PRICESMART INC
Form 10-K
October 30, 2014

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

FORM 10-K
(Mark One)
xANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2014

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:

Common Stock, $0.0001 Par Value

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 þ No ¨
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 þ

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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ 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. þ

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of the last day of the Registrant's most recently completed second fiscal quarter was $2,135,822,367 based on the last reported sale price of $101.73 per share on the NASDAQ Global Select Market on February 28, 2014.

As of October 17, 2014, 30,209,917 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report for the fiscal year ended August 31, 2014 are incorporated by reference into Part II of this Form 10-K.

Portions of the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on February 3, 2015 are incorporated by reference into Part III of this Form 10-K.

PRICESMART, INC.

ANNUAL REPORT ON FORM 10-K FOR
THE FISCAL YEAR ENDED AUGUST 31, 2014

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PART I

Item 1. Business

General

This Form 10-K contains forward-looking statements concerning PriceSmart, Inc.'s ("PriceSmart","we", or the "Company") anticipated future revenues and earnings, adequacy of future cash flow, projected warehouse club openings, the Company's performance relative to competitors and related matters. These forward-looking statements include, but are not limited to, statements containing the words "expect," "believe," "will," "may," "should," "project," "estima "anticipated," "scheduled" and like expressions, and the negative thereof. These 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 U.S. Securities and Exchange Commission reports, including the risk factors referenced in this Form 10-K. See Part I, Item 1A "Risk Factors."

Our Company

PriceSmart owns and operates U.S.-style membership shopping warehouse clubs in Latin America and the Caribbean that offer high quality brand name and private label consumer goods at low prices to individuals and businesses. Our typical no-frills warehouse club-type buildings range in size from 48,000 to 100,000 square feet and are located primarily in and around the major cities in our markets to take advantage of dense populations and relatively higher levels of disposable income. During fiscal year 2014, average net sales per warehouse club were approximately $74.1 million. By offering our members high quality merchandise at competitive prices, we seek to reinforce the value of a PriceSmart membership. We also seek to provide above market and fair wages and benefits to all of our employees as well as a fair return to our stockholders.

Our warehouse clubs operate in developing markets that generally have had higher growth rates and lower warehouse club market penetration than in the U.S. market. In the countries in which we operate we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, home improvement centers, electronic retailers, specialty stores and traditional wholesale distribution.

The numbers of warehouse clubs in operation as of August 31, 2014 for each country or territory were as follows:

Country/Territory	Number of Warehouse Clubs in Operation as of August 31, 2014	Number of Warehouse Clubs in Operation as of August 31, 2013	Anticipated warehouse club openings in fiscal year 2015
Colombia	3	3	3
Panama	4	4	1
Costa Rica	6	5	—
Dominican Republic	3	3	—
Guatemala	3	3	—
El Salvador	2	2	—
Honduras	3	2	—
Trinidad	4	4	—
Aruba	1	1	—

Barbados	1	1	—
U.S. Virgin Islands	1	1	—
Jamaica	1	1	—
Nicaragua	1	1	—
Totals	33	31	4

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During October of fiscal year 2014, we opened our sixth membership warehouse club in Costa Rica in La Union, Cartago, and in May of fiscal year 2014, we opened our third warehouse club in Honduras in Tegucigalpa, our second in the capital city of Tegucigalpa. In January of fiscal year 2014, we acquired land in the southern area of Pereira, Colombia and in the city of Medellin, Colombia and leased land in the city of Bogota, Colombia. We are building new warehouse clubs at these three sites, and opened the Bogota location on October 29, 2014 and plan to open the other two sites in November 2014. In September 2014, we acquired land in Chorrera ("Costa Verde"), west of Panama City, Panama, on which our fifth Panama PriceSmart warehouse club is scheduled to open in the summer of 2015.

Our Competitive Strengths

We attribute our success in large part to the following competitive strengths:

High Quality, Differentiated Merchandise. The average sales across all of our warehouse clubs are comprised of approximately 52% U.S. and other internationally sourced merchandise and approximately 48% locally sourced merchandise. The high proportion of products that we import into our markets, particularly the brand-name products, differentiates us from most local retailers. In addition, the merchandise we carry, imported or locally sourced, branded or private label, is high quality and value priced.

Focus on membership. As of August 31, 2014, we had approximately 1.2 million member accounts and 2.3 million card holders. Membership fees enable us to operate our business on lower margins than conventional retail and wholesalers. Membership also reinforces customer loyalty. In turn, we enhance the value of a PriceSmart membership by selling unique and exciting merchandise at low prices along with other valuable services such as our co-branded credit card, on-line shopping, and at our food courts, high quality meals at a low cost. In the last twelve months, we have had an 84% renewal rate of our members, similar to that experienced by the major U.S. warehouse club operators.

Scalable operations and efficient distribution network. Our logistics and distribution operations are an important factor that contributes to our low cost of operations. Our primary distribution center is a 275,000 square foot warehouse located in Miami, Florida, strategically situated to service our markets. Products are shipped from suppliers throughout the world to our Miami distribution center. These products are then sorted and cross docked to containers for shipment to PriceSmart locations. More recently, we have opened distribution centers in certain of our high volume markets to improve in stocks on high volume products. In fiscal year 2014, we shipped over $1.0 billion of merchandise from the U.S. to twelve countries and one U.S. territory. Our existing infrastructure, including our management systems and distribution network, are scalable which allows us to support future sales growth and the addition of warehouse clubs in the Latin America and Caribbean markets, particularly the Colombia market.

Experienced management team with proven track record. We believe that our senior management team’s extensive experience in the warehouse club industry, which in some cases goes back to the Price Club, provides us with a competitive advantage. All of our executive officers have been with us since at least 2004, providing operational stability across the organization. The combined warehouse experience of our seven executive officers is over 185 years.

Our Growth Strategy

We are pursuing several strategies to continue our growth, including:

Increase sales and continue to leverage operating costs. Our operating efficiencies, earnings and cash flow from operations improve as sales increase. Increased sales provide greater purchasing power and often result in lower product prices from our suppliers. We are focused on increasing sales and profits in our existing warehouse clubs by attracting new members and increasing sales to existing members by stocking high quality and exciting merchandise. We are also making improvements in buildings and equipment to increase the capacity of our warehouse clubs to handle more merchandise and transactions and to enhance the shopping experience of our members. Increased sales also allows us to leverage our selling and general and administrative expenses, which allows us to further reduce prices of our merchandise to our members. During fiscal year 2014, we invested approximately $35.6 million in improvements to existing clubs.

Add new warehouse clubs. We continue to look for opportunities to open additional PriceSmart warehouse club locations in our Latin America and Caribbean markets. We believe that the Colombia market offers expansion opportunities in addition to the six PriceSmart warehouse clubs that will be in operation by the end of calendar 2015. In our Central America and Caribbean countries, where we have been operating for at least eleven years, we plan to open new warehouse clubs as the those economies grow. For example, during fiscal year 2014, we opened our third warehouse club in Honduras and our sixth membership warehouse club in Costa Rica. In September 2014, we acquired land for a fifth warehouse club in Panama.

Although we have entered into real estate leases in the past and will likely do so in the future, our preference is to own rather than lease real estate. Real estate ownership provides a number of advantages as compared to leasing, including lower operating expenses, flexibility to expand or otherwise enhance our buildings, long-term control over the use of the property and the residual value that the real estate may have in future years. In order to secure warehouse club locations, we occasionally have to purchase more land than is actually needed for the warehouse club facility. To the extent that we acquire property in excess of what is needed for a particular warehouse club, we generally plan to either sell or develop the excess property.

