more than 50% of the voting power is held by an individual, a group or another company. The Board of Directors has determined that the Company is a controlled company within the meaning of the Nasdaq Global Market s listing standards. The basis for the Board of Directors determination that the Company is a controlled company is the beneficial ownership of approximately 51.2% of the Company s Common Stock, as of October 31, 2007, by a group comprised of Sol Price, Robert Price, Jack McGrory, Murray Galinson, Keene Wolcott, Jose Luis Laparte and their affiliates including Price Charities and The Price Group, LLC. As a controlled company, the Company is exempt from certain Nasdaq listing standards. Specifically, the Company is not required to have: 1) a board of directors comprised of a majority of independent directors; 2) a compensation committee comprised of independent directors; or 3) director nominees selected, or recommended for selection by the board of directors, by a majority of the independent directors or a nominating committee comprised of independent directors. The Company, however, is not exempt from the requirements to have an audit committee comprised of at least three independent directors and to hold regularly scheduled board meetings in which only the independent directors are present.

Item 14. Principal Accountant Fees and Services

Audit Committee Report

The Audit Committee oversees the Company s financial accounting and reporting process and the audits of the financial statements of the Company. All committee members satisfy the definition of independent director set forth at Rule 4200(a)(15) of the Nasdaq Stock Market s listing standards. On July 15, 2004, the Board of Directors adopted an Amended and Restated Audit Committee Charter, a copy of which was attached to the Proxy Statement for the Company s 2005 Annual Meeting of Stockholders.

In fulfilling its oversight responsibilities, the committee reviewed and discussed with management the audited financial statements in the Annual Report, including a discussion of the quality, and not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Company s independent auditors, Ernst & Young LLP, are responsible for expressing an opinion on the conformity of its audited financial statements with generally accepted accounting principles. Ernst & Young met with the committee and expressed its judgment as to the quality, not just the acceptability, of the Company s accounting principles and discussed with the committee other matters as required under generally accepted auditing standards, including those matters required under Statement on Accounting Standards No. 61 or the Codification of Statements on Auditing Standards, AU Section 380. In addition, Ernst & Young discussed the auditors independence from the Company and from the Company s management and delivered to the committee those matters to be set forth in written disclosures as required by Independence Standards Board Standard No. 1.

The committee discussed with the Company s independent auditors the overall scope and plan of their audit. The committee meets with the independent auditors, with and without our management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the committee has recommended that the audited financial statements be included in the Annual Report on Form 10-K for the year ended August 31, 2007 for filing with the SEC.

This report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

Leon C. Janks

Katherine L. Hensley

Lawrence B. Krause

Accountant Fees

The Audit Committee of the Company s Board of Directors has selected Ernst & Young LLP to serve as the Company s independent registered accounting firm for the 2008 fiscal year, subject to the Company and Ernst & Young LLP agreeing on a mutually acceptable engagement letter. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. Such representatives will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Audit and non-audit fees. The aggregate fees billed to us by Ernst & Young LLP, the Company s independent auditor, for the indicated services for each of the last two fiscal years were as follows:

	2007	**2006**
Audit Fees[1]	$ 2,280	$ 1,913
Audit Related Fees[2]		0
Tax Fees[3]	1	0
All Other Fees[4]	0	25
Total	$ 2,281	$ 1,938

(1) Audit Fees consist of fees for professional services performed by Ernst & Young LLP for the audit of the Company s annual financial statements and review of financial statements included in the Company s 10-Q filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit Related Fees consist of fees for assurance and related services performed by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the Company s financial statements.

(3) Tax Fees consist of fees for professional services performed by Ernst & Young LLP with respect to tax compliance, tax advice and tax planning.

(4) All Other Fees consist of fees for other permissible work performed by Ernst & Young LLP that does not meet with the above category descriptions.

Audit Committee Policy Regarding Pre-Approval of Audit and Permissible Non-Audit Services of Our Independent Auditors

Our Audit Committee has established a policy that generally requires that all audit and permissible nonaudit services provided by the Company s independent auditors will be pre-approved by the Audit Committee. These services may include audit services, audit-related services, tax services and other services. From the time that the recently adopted pre-approval requirements became effective, all permissible non-audit services provided by the Company s independent auditors have been pre-approved by the Company s Audit Committee. Our Audit Committee has considered whether the provision of services under the heading All Other Fees is compatible with maintaining the accountants independence and determined that it is consistent with such independence.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(3) The following exhibits are filed as part of this report.