Our Membership Policy

We offer three types of memberships: Business, Diamond (individual), and in Costa Rica Platinum (individual) memberships. Businesses qualify for Business membership. We promote Business membership through our marketing programs and by offering certain merchandise targeted primarily to businesses such as restaurants, hotels, convenience stores, offices and institutions. Business members pay an annual membership fee of approximately the equivalent of $30 for a primary and secondary membership card and approximately $10 for additional add-on membership cards.

The Diamond membership is targeted at individuals and families. The annual fee for a Diamond membership in most markets is approximately $35 (entitling members to two cards). We increased the fee in June 2012 from approximately $30.

In October 2012, we launched the Platinum membership account in Costa Rica. Platinum members pay an annual membership fee of approximately $75.00 for a primary membership card for which they receive an annual 2% rebate of their purchases on most items, up to a maximum annual rebate of $500.00. We are currently evaluating the Platinum membership program to determine if we should offer the Platinum membership in our other markets.

We recognize membership income over the 12-month term of the membership. Deferred membership income is presented separately on the consolidated balance sheet and totaled $17.9 million and $16.5 million as of August 31, 2014 and August 31, 2013, respectively. Our membership agreements provide that our members may cancel their membership and may receive a refund of the prorated share of their remaining membership fee if they so request.

Our Intellectual Property Rights

It is our policy to obtain appropriate proprietary rights protection for trademarks by filing applications for registration of eligible trademarks with the U.S. Patent and Trademark Office and in certain foreign countries. We rely on copyright and trade secret laws to protect our proprietary rights. We attempt to protect our trade secrets and other proprietary information through agreements with our employees, consultants and suppliers and other similar measures. There can be no assurance, however, that we will be successful in protecting our proprietary rights. While management believes that our trademarks, copyrights and other proprietary know-how have significant value, changing technology and the competitive marketplace make our future success dependent principally upon our employees’ technical competence and creative skills for continuing innovation.

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In August 1999, we entered into an agreement with Associated Wholesale Grocers, Inc. ("AWG") regarding the trademark "PriceSmart" and related marks containing the name "PriceSmart." We 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. We, 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 we may use the mark in connection with various travel services. AWG has agreed not to oppose any trademark applications filed by us 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 us based upon our 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."

Our Competition

Our international merchandising business competes with a wide range of international, regional, national and local retailers, and traditional wholesale distributors. Our industry is highly competitive, based on factors such as price, merchandise quality and selection, warehouse location and member service. Some of our competitors may have greater resources, buying power and name recognition. In the countries in which we operate, we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, and specialty stores, including those within Latin America that are owned and operated by a large U.S. based retailer. We have competed effectively in these markets in the past and expect to continue to do so in the future due to the unique nature of the membership warehouse club format. We have noted that certain retailers are making investments in upgrading their locations within our markets. These actions may result in increased competition within our markets. Further, it is possible that additional U.S. warehouse club operators may decide to enter our markets and compete more directly with us in a similar warehouse club format.

Our Employees

As of August 31, 2014, we had a total of 6,772 employees. Approximately 95% of our employees were employed outside of the United States, and approximately 1,825 employees are represented by Unions. All remaining employees are non-union. We consider our employee relations to be very good.

Seasonality

Historically, our merchandising businesses have experienced holiday retail seasonality in our markets. In addition to seasonal fluctuations, our operating results fluctuate quarter-to-quarter as a result of economic and political events in our markets, 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 our future results will be consistent with past results or the projections of securities analysts.

Working Capital Practices

Information about our working capital practices is incorporated herein by reference to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Financial Information about Segments and Geographic Areas

Financial information about segments and geographic areas is incorporated herein by reference to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations--Net Warehouse Club Sales by Segments” and Part II, Item 8 “Financial Statements and Supplementary Data Segment: Notes to Financial Statements, Note 15-Segments.”

Other Information

PriceSmart, Inc. was incorporated in the State of Delaware in 1994. Our principal executive offices are located at 9740 Scranton Road, San Diego, California 92121. Our telephone number is (858) 404-8800. Our website home page on the Internet is www.pricesmart.com. We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

Available Information

The PriceSmart, Inc. website or internet address is www.pricesmart.com. On this website we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, and the annual report to the stockholders as soon as reasonably practicable after electronically filing such material with or furnishing it to the U.S. Securities and Exchange Commission (SEC). Our SEC reports can be accessed through the investor relations section of our website under “SEC Filings.” All of our 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. We will make available our annual report on Form 10-K and our annual Proxy Statement for the fiscal year 2014 at the internet address http://materials.proxyvote.com/741511 as soon as reasonably practicable after electronically filing such material with or furnishing it to the SEC.

Item 1A. Risk Factors

In evaluating the Company’s business, you should consider the following discussion of risk factors, in addition to other information contained in this report and in the Company’s other public filings with the U.S. Securities and Exchange Commission. Any such risks could materially and adversely affect our business, financial condition, results of operations, cash flow and prospects. However, the risks described below or incorporated by reference herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition, results of operations, cash flow and prospects.

Our financial performance is dependent on international operations, which exposes us to various risks.

Our international operations account for nearly all of our total revenues. Our financial performance is subject to risks inherent in operating and expanding our international membership warehouse club business, which include:

- changes in, and inconsistent enforcement of laws and regulations, including those related to tariffs and taxes;
- the imposition of foreign and domestic governmental controls, including expropriation risks;
- trade restrictions;
- difficulty and costs associated with international sales and the administration of an international merchandising business;
- greater levels of crime and security concerns than in the U.S.;
- product registration, permitting and regulatory compliance;
- volatility in foreign currency exchange rates;
- and general political as well as economic and business conditions.

Circumstances relating to these risks may arise, which may then result in disruption to our sales, banking transactions, operations, merchandise shipments, and currency exchange rates, any of which could have a material adverse effect on our business and results of operations.

Any failure by us to manage our widely dispersed operations could adversely affect our business.

As of August 31, 2014, the Company had in operation 33 consolidated warehouse clubs in operation in 12 countries and one U.S. territory (six in Costa Rica; four each in Panama and Trinidad; three each in Guatemala, Honduras, Colombia and in the Dominican Republic; two in El Salvador; and one each in Aruba, Barbados, Jamaica, Nicaragua and the United States Virgin Islands). We will need to continually evaluate the adequacy of our existing infrastructure, systems and procedures, financial controls, inventory controls and safety controls and make upgrades from time to time. Moreover, we will be required to continually analyze the sufficiency of our inventory distribution channels and systems and may require additional or expanded facilities in order to support our operations. We may not adequately anticipate all the changing demands that will be imposed on these systems. Any inability or to effectively update our internal systems or procedures as required could have a material adverse effect on our business, financial condition and results of operations.

We face significant competition.

Our international warehouse club business competes with exporters, importers, wholesalers, local retailers and trading companies in various international markets. Some of our competitors have greater resources, buying power and name recognition than we have. In the countries in which we operate, we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, home improvement centers, electronic retailers and specialty stores, including those within Latin America that are owned and operated by a large U.S.-based retailer. We have noted that certain retailers are making investments in upgrading their locations which may result in increased competition. Further, it is possible that current U.S. warehouse club operators may decide to enter our markets and compete more directly with us in a similar warehouse club format. We may be required to implement price reductions to remain competitive if any of our competitors reduce prices in any of our markets. Moreover, our ability to operate profitably in our markets, particularly small markets, may be adversely affected by the existence or entry of competing warehouse clubs or discount retailers. During fiscal year 2013, a regional competitor entered into our Barbados market. We responded to that entry by implementing price reductions during the past year to maintain our competitive position thereby reducing our margins and overall profitability within this market. We expect to maintain these price reductions into fiscal year 2015. In addition, Wal-Mart announced that it intends to invest $1.1 billion in its Mexico and Central America markets, which could adversely impact our ability to compete within the Central America market.

Future sales growth depends, in part, on our ability to successfully open new warehouse clubs.

Sales growth at the existing warehouse clubs can be impacted by, among other things, the physical limitations of the warehouse clubs, which restrict the amount of merchandise that can be safely stored and displayed in the warehouse clubs and the number of members that can be accommodated during business hours. As a result, sales growth will depend, in part, upon our acquiring suitable sites for additional warehouse clubs. Land for purchase or lease, or buildings to be leased, in the size and locations in those markets that would be suitable for new PriceSmart warehouse clubs may be limited in number or not be available or financially feasible. In this regard, we compete with other retailers and businesses for suitable locations. Additionally, local land use and other regulations restricting the construction and operation of our warehouse clubs and environmental regulations may impact our ability to find suitable locations, and increase the cost of constructing, leasing and operating our warehouse clubs. We have experienced these limitations in Colombia and in some of our existing markets, which has negatively affected our growth rates in those markets. Limitations on the availability of appropriate sites for new warehouse clubs in the areas targeted by us could have a material adverse effect on the future growth of PriceSmart.

In some cases, we have more than one warehouse club in a single metropolitan area, and we may open new warehouse clubs in certain areas where we already have warehouse clubs. A new warehouse club in an area already served by existing warehouse clubs may draw members away from existing warehouse clubs and adversely affect comparable warehouse club sales performance. We experienced this adverse effect on comparable sales for existing warehouse clubs recently within our Costa Rica and Honduras markets when we opened one new warehouse club in each of these markets in areas that already had an existing warehouse club.

We also intend to open warehouse clubs in new markets. The risks associated with entering a new market include potential difficulties in attracting members due to a lack of familiarity with us and our lack of familiarity with local member preferences. In addition, entry into new markets may bring us into competition with new competitors or with existing competitors with a large, established market presence. As a result, our new warehouse clubs might not be successful in new markets.

We might not identify in a timely manner or effectively respond to changes in consumer preferences for merchandise, which could adversely affect our relationship with members, demand for our products and market share.

Our success depends, in part, on our ability to identify and respond to trends in demographics and changes in consumer preferences for merchandise. It is difficult to consistently and successfully predict the products and services our members will demand. Failure to timely identify or respond effectively to changing consumer tastes, preferences or spending patterns could adversely affect our relationship with our members, the demand for our products and our market share. If we are not successful at predicting sales trends and adjusting purchases accordingly, we might experience a reduction in sales and/or have excess inventory resulting in additional markdowns, which could have an adverse effect on margins (net sales less merchandise costs) and operating income.

Although we have begun to offer limited online shopping to our members, our sales could be adversely affected if one or more major international online retailers were to enter our markets or if other competitors were to offer a superior online experience.

Online sales currently represent a small fraction of the total sales in our markets of the types of merchandise we offer, but online shopping may become more prevalent in our markets as we and our competitors begin to offer more opportunities for online shopping and as delivery systems in our markets improve. While major international online retailers have not established a significant presence in any of our markets, it is possible that they or smaller regional companies will offer online shopping in our markets. In most markets, our members can order products from our website that are shipped from the U.S. to the members local warehouse club for pickup. In Colombia, members in certain markets can order items for delivery to them from our warehouse clubs. We continue to invest in our websites and systems with the long-term objective of offering our members a seamless multichannel experience. If we do not successfully develop and maintain a relevant multichannel experience for our members, our ability to compete and our results of operations could be adversely affected.

We face difficulties in the shipment of and inherent risks in the importation of, merchandise to our warehouse clubs.

Our warehouse clubs typically import nearly half or more of the merchandise that they sell. This merchandise originates from various countries and is transported over long distances, typically over water, which results in:

- substantial lead times needed between the procurement and delivery of product, thus complicating merchandising and inventory control methods;
- the possible loss of product due to theft or potential damage to, or destruction of, ships or containers delivering goods;
- product markdowns as a result of its being cost prohibitive to return merchandise upon importation;
- product registration, tariffs, customs and shipping regulation issues in the locations we ship to and from; and
- ocean freight and duty costs.

Moreover, each country in which we operate 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 our deliveries of products to our warehouse clubs or may affect the type of products we select to import. In addition, only a limited number of transportation companies service our regions. The inability or failure of one or more key transportation companies to provide transportation services to us, 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 to our ability to transport our merchandise could have a material adverse effect on our business and results of operations.

We are exposed to weather and other natural disaster risks.

Our operations are subject to volatile weather conditions and natural disasters, such as earthquakes and hurricanes, which are encountered in the regions in which our warehouse clubs are located and which could result in significant damage to, destruction of, or temporary closure of, our warehouse clubs. Warehouse club closures associated with heavy rains, local flooding and government advisories to stay off the roads during a natural disaster, such as a hurricane, could result in many days of lost sales. Similar risks could negatively affect our business if they were to arise in other points on our international merchandise distribution chain, in particular our distribution centers or ports of origin or destination. Losses from business interruption may not be adequately compensated by insurance and could have a material adverse effect on our business, financial condition and results of operations.

General economic conditions could adversely impact our business in various respects.

A slowdown in the economies of one or more of the countries in which we operate or adverse changes in economic conditions affecting discretionary consumer spending, such as employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, interest rates, tax rates and consumer spending patterns in each of our foreign markets, may adversely affect our business by reducing overall consumer purchasing power and could negatively impact our growth, sales and profitability. In addition, a significant decline in the economies of the countries in which our warehouse clubs are located 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. Factors such as declining expatriate remittances, reduced tourism, and less foreign investment could negatively impact the economies of Latin America and the Caribbean. The potential for economic instability, the impact of a global recession and its duration, the potential for failures or realignments of financial institutions and the related impact on available consumer credit could have a material adverse effect on our financial condition and results of operations. We have experienced recent economic slowdowns within our Costa Rica, Barbados, Jamaica and Honduras markets. These slowdowns have affected our business by reducing the purchasing power of our members within these markets, impacting our growth of sales and profitability within these markets.

We are subject to risks associated with possible changes in our relationships with third parties with which we do business, as well as the performance of such third parties.

We have important ongoing relationships with various third-party suppliers of services and merchandise. These include, but are not limited to, local and regional merchandise suppliers, information technology suppliers, warehouse facilities and equipment suppliers, financial institutions, credit card issuers and processors, and lessors. Significant changes in the relationships or the agreements that govern the terms through which business is conducted could adversely affect our ability to purchase merchandise in sufficient quantities and at competitive prices, which could have a material adverse effect on our business, financial condition and results of operation. In this regard, the manner in which we acquire merchandise, either directly from the parent company or through a local subsidiary or distributor, is subject to change from time to time based on changes initiated by the supplier and for reasons beyond our control. Significant changes or disruptions in how we acquire merchandise from these suppliers could negatively affect our access to such merchandise, as well as the cost of merchandise to us and hence our members, which could have a material adverse effect on our business and results of operations.