Exhibit Number	Description
2.1(40)	Settlement Agreement and General Release of All Claims, entered into on August 5, 2005, by and among William Go, E-Class Corporation, PSMT Philippines, Inc., National Import and Export Company, San Marino International Corporation, Arcadia International Corporation, Christine Merchandising, Inc. and PriceSmart, Inc.
3.1(1)	Amended and Restated Certificate of Incorporation of the Company.
3.2(33)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company.
3.3(10)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company.
3.4(1)	Amended and Restated Bylaws of the Company.
3.5(34)	Amendment to Amended and Restated Bylaws of the Company.
4.1(37)	Specimen of Common Stock certificate.
10.1(1)**	1997 Stock Option Plan of PriceSmart, Inc.
10.2(2)	Agreement Concerning Transfer of Certain Assets dated as of November 1996 by and among Price Enterprises, Inc., Costco Companies, Inc. and certain of their respective subsidiaries.
10.3(a)(3)**	Employment Agreement dated September 20, 1994 between Price Enterprises, Inc. and Robert M. Gans.
10.3(b)(4)**	Third Amendment to Employment Agreement dated April 28, 1997 between Price Enterprises, Inc. and Robert M. Gans.
10.3(c)(1)**	Fourth Amendment to Employment Agreement dated as of September 2, 1997 between the Company and Robert M. Gans.

Exhibit Number	Description
10.3[(d)(5)**]	Fifth Amendment to Employment Agreement dated as of March 31, 1999 between the Company and Robert M. Gans.
10.3[(e)(6)**]	Sixth Amendment to Employment Agreement dated as of November 22, 1999 between the Company and Robert M. Gans.
10.3[(f)(6)**]	Seventh Amendment to Employment Agreement dated as of July 18, 2000 between the Company and Robert M. Gans.
10.3[(g)(7)**]	Eighth Amendment to Employment Agreement dated as of September 26, 2001 between the Company and Robert M. Gans.
10.3[(h)(7)**]	Amendment of Employment Agreement dated as of October 16, 2001 between the Company and Robert M. Gans.
10.3[(i)(8)**]	Ninth Amendment to Employment Agreement dated as of November 19, 2002 between the Company and Robert M. Gans.
10.3[(j)(9)**]	Tenth Amendment to Employment Agreement dated as of January 22, 2003 between the Company and Robert M. Gans
10.3[(k)(30)**]	Eleventh Amendment to Employment Agreement dated as of July 24, 2003 between the Company and Robert M. Gans.
10.3[(l)(47)**]	Twelfth Amendment to Employment Agreement dated as of September 24, 2004 between the Company and Robert M. Gans.
10.3[(m)(38)**]	Thirteenth Amendment to Employment Agreement dated as of February 10, 2005 between the Company and Robert M. Gans.
10.3[(n)(41)]	Fourteenth Amendment to Employment Agreement dated as of September 26, 2005 between the Company and Robert M. Gans.
10.3[(o)(43)]	Fifteenth Amendment to Employment Agreement dated as of March 1, 2006 between the Company and Robert M. Gans.
10.3[(p)(48)]	Sixteenth Amendment to Employment Agreement dated as of September 25, 2006 between the Company and Robert M. Gans.
10.3[(q)(45)]	Seventeenth Amendment to Employment Agreement dated as of January 1, 2007 between the Company and Robert M. Gans.
10.3[(r)*]	Eighteenth Amendment to Employment Agreement dated as of October 1, 2007 between the Company and Robert M. Gans.
10.4[(11)]	Tax Sharing Agreement dated as of August 26, 1997 between the Company and Price Enterprises, Inc.
10.5[(12)**]	Form of Indemnity Agreement.
10.6[(1)**]	Assignment and Assumption of Employment Agreement dated August 29, 1997 between the Company and Price Enterprises, Inc.
10.8[(a)(16)**]	Employment Agreement dated March 31, 1998 between the Company and Thomas D. Martin.
10.8[(b)(5)**]	First Amendment to Employment Agreement between the Company and Thomas D. Martin, dated March 31, 1999.
10.8[(c)(6)**]	Second Amendment of Employment Agreement between the Company and Thomas D. Martin, dated November 22, 1999.