Additionally, our suppliers are subject to risks, including labor disputes, union organizing activities, financial liquidity, inclement weather, natural disasters, supply constraints, regulatory compliance with local and international agencies and general economic and political conditions that could limit their ability to timely provide us with acceptable merchandise, which could adversely affect our business. Furthermore, one or more of our suppliers might fail to comply with appropriate production, labor, environmental and other practices, as well as quality control, legal or regulatory standards. We might not identify any such deficiencies, which could lead to litigation and recalls, damage our reputation and our brands, increase our costs, and otherwise adversely impact our business.

We rely extensively on computer systems to process transactions, summarize results and manage our business. Failure to adequately maintain our systems and disruptions in our systems could harm our business and adversely affect our results of operations.

Given the number of individual transactions we have each year, we seek to maintain uninterrupted operation of our business-critical computer systems. Our computer systems, including back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, catastrophic events such as fires, earthquakes, tornadoes and hurricanes, and errors by our employees. If our computer systems and back-up systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. Any material interruption in our computer systems could have a material adverse effect on our business or results of operations.

We could be subject to additional tax liabilities.

We are required to file federal and state tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions, which affects the amount of tax paid by us. We, in consultation with our tax advisors, base our tax returns on interpretations that we believe to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various taxing authorities in the jurisdictions in which we file our returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations we used to calculate our tax liability and therefore require us pay additional taxes. In addition, we compute our income tax provision based on enacted tax rates in the countries in which we operates. As the tax rates vary among countries, a change in earnings attributable to the various jurisdictions in which we operates could result in an unfavorable change in our overall tax provision. Reviews, interpretations and changes in earnings within jurisdictions could have a material adverse effect on our financial condition and results of operations.

Examples of unresolved tax disputes are as follows:

- The Company has unresolved tax disputes, as of August 31, 2014, for which the Company has accrued a net liability of $4.1M for tax matters, $3.1M of which relates to various non-income tax related contingencies, and $1.0M relates to potential net liability for income taxes associated with uncertain tax benefits reduced by timing adjustments which are recorded as deferred income taxes.
- Prepayments for tax assessments in two countries that the Company is appealing were recorded for approximately $4.2 million.
- Subsequent to the fiscal year ended August 31, 2014, one of the Company’s subsidiaries received provisional assessments for $2.5 million of taxes, penalties and interest related to withholding taxes on certain charges for services rendered by the Company. This subsidiary also received a provisional assessments totaling $5.2 million for lack of deductibility of the underlying service charges, due to the lack of withholding. Based on our interpretation of local law, rulings and

jurisprudence (including Supreme Court precedence with respect to the deductibility assessment) we expect to prevail in both instances and accordingly did not record a provision for these assessments.

A few of our stockholders own approximately 28.1% of our voting stock as of August 31, 2014,which may make it difficult to complete some corporate transactions without their support and may impede a change in control.

Robert E. Price, the Company's Chairman of the Board, and affiliates of Mr. Price, including Price Charities, The Price Group, LLC and various trusts, collectively beneficially own approximately 28.1% of our outstanding shares of common stock. As a result of their beneficial ownership, these stockholders have the ability to significantly affect the outcome of all matters submitted to our stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of our common stock by potential investors and could have an anti-takeover effect, possibly depressing the trading price of our common stock.

Our inability to develop and retain existing key personnel or to attract highly qualified employees could adversely impact our business, financial condition and results of operations.

Our success depends to a significant degree on the continued contributions of members of our senior management and other key operations, merchandising and administrative personnel, and the loss of any such person(s) could have a material adverse effect on our business. We must develop and retain a growing number of qualified employees, while controlling related labor costs and maintaining our core values. We compete with other retail and non-retail businesses for these employees and invest significant resources in training and motivating them. There is no assurance that we will be able to adequately develop, retain and attract highly qualified employees in the future, which could have a material adverse effect on our business, financial condition and results of operations. We do not maintain key man insurance.

We are subject to volatility in foreign currency exchange rates.

As of August 31, 2014, we had a total of 33 warehouse clubs operating in 12 foreign countries and one U.S. territory, 26 of which operate under currencies other than the U.S. dollar. For fiscal year 2014, approximately 79% of our net warehouse club sales were in foreign currencies. We 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. We therefore are subject to both economic and political instabilities that can cause volatility in foreign currency exchange rates or weak economic conditions. Devaluing local currencies compared to the U.S. dollar could negatively impact the purchasing power of our members in those countries. For example, in February 2014, the Costa Rican Colone devalued approximately 10% compared to the U.S. dollar, which negatively affected sales in that market. Volatility and uncertainties regarding the currencies and economic conditions in the countries where we operate could have a material impact on our operations in future periods.

We face the risk of exposure to product liability claims, a product recall and adverse publicity.

We market and distribute products purchased from third-party suppliers and products prepared by us for resale, including meat, dairy and other food products, which exposes us to the risk of product liability claims, a product recall and adverse publicity. We may inadvertently redistribute food products or prepare food products that are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at the food service or consumer level. We generally seek contractual indemnification and proof of insurance from our major suppliers and carry product liability insurance for all products sold to our members by us. However, if we do 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 our ability to successfully market our products and on our 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 our products caused illness or injury could have a material adverse effect on our reputation with existing and potential customers and on our business, financial condition and results of operations.

If we do not maintain the privacy and security of confidential information, we could damage our reputation, incur substantial additional costs and become subject to litigation.

Misappropriation and misuse of confidential information we gather and retain, including certain information about our members, our vendors, our employees and our company, could have a material adverse effect on our business, financial condition and results of operations.

We receive and retain much of this confidential information on our computer systems, and we may at times electronically transmit portions of this confidential information to third parties, who will then store it on their systems or at their facilities. Because the techniques used to obtain unauthorized access to computer systems change frequently and may not immediately produce signs of intrusion, we and these third parties may be unable to anticipate such techniques or timely cause adequate preventative measures to be implemented, and as a result the security of our systems, and those of such third parties, may be compromised. A compromise of systems that contain confidential information about our members, our vendors, our employees or our company, which results in confidential information being wrongfully utilized by unauthorized persons, could adversely affect our reputation with our members and others, as well as our operations, results of operations, financial condition and liquidity. Litigation against us and the imposition of penalties may also result from such misappropriation of personal and business information. In addition, a security breach or compromise of these systems could require that we expend significant additional resources on and modifications of security protocols of our computer systems, which in turn could result in a disruption of our operations, and adversely affect our business.

Additionally, the use of individually identifiable data is regulated in the United States and in our operating countries. Privacy and information security laws and regulations change, and compliance with them may result in cost increases due to necessary systems changes and the development of new administrative processes. Further, if we, or those with whom we share or store information, fail to comply with these laws and regulations our reputation could be damaged, possibly resulting in lost future business, and we could be subjected to additional legal or financial risk as a result of non-compliance.

We are subject to payment related risks.

We rely on third parties to provide payment transaction processing services, including the processing of credit and debit cards and the processing of payments to vendors. Our business could be disrupted if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association rules and network operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change over time. If we fail to comply with these rules or transaction processing requirements, we may not be able to accept certain payment methods. In addition, if our internal systems are breached or compromised, we may be liable for banks' compromised card re-issuance costs, subject to fines and higher transaction fees and lose our ability to accept credit and/or debit card payments from our members, and our business and operating results could be adversely affected.

Changes in accounting standards and assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business are highly complex and involve many subjective assumptions, estimates and judgments by our management. These include, but are not limited to, revenue recognition, impairment of long-lived assets, goodwill, merchandise inventories, vendor rebates and other vendor consideration, income taxes, unclaimed property laws and litigation, and other contingent liabilities. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance.

We face increased public company compliance risks and compliance risks related to our international operations.

In the United States and within the international markets where we operate, there are multiple laws and regulations that relate to our business and operations. These laws and regulations are subject to change, and any failure by us to effectively manage our operations and reporting obligations as required by the various laws and regulations can result in our incurring significant legal costs and fines as well as disruptions to our business and operations. Such failure could also result in investors' loss of confidence in us, which could have a material adverse effect on our stock price. We previously reported that during the third quarter of fiscal year 2014, in the course of voluntary enhancements to our policies and procedures relating to compliance with U.S. sanctions laws, we had determined that 77 of the Company's approximately 2.2 million members were Cuban nationals, had suspended the shopping privileges of these members, and had reported the results of our investigation to the U.S. Office of Foreign Assets Control, or OFAC. The majority of these were Cuban ambassadors, diplomats and others working in Cuban embassies or other diplomatic missions in the countries where we operate warehouse clubs. In May 2014, OFAC approved an application filed by us and granted a license expressly authorizing us to make sales to Cuban national diplomats or consular officials and their dependents who are stationed outside Cuba. We also reported that we had begun screening our membership list against OFAC's list of Specially Designated Nationals (SDNs). We incurred costs to identify and then develop the screening of our membership in order to ensure compliance with OFAC's list.

We face increased compliance risks associated with 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. Our internal controls over financial reporting are 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:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets;
- 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 receipts and expenditures are being made only in accordance with appropriate authorizations; and
- 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.

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

If remediation costs or hazardous substance contamination levels at certain properties for which we maintain financial responsibility exceed management’s current expectations, our financial condition and results of operations could be adversely impacted.

In connection with our spin-off from Price Enterprises, Inc., or PEI, in 1997, we 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. Our ownership of real properties and our agreement to indemnify PEI could subject us to certain environmental liabilities. Certain of these properties are located in areas of current or former industrial activity, where environmental contamination may have occurred. We monitor the soil and groundwater at these locations as may be required by law. If we were to incur costs for remediating contamination at these sites which exceed management’s current expectations, our financial condition and results of operations could be adversely impacted.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At August 31, 2014, PriceSmart operated 33 membership warehouse clubs, as detailed below:

Location	Own land and building	Lease land and/or building
LATIN AMERICA SEGMENT		
Colombia[1]	3	—
Panama[2]	3	1
Guatemala	1	2
Costa Rica	6	—
El Salvador	2	—
Honduras	2	1
Nicaragua	1	—
CARIBBEAN SEGMENT		
Dominican Republic	3	—
Aruba	—	1
Barbados	1	—
Trinidad	3	1
U.S. Virgin Islands	—	1
Jamaica	1	—
Total	26	7

(1) In January of fiscal year 2014, we acquired land in the southern area of Pereira, Colombia and in the city of Medellin, Colombia and leased land in the city of Bogota, Colombia. We are building new warehouse clubs at these three sites, and opened the Bogota location on October 29, 2014 and plan to open the other two sites in November 2014. Together with the three warehouse clubs currently operating in Colombia (one in Barranquilla and two in Cali), these three new clubs will bring the number of PriceSmart warehouse clubs operating in Colombia to six. The Company continues to explore other potential sites for future warehouse clubs in other major cities in Colombia.

(2) In September 2014, we acquired land in La Chorrera ("Costa Verde"), west of Panama City, Panama. We plan to construct a warehouse club on this site, and expect to open it in the summer of 2015. This will bring the number of PriceSmart warehouse clubs operating in Panama to five.

As of August 31, 2014, the Company’s warehouse club buildings occupied a total of approximately 2,294,820 square feet, of which 420,647 square feet were on leased property.

The following is a summary of other leased facilities as of August 31, 2014:

Location	Facility Type	Lease land and/or building
LATIN AMERICA SEGMENT		
Bogota, Colombia	Central Offices	1
Panama	Central Offices	1
Panama	Storage and Distribution Facility	1
Costa Rica	Storage and Distribution Facility	1
CARIBBEAN SEGMENT		
Barbados	Storage Facility	1
Chaguanas, Trinidad	Employee Parking	1
Chaguanas, Trinidad	Container Parking	1
Trinidad	Storage and Distribution Facility	1
Jamaica	Storage Facility	1
Santo Domingo, Dominican Republic	Central Offices	1
U.S. SEGMENT		
San Diego, CA	Corporate Headquarters	1
Miami, FL	Distribution Facility	1
Total		12

The following is a summary of the warehouse clubs and Company facilities located on leased property as of August 31, 2014:

Location	Facility Type	Date Opened	Approximate Square Footage	Current Lease Expiration Date	Remaining Option(s) to Extend
Salitre, Colombia (1)	Warehouse Club	Under Construction(2)	—	January 29, 2044	20 years
Via Brazil, Panama	Warehouse Club	December 4, 1997	68,696	October 31, 2026	10 years
Miraflores, Guatemala	Warehouse Club	April 8, 1999	66,059	December 31, 2020	5 years
Pradera, Guatemala	Warehouse Club	May 29, 2001	48,438	May 28, 2021	none
Tegucigalpa, Honduras	Warehouse Club	May 31, 2000	64,735	May 30, 2020	none
Oranjestad, Aruba	Warehouse Club	March 23, 2001	64,627	March 23, 2021	10 years
Port of Spain, Trinidad	Warehouse Club	December 5, 2001	54,046	July 5, 2031	none
St. Thomas, U.S.V.I.	Warehouse Club	May 4, 2001	54,046	February 28, 2020	10 years
Barbados	Storage Facility	December 1, 2012	12,517	November 30, 2015	3 years
Chaguanas, Trinidad	Employee Parking	May 1, 2009	4,944	April 30, 2024	none
Chaguanas, Trinidad	Container Parking	April 1, 2010	65,340	March 31, 2015	none
Jamaica	Storage Facility	September 1, 2012	17,000	February 28, 2015	3 years
Santo Domingo, Dominican Republic	Central Offices	June 1, 2010	2,002	May 31, 2015	1 year
Bogota, Colombia	Central Offices	October 21, 2010	7,812	December 31, 2015	none
San Diego, CA (3)	Corporate Headquarters	April 1, 2004	39,225	August 31, 2015	5 years
Miami, FL (4)	Distribution Facility	March 1, 2008	274,652	July 31, 2021	10 years
Panama	Storage and Distribution Facility	August 15, 2012	25,690	August 15, 2015	mutual agreement
Panama	Central Offices	Under Construction(2)	—	December 12, 2043	15 years
Costa Rica	Storage and Distribution Facility	January 28, 2013	37,674	January 29, 2015	3 years
Trinidad	Storage and Distribution Facility	August 18, 2014	17,110	August 17, 2017	none

(1) For the fiscal year 2014, the Company recorded expenses related to the property lease for the new club planned for Bogota, Colombia ("Salitre") as pre-opening expenses. The Company will continue to record the monthly lease expense for this land in pre-opening expenses while the warehouse club is under construction. Upon opening, these expenses will be recognized in warehouse club operations expense.