Exhibit Number	Description
10.8[(d)(13)**]	Third Amendment of Employment Agreement between the Company and Thomas Martin dated January 11, 2000.
10.8[(e)(17)**]	Fourth Amendment of Employment Agreement between the Company and Thomas Martin dated January 24, 2001.
10.8[(f)(7)**]	Amendment of Employment Agreement between the Company and Thomas Martin dated October 16, 2001.
10.8[(g)(14)**]	Fifth Amendment of Employment Agreement between the Company and Thomas Martin, dated January 16, 2002.
10.8[(h)(30)**]	Sixth Amendment of Employment Agreement between the Company and Thomas Martin, dated January 22, 2003.
10.8[(i)(34)**]	Seventh Amendment to Employment Agreement between the Company and Thomas Martin, dated March 15, 2004.
10.8[(j)(39)**]	Eighth Amendment to Employment Agreement between the Company and Thomas Martin, dated March 3, 2005.
10.8[(k)(43)]	Ninth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2006.
10.8[(l)(45)]	Tenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2007.
10.8[(m)(46)]	Eleventh Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2007.
10.9[(19)**]	1998 Equity Participation Plan of PriceSmart, Inc.
10.12[(18)]	Trademark Agreement between the Company and Associated Wholesale Grocers, Inc., dated August 1, 1999.
10.20[(a)(6)]	Registration Rights Agreement dated as of June 5, 2000 by and among the Company and the Shareholders of PSC, S.A.
10.23[(17)]	Master Agreement between the Company and Payless ShoeSource Holdings, Ltd., dated November 27, 2000.
10.29[(a)(14)**]	Employment Agreement between the Company and William Naylon, dated January 16, 2002.
10.29[(b)(9)**]	First Amendment of Employment Agreement between the Company and William J. Naylon, dated January 22, 2003.
10.29[(c)(33)**]	Second Amendment to Employment Agreement between the Company and William Naylon, dated February 1, 2004.
10.29[(d)(38)**]	Third Amendment to Employment Agreement dated as of February 16, 2005 by and between the Company and William Naylon.
10.29[(e)(42)]	Fourth Amendment to Employment Agreement dated as of January 11, 2006 by and between the Company and William Naylon.
10.29[(f)(43)]	Fifth Amendment to Employment Agreement dated as of March 1, 2006 by and between the Company and William Naylon.
10.29[(g)(45)]	Sixth Amendment to Employment Agreement dated as of January 1, 2007 by and between the Company and William Naylon.

Exhibit Number	Description
10.30[(a)(7)**]	Employment Agreement between the Company and John D. Hildebrandt, dated as of June 1, 2001.
10.30[(b)(7)**]	Amendment to Employment Agreement between the Company and John Hildebrandt, dated as of October 16, 2001.
10.30[(c)(14)**]	First Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 16, 2002.
10.30[(d)(30)**]	Second Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 22, 2003.
10.30[(e)(34)**]	Third Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2004.
10.30[(f)(39)**]	Fourth Amendment to Employment Agreement dated March 9, 2005 between the Company and John Hildebrandt.
10.30[(g)(43)]	Fifth Amendment to Employment Agreement dated March 1, 2006 between the Company and John Hildebrandt.
10.30[(h)(45)]	Sixth Amendment to Employment Agreement dated January 1, 2007 between the Company and John Hildebrandt.
10.30[(i)(46)]	Seventh Amendment to Employment Agreement dated March 1, 2007 between the Company and John Hildebrandt.
10.33[(22)**]	2001 Equity Participation Plan of PriceSmart, Inc.
10.43[(a)(8)**]	Employment Agreement dated as of January 11, 2000 between the Company and Edward Oats.
10.43[(b)(8)**]	First Amendment to Employment Agreement between the Company and Edward Oats, dated January 24, 2001.
10.43[(c)(8)**]	Amendment to Employment Agreement between the Company and Edward Oats, dated October 16, 2001.
10.43[(d)(8)**]	Second Amendment to Employment Agreement between the Company and Edward Oats, dated January 16, 2002.
10.43[(e)(30)**]	Third Amendment to Employment Agreement between the Company and Edward Oats, dated November 19, 2002.
10.43[(f)(30)**]	Fourth Amendment to Employment Agreement between the Company and Edward Oats, dated January 22, 2003.
10.43[(g)(34)**]	Fifth Amendment to Employment Agreement between the Company and Edward Oats, dated March 15, 2004.
10.43[(g)(39)**]	Sixth Amendment to Employment Agreement dated March 9, 2005 between the Company and Edward Oats.
10.43[(h)(43)]	Seventh Amendment to Employment Agreement dated March 1, 2006 between the Company and Edward Oats.
10.43[(i)(45)]	Eighth Amendment to Employment Agreement dated January 1, 2007 between the Company and Edward Oats.