(2) The Company opened this location on October 29, 2014.

(3) In September 2014, the Company executed a third amendment to include an additional 3,802 square feet of space and an extension on the term of the existing premises at its corporate headquarters. This additional space is not included within the above table.

(4) In September 2014, the Company executed a second amendment to include an additional 26,400 square feet of space at its primary distribution center in Miami. This additional space is not included within the above table.

Item 3. Legal Proceedings

We are often involved in claims arising in the ordinary course of business seeking monetary damages and other relief. Based upon information currently available to us, none of these claims is expected to have a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

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, 2014 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, 2014 under the heading “Selected Financial Data.”

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

The information required by Item 7 is incorporated herein by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2014 under the heading “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

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, 2014 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, 2014 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, 2014, under the supervision and with the participation of the Company’s management, including the Company’s principal executive officer and principal financial 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(e) and 15d-15(e). 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 financial 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 financial officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Annual Report on Form 10-K.

(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, the company's principal executive officer and principal financial officer, and effected by its 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 U.S. 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 the company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of the company's 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 the Company's financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision, and with the participation, of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the 1992 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 its internal control over financial reporting. Based on its evaluation, management has concluded that the Company's internal control over financial reporting was effective as of August 31, 2014, the end of its most recent fiscal year.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of August 31, 2014, 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 (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act), during the fiscal year ended August 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibit 31.1 and 31.2 to this report.

Item 9B. Other Information

Not applicable.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited PriceSmart, Inc.'s internal control over financial reporting as of August 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (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, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of PriceSmart, Inc. and our report dated October 30, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
October 30, 2014

PART III

Item 10. Directors, Executive Officers and Corporate Governance

PriceSmart has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer, controller, and to all of its other officers, directors, employees and agents. The code of ethics is available on PriceSmart's web site at www.pricesmart.com. PriceSmart intends to disclose on its website future amendments to, or waivers from, certain provisions of its code of ethics within four business days following the date of such amendment or waiver.

The additional information required by Item 10 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Election of Directors,” “Information Regarding Directors,” “Information Regarding the Board,” “Executive Officers of the Company” and “Compliance with Section 16(a) of the Exchange Act.”

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the heading “Compensation Discussion and Analysis.”

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

The information required by Item 12 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Securities Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Certain Transactions” and “Information Regarding Directors.”

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the heading “Independent Registered Public Accounting Firm.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The documents listed in the following table, which are included in its Annual Report to Stockholders, are incorporated herein by reference to the portions of this Annual Report on Form 10-K filed as Exhibit 13.1 hereto.

(1) and (2) Financial Statements

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

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.

(3) The following exhibits are filed as part of this Form 10-K and this list includes the Exhibit Index.

Exhibit Number	Description
3.1(1)	Amended and Restated Certificate of Incorporation of the Company.
3.2(19)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company.
3.3(18)	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(20)	Amendment to Amended and Restated Bylaws of the Company.
4.1(22)	Specimen of Common Stock certificate.
10.1(a)(48)	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2002 Equity Participation Plan of PriceSmart, Inc.
10.1(b)(53)	Form of Non-Qualified Stock Option Agreement (Director Option) under the 2001 Equity Participation Plan of PriceSmart, Inc.

10.1(c)(53)	Form of Non-Qualified Stock Option Agreement (Director Option) under the 2002 Equity Participation Plan of PriceSmart, Inc.
10.2(b)(37)	Loan Facility Agreement between PriceSmart (Trinidad) Limited and First Caribbean International Bank (Trinidad & Tobago) Limited dated February 19, 2009.
10.2(c)(39)	Loan Agreement dated August 13, 2009 between PriceSmart, SA. and the Bank of Nova Scotia.
10.2(d)(46)	Loan Agreement between PriceSmart Colombia, S.A.S. and Scotiabank & Trust (Cayman) Ltd., dated March 14, 2011.

10.2(e)(49)	Loan Agreement between PSMT (Barbados Inc. and Citicorp Merchant Bank Limited, dated August 30, 2012.
10.2(f)(56)	Loan Agreement dated March 7, 2014 between PriceSmart Honduras, S.A. and Banco de America Central Honduras, S.A.
10.2(g)(56)	Loan Agreement dated March 31, 2014 between PriceSmart Panama, S.A. and The Bank of Nova Scotia.
10.2(h)*	PriceSmart, Inc. entered into a line of credit with MUFG Union Bank, N.A., executed August 30, 2014.
10.2(i)*	Loan renewal agreement between PriceSmart, Inc. and PSMT El Salvador, S.A. de C.V., executed August 27, 2014
10.2(j)*	Amendment to Loan Agreement dated August 28, 2014 made between PSMT (Barbados) Inc. and Citicorp Merchant Bank Limited
10.2(k)*	Promissory Note Amendment Agreement dated August 28, 2014 between PSMT (Barbados) Inc. and Citibank N.A.
10.2(l)*	Loan Agreement between The Bank of Nova Scotia and PriceSmart Panama, S.A. dated March 31, 2014.
10.3(a)(2)**	Employment Agreement between Price Enterprises, Inc. and Robert M. Gans, dated September 20, 1994.
10.3(b)(3)**	Third Amendment to Employment Agreement between Price Enterprises, Inc. and Robert M. Gans, dated April 28, 1997.
10.3(c)(1)**	Fourth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 2, 1997.
10.3(d)(4)**	Fifth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of March 31, 1999.
10.3(e)(5)**	Sixth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of November 22, 1999.
10.3(f)(5)**	Seventh Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of July 18, 2000.
10.3(g)(6)**	Eighth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 26, 2001.
10.3(h)(6)**	Amendment of Employment Agreement between the Company and Robert M. Gans, dated as of October 16, 2001.
10.3(i)(7)**	Ninth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of November 19, 2002.

10.3(j)(8)**	Tenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 22, 2003.
10.3(k)(9)**	Eleventh Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of July 24, 2003.
10.3(l)(30)**	Twelfth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 24, 2004.
10.3(m)(23)**	Thirteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of February 10, 2005.
10.3(n)(25)**	Fourteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 26, 2005.
10.3(o)(27)**	Fifteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of March 1, 2006.
10.3(p)(31)**	Sixteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 25, 2006.
10.3(q)(28)**	Seventeenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2007.

10.3(r)(34)**	Eighteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2007.
10.3(s)(32)**	Nineteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2008.
10.3(t)(35)**	Twentieth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2008.
10.3(u)(36)**	Twenty-First Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of November 13, 2008.
10.3(v)(37)**	Twenty-Second Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2009.
10.3(w)(40)**	Twenty-Third Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2009.
10.3(x)(41)**	Twenty-Fourth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2010.
10.3(y)(44)**	Twenty-Fifth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 6, 2010.
10.3(z)(45)**	Twenty-Sixth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 10, 2011.
10.3(aa)(46)**	Twenty-Seventh Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of April 1, 2011.
10.3(ab)(47)**	Twenty-Eighth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2011.
10.3(ac)(47)**	Twenty-Ninth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2011.
10.3(ad)(49)**	Thirtieth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2012.
10.3(ae)(50)**	Thirty-First Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2013.
10.3(af)(54)**	Thirty-Second Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2013.
10.3(ag)(55)**	Thirty-Third Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2014.
10.4(a)(45)**	Employment Agreement between the Company and John M. Heffner, dated January 31, 2011.