Exhibit Number	Description
10.43[j][46]	Ninth Amendment to Employment Agreement dated March 1, 2007 between the Company and Edward Oats.
10.44[a][8]**	Employment Agreement dated as of January 11, 2000 between the Company and Brud Drachman.
10.44[b][8]**	First Amendment to Employment Agreement between the Company and Brud Drachman, dated January 24, 2001.
10.44[c][8]**	Second Amendment to Employment Agreement between the Company and Brud Drachman, dated June 1, 2001.
10.44[d][8]**	Amendment to Employment Agreement between the Company and Brud Drachman, dated October 16, 2001.
10.44[e][8]**	Third Amendment to Employment Agreement between the Company and Brud Drachman, dated January 16, 2002.
10.44[f][30]**	Fourth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 19, 2002.
10.44[g][30]**	Fifth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 22, 2003.
10.44[h][34]**	Sixth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2004.
10.44[h][39]**	Seventh Amendment to Employment Agreement dated March 9, 2005 between the Company and Brud Drachman.
10.44[i][43]	Eighth Amendment to Employment Agreement dated March 1, 2006 between the Company and Brud Drachman.
10.44[j][45]	Ninth Amendment to Employment Agreement dated January 1, 2007 between the Company and Brud Drachman.
10.44[k][46]	Tenth Amendment to Employment Agreement dated March 1, 2007 between the Company and Brud Drachman.
10.46[27]**	2002 Equity Participation Plan of PriceSmart, Inc.
10.54[a][36]**	Employment Agreement by and between the Company and Jose Luis Laparte, dated as of June 3, 2004.
10.54[b][36]**	First Amendment to Employment Agreement by and between the Company and Jose Luis Laparte, dated as of August 2, 2004.
10.54[c][41]	Second Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of September 26, 2005.
10.54[d][43]	Third Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of March 1, 2006.
10.54[e][48]	Fourth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of September 25, 2006.
10.54[f][45]	Fifth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2007.

Exhibit Number	Description
10.54[g]*	Sixth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2007.
10.54[h]*	Seventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 31, 2007.
10.55[35]	Letter of Understanding among the Price Group, the Company, PSMT Caribe, PSMT Trinidad, PSMT Philippines and the IFC, dated September 15, 2004.
10.56[35]	Assignment and Assumption Agreement between the Company and the IFC, dated September 15, 2004.
10.68[39]	Stock Purchase Agreement dated April 19, 2005 between the Company and The Price Group, LLC, the Sol and Helen Price Trust and the Robert and Allison Price Trust.
10.70[41]	Stock Purchase Agreement dated November 11, 2005 between the Company and Big Box Sales Ltd.
10.71[a][41]	Promissory Note, dated as of October 24, 2005, by and between PriceSmart, Inc. and PS Ivanhoe, LLC.
10.71[b][41]	Pledge and Security Agreement, dated as of October 24, 2005, by and between PriceSmart, Inc. and PS Ivanhoe, LLC.
10.71[c][45]	Acquisition of Fractional Interest on Jet, dated January 23, 2007, between the Company and PFD Ivanhoe, Inc.
10.72[a][41]	Stock Purchase Agreement, dated as of October 6, 2005, by and between PriceSmart, Inc. and the Sol and Helen Price Trust.
10.72[b][44]	Restricted Stock Award Agreement, dated December 7, 2006, between the Company and Jose Luis Laparte.
10.73[42]	Stock Purchase Agreement dated as of December 23, 2005 by and between PriceSmart, Inc. and Carlos Nandwani, an individual, and Technotics International Ltd., a Bahamian company.
13.1*	Portions of the Company s Annual Report to Stockholders for the year ended August 31, 2007.
21.1*	Subsidiaries of the Company.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*#	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*#	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith as an exhibit.

** Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

These certifications are being furnished solely to accompany this Report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of PriceSmart, Inc. whether made before or after the date hereof, regardless of any general incorporation language in such filing.

(1) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 1997 filed with the Commission on November 26, 1997.

(2) Incorporated by reference to Exhibit 10.2 to the Company s Registration Statement on Form 10 filed with the Commission on July 3, 1997.

(3) Incorporated by reference to Exhibit 10.14 to Amendment No. 1 to the Registration Statement on Form S-4 of Price Enterprises, Inc. filed with the Commission on November 3, 1994.

(4) Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Price Enterprises, Inc. for the quarter ended June 8, 1997 filed with the Commission on July 17, 1997.

(5) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 1999 filed with the Commission on July 15, 1999.

(6) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 2000 filed with the Commission on November 29, 2000.

(7) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 2001 filed with the Commission on November 29, 2001.

(8) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 2002 filed with the Commission on November 29, 2002.

(9) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 filed with the Commission on April 14, 2003.

(10) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 2003 filed with the Commission on November 23, 2004.

(11) Incorporated by reference to the Current Report on Form 8-K filed September 12, 1997 by Price Enterprises, Inc.