10.4(b)(46)**	First Amendment to Employment Agreement between the Company and John M. Heffner, dated April 1, 2011.
10.4(c)(47)**	Second Amendment to Employment Agreement between the Company and John M. Heffner, dated November 18, 2011.
10.4(d)(50)**	Third Amendment to Employment Agreement between the Company and John M. Heffner, dated January 1, 2013.
10.4(e)(55)**	Fourth Amendment to Employment Agreement between the Company and John M. Heffner, dated January 1, 2014.
10.5(10)	Form of Indemnity Agreement.
10.8(a)(13)**	Employment Agreement between the Company and Thomas D. Martin, dated March 31, 1998.
10.8(b)(4)**	First Amendment to Employment Agreement between the Company and Thomas D. Martin, dated March 31, 1999.
10.8(c)(5)**	Second Amendment of Employment Agreement between the Company and Thomas D. Martin, dated November 22, 1999.

10.8(d)(11)**	Third Amendment of Employment Agreement between the Company and Thomas Martin dated January 11, 2000.
10.8(e)(14)**	Fourth Amendment of Employment Agreement between the Company and Thomas Martin dated January 24, 2001.
10.8(f)(6)**	Amendment of Employment Agreement between the Company and Thomas Martin dated October 16, 2001.
10.8(g)(12)**	Fifth Amendment of Employment Agreement between the Company and Thomas Martin, dated January 16, 2002.
10.8(h)(9)**	Sixth Amendment of Employment Agreement between the Company and Thomas Martin, dated January 22, 2003.
10.8(i)(20)**	Seventh Amendment to Employment Agreement between the Company and Thomas Martin, dated March 15, 2004.
10.8(j)(24)**	Eighth Amendment to Employment Agreement between the Company and Thomas Martin, dated March 3, 2005.
10.8(k)(27)**	Ninth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2006.
10.8(l)(28)**	Tenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2007.
10.8(m)(29)**	Eleventh Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2007.
10.8(n)(32)**	Twelfth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2008.
10.8(o)(33)**	Thirteenth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2008.
10.8(p)(36)**	Fourteenth Amendment to Employment Agreement between the Company and Thomas Martin dated November 13, 2008.
10.8(q)(37)**	Fifteenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2009.
10.8(r)(38)**	Sixteenth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2009.
10.8(s)(41)**	Seventeenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2010.
10.8(t)(41)**	Eighteenth Amendment to Employment Agreement between the Company and Thomas Martin dated February 1, 2010.

10.8(u)(42)**	Nineteenth Amendment to Employment Agreement between the Company and Thomas Martin dated March 15, 2010.
10.8(v)(45)**	Twentieth Amendment to Employment Agreement between the Company and Thomas Martin dated January 10, 2011.
10.8(w)(46)**	Twenty-First Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2011.
10.8(x)(46)**	Twenty-Second Amendment to Employment Agreement between the Company and Thomas Martin dated April 1, 2011.
10.8(y)(47)**	Twenty-Third Amendment to Employment Agreement between the Company and Thomas Martin dated November 18, 2011.
10.8(z)(48)**	Twenty-Fourth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2012.
10.8(aa)(50)**	Twenty-Fifth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2013.

10.8(ab)(51)**	Twenty-Sixth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2013.
10.8(ac)(55)**	Twenty-Seventh Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2014.
10.8(ad)(56)**	Twenty-Eighth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2014.
10.11(36)	Shareholders' Agreement between Pricsmarlandco, S.A. and JB Enterprises Inc. dated September 29, 2008.
10.12(36)	Shareholder Agreement between Fundacion Tempus Fugit and PriceSmart Panama, S.A. dated September 24, 2008.
10.13(15)	Trademark Agreement between the Company and Associated Wholesale Grocers, Inc., dated August 1, 1999.
10.14(14)	Master Agreement between the Company and Payless ShoeSource Holdings, Ltd., dated November 27, 2000.
10.15(a)(12)**	Employment Agreement between the Company and William Naylon, dated January 16, 2002.
10.15(b)(8)**	First Amendment of Employment Agreement between the Company and William J. Naylon, dated January 22, 2003.
10.15(c)(19)**	Second Amendment to Employment Agreement between the Company and William Naylon, dated February 1, 2004.
10.15(d)(23)**	Third Amendment to Employment Agreement between the Company and William Naylon, dated as of February 16, 2005.
10.15(e)(26)**	Fourth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 11, 2006.
10.15(f)(27)**	Fifth Amendment to Employment Agreement between the Company and William Naylon, dated as of March 1, 2006.
10.15(g)(28)**	Sixth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2007.
10.15(h)(32)**	Seventh Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2008.
10.15(i)(36)**	Eighth Amendment to Employment Agreement between the Company and William Naylon, dated as of November 13, 2008.
10.15(j)(37)**	Ninth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2009.

10.15(k)(41)**	Tenth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2010.
10.15(l)(45)**	Eleventh Amendment to Employment Agreement between the Company and William Naylon, dated as of January 10, 2011.
10.15(m)(46)**	Twelfth Amendment to Employment Agreement between the Company and William Naylon, dated as of April 1, 2011.
10.15(n)(47)**	Thirteenth Amendment to Employment Agreement between the Company and William Naylon, dated as of November 18, 2011.
10.15(m)(50)**	Fourteenth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2013.
10.15(n)(55)**	Fifteenth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2014.
10.16(a)(6)**	Employment Agreement between the Company and John D. Hildebrandt, dated as of June 1, 2001.

10.16(b)(6)**	Amendment to Employment Agreement between the Company and John Hildebrandt, dated as of October 16, 2001.
10.16(c)(12)**	First Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 16, 2002.
10.16(d)(9)**	Second Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 22, 2003.
10.16(e)(20)**	Third Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2004.
10.16(f)(24)**	Fourth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 9, 2005.
10.16(g)(27)**	Fifth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2006.
10.16(h)(28)**	Sixth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2007.
10.16(i)(29)**	Seventh Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2007.
10.16(j)(32)**	Eighth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2008.
10.16(k)(33)**	Ninth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2008.
10.16(l)(36)**	Tenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated November 13, 2008.
10.16(m)(37)**	Eleventh Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2009.
10.16(n)(38)**	Twelfth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2009.
10.16(o)(38)**	Thirteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated April 1, 2009.
10.16(p)(41)**	Fourteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2010.
10.16(q)(41)**	Fifteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated February 1, 2010.
10.16(r)(42)**	Sixteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2010.

10.16(s)(45)**	Seventeenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 10, 2011.
10.16(t)(46)**	Eighteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2011.
10.16(u)(46)**	Nineteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated April 1, 2011.
10.16(v)(47)**	Twentieth Amendment to Employment Agreement between the Company and John Hildebrandt, dated November 18, 2011.
10.16(w)(48)**	Twenty-First Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2012.
10.16(x)(50)**	Twenty-Second Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2013.
10.16(y)(51)**	Twenty-Third Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2013.