(12) Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to the Company s Registration Statement on Form 10 filed with the Commission on August 1, 1997.

(13) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 29, 2000 filed with the Commission on April 11, 2000.

(14) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2002 filed with the Commission on July 15, 2002.

(15) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on April 1, 2003.

(16) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 1998 filed with the Commission on November 25, 1998.

(17) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 28, 2001 filed with the Commission on April 16, 2001.

(18) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 1999 filed with the Commission on November 29, 1999.

(19) Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended February 28, 1999 filed with the Commission on April 14, 1999.

(20) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on September 5, 2003.

(21) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2000 filed with the Commission on July 17, 2000.

(22) Incorporated by reference to Exhibit A to the definitive Proxy Statement dated December 7, 2001 for the Company s 2002 Annual Meeting of Stockholders filed with the Commission on December 10, 2001.

(23) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 28, 2002 filed with the Commission on April 15, 2002.

(24) Incorporated by reference to the Company s Registration Statement on Form S-3 filed with the Commission on April 18, 2002.

(25) Incorporated by reference to the Company s Registration Statement on Form S-3 filed with the Commission on July 19, 2002.

(26) Incorporated by reference to the Company s Registration Statement on Form S-3 filed with the Commission on October 25, 2002.

(27) Incorporated by reference to Exhibit A to the definitive Proxy Statement dated December 11, 2002 for the Company s 2003 Annual Meeting of Stockholders filed with the Commission on December 11, 2002.

(28) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2003 filed with the Commission on July 15, 2003.

(29) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on September 5, 2003.

(30) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 2003 filed with the Commission on December 16, 2003.

(31) Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended November 30, 2003 filed with the Commission on January 14, 2004.

(32) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on July 26, 2004.

(33) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 29, 2004 filed with the Commission on April 14, 2004.

(34) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2004 filed with the Commission on July 15, 2004.

(35) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on September 20, 2004.

(36) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on October 8, 2004.

(37) Incorporated by reference to the Company s Registration Statement on Form S-3 filed with the Commission on December 2, 2004.

(38) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 28, 2005 filed with the Commission on April 14, 2005.

(39) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2005 filed with the Commission on June 15, 2005.

(40) Incorporated by reference to the Company s Current Report on Form 8-K filed with the Commission on August 18, 2005.

(41) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended November 30, 2005 filed with the Commission on January 14, 2006.

(42) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 29, 2006 filed with the Commission on April 14, 2006.

(43) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 filed with the Commission on July 14, 2006.

(44) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 filed with the Commission on January 9, 2007.

(45) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended February 28, 2007 filed with the Commission on April 9, 2007.

(46) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended May 31, 2007 filed with the Commission on July 3, 2007.

(47) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended November 30, 2004 filed with Commission on January 14, 2005.

(48) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended August 31, 2006 filed with the Commission on November 13, 2006.

(b) Financial Statement Schedules

Schedules not included herein have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

SCHEDULE II

PRICESMART, INC.

VALUATION AND QUALIFYING ACCOUNTS

(amounts in thousands)

	Balance at Beginning of Period	Charged (credited) to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year ended August 31, 2005	$ 1,011	$ 1,473	$ (224)	$ 2,260
Year ended August 31, 2006	2,260	(4)	(2,065)[1]	191
Year ended August 31, 2007	191	(52)	(136)	3

(1) Deduction principally consists of China royalty write-off of $2.0 million in fourth quarter of fiscal year 2006, which had been previously reserved in prior years.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K/A (Amendment No. 2) to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: July 10, 2008

PRICESMART, INC.

By: /s/ ROBERT E. PRICE
Robert E. Price
Chairman of the Board and

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K/A (Amendment No. 2) has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBERT E. PRICE Robert E. Price	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	July 10, 2008
/s/ JOHN M. HEFFNER John M. Heffner	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 10, 2008
/s/ GONZALO BARRUTIETA Gonzalo Barrutieta	Director	July 10, 2008
/s/ MURRAY L. GALINSON Murray L. Galinson	Director	July 10, 2008
/s/ KATHERINE L. HENSLEY Katherine L. Hensley	Director	July 10, 2008
/s/ LEON C. JANKS Leon C. Janks	Director	July 10, 2008
/s/ LAWRENCE B. KRAUSE Lawrence B. Krause	Director	July 10, 2008
/s/ JOSE LUIS LAPARTE Jose Luis Laparte	President and Director	July 10, 2008

/s/ JACK MCGRORY	Director	July 10, 2008
Jack McGrory		
/s/ KEENE WOLCOTT	Director	July 10, 2008
Keene Wolcott		