10.16(z)*	Twenty-Fourth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2014.
10.16(aa)(56)**	Twenty-Fifth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2014.
10.17(16)**	2001 Equity Participation Plan of PriceSmart, Inc.
10.18(a)(7)**	Employment Agreement between the Company and Brud Drachman, dated as of January 11, 2000.
10.18(b)(7)**	First Amendment to Employment Agreement between the Company and Brud Drachman, dated January 24, 2001.
10.18(c)(7)**	Second Amendment to Employment Agreement between the Company and Brud Drachman, dated June 1, 2001.
10.18(d)(7)**	Amendment to Employment Agreement between the Company and Brud Drachman, dated October 16, 2001.
10.18(e)(7)**	Third Amendment to Employment Agreement between the Company and Brud Drachman, dated January 16, 2002.
10.18(f)(9)**	Fourth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 19, 2002.
10.18(g)(9)**	Fifth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 22, 2003.
10.18(h)(20)**	Sixth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2004.
10.18(i)(24)**	Seventh Amendment to Employment Agreement between the Company and Brud Drachman, dated March 9, 2005.
10.18(j)(27)**	Eighth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2006.
10.18(k)(28)**	Ninth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2007.
10.18(l)(29)**	Tenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2007.
10.18(m)(32)**	Eleventh Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2008.
10.18(n)(33)**	Twelfth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2008.
10.18(o)(36)**	

	Thirteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 13, 2008.
10.18(p)(37)**	Fourteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2009.
10.18(q)(38)**	Fifteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2009.
10.18(r)(41)**	Sixteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2010.
10.18(s)(42)**	Seventeenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2010.
10.18(t)(45)**	Eighteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 10, 2011.
10.18(u)(46)**	Nineteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2011.
10.18(v)(46)**	Twentieth Amendment to Employment Agreement between the Company and Brud Drachman, dated April 1, 2011.

10.18(w)(47)**	Twenty-First Amendment to Employment Agreement between the Company and Brud Drachman, dated November 18, 2011.
10.18(x)(48)**	Twenty-Second Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2012.
10.18(y)(50)**	Twenty-Third Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2013.
10.18(z)(51)**	Twenty-Fourth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2013.
10.18(aa)(55)**	Twenty-Fifth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2014.
10.18(ab)(56)**	Twenty-Sixth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2014.
10.19(17)**	2002 Equity Participation Plan of PriceSmart, Inc.
10.20(a)(21)**	Employment Agreement by and between the Company and Jose Luis Laparte, dated as of June 3, 2004.
10.20(b)(21)**	First Amendment to Employment Agreement by and between the Company and Jose Luis Laparte, dated as of August 2, 2004.
10.20(c)(25)**	Second Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of September 26, 2005.
10.20(d)(27)**	Third Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of March 1, 2006.
10.20(e)(31)**	Fourth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of September 25, 2006.
10.20(f)(28)**	Fifth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2007.
10.20(g)(34)**	Sixth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2007.
10.20(h)(34)**	Seventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 31, 2007.
10.20(i)(32)**	Eighth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2008.
10.20(j)(35)**	Ninth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2008.

10.20(k)(36)**	Tenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of November 13, 2008.
10.20(l)(37)**	Eleventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2009.
10.20(m)(40)**	Twelfth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2009.
10.20(n)(41)**	Thirteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2010.
10.20(o)*	Fourteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of July 15, 2010.
10.20(p)(44)**	Fifteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 6, 2010.
10.20(q)(45)**	Sixteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 10, 2011.

10.20(r)(46)**	Seventeenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of April 1, 2011.
10.20(s)(47)**	Eighteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2011.
10.20(t)(47)**	Nineteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of November 18, 2011.
10.20(u)(49)**	Twentieth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2012.
10.20(v)(50)**	Twenty-First Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2013.
10.20(w)(54)**	Twenty-Second Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2013.
10.20(x)(55)**	Twenty-Third Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2013.
10.21(a)(32)	Promissory Note entered into between PSMT Barbados and Citibank, N.A. dated November 15, 2007.
10.22(a)(40)	Loan Agreement entered into between PriceSmart and ScotiaBank El Salvador dated September 1, 2009.
10.23(41)	Loan Agreement entered into between PriceSmart Honduras, S.A. de C.V. and ScotiaBank El Salvador S.A., dated January 12, 2010.
10.24(42)	Loan Agreement entered into between PriceSmart Honduras, a subsidiary of PriceSmart Inc., and Banco del Pais, S.A. dated March 16, 2010.
10.25(42)	PriceSmart Honduras S.A. de C.V. Certificate of Deposit, as security in favor of Banco del Pais, S.A. dated March 16, 2010.
10.29(44)	Purchase Agreement between PriceSmart Colombia S.A.S. and Cementos Argos S.A., dated as of May 16, 2010.
10.29(a)(44)	Addenda No. 1 to Purchase Agreement between PriceSmart Colombia S.A.S. and Cementos Argos S.A., dated as of July 26, 2010.
10.29(b)(44)	Addenda No. 2 to Purchase Agreement between Colombia S.A.S. and Cementos Argos S.A., dated as of October 22, 2010.
10.30*	Collective Agreement by and between Oilfields Workers' Trade Union and PriceSmart Clubs (TT) Ltd. entered into December 1, 2012.
10.31**	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the 2002 Equity Participation Plan of PriceSmart, Inc.

10.32(52)**	2013 Equity Incentive Award Plan of PriceSmart, Inc. (incorporated by reference to Appendix A to the definitive Proxy Statement for the Company's 2013 Annual Meeting of Stockholders filed with the Commission on December 5, 2012)
10.33(52)**	Form of Restricted Stock Award Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc.
10.34(52)**	Form of Restricted Stock Unit Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. for Employees of Foreign Subsidiaries.
10.35(52)**	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the 2013 Equity Incentive Award Plan of PriceSmart, Inc.
13.1*	Portions of the Company’s Annual Report to Stockholders for the year ended August 31, 2014.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* 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 10.14 to Amendment No. 1 to the Registration Statement on Form S-4 of Price Enterprises, Inc. filed with the Commission on November 3, 1994.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) Incorporated by reference to the Company’s Annual Report on Form 10-K for the year ended August 31, 2004 filed with the Commission on November 24, 2004.

(19) 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.
(20) 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.
(21) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on October 8, 2004.
(22) Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Commission on December 2, 2004.
(23) 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.
(24) 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.
(25) 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 17, 2006.
(26) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2006 filed with the Commission on April 14, 2006.
(27) 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.
(28) 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.
(29) 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.
(30) 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.
(31) 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.
(32) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2008 filed with the Commission on April 9, 2008.
(33) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2008 filed with the Commission on July 10, 2008.
(34) Incorporated by reference to the Company's Annual Report on Form 10-K/A amendment 2 for the year ended August 31, 2007 filed with the Commission on July 11, 2008.
(35) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2008 filed with the Commission on November 12, 2008.
(36) Incorporated by reference to the Company's Quarterly Report on Form 10-Q/A for the quarter ended November 30, 2008 filed with the Commission on January 14, 2009.
(37) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2009 filed with the Commission on April 9, 2009.
(38) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2009 filed with the Commission on July 10, 2009.
(39) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2009 filed with the Commission on November 9, 2009.
(40) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2009 filed with the Commission on January 8, 2010.
(41) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2010 filed with the Commission on April 9, 2010.
(42) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2010 filed with the Commission on July 9, 2010.
(43) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2010 filed with the Commission on November 9, 2010.
(44)

Incorporated by reference to the Company’s Quarterly report on Form 10-Q for the quarter ended November 30, 2010 filed with the Commission on January 7, 2011.

(45) Incorporated by reference to the Company’s Quarterly report on Form 10-Q for the quarter ended February 28, 2011 filed with the Commission on April 7, 2011.

(46) Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended May 31, 2011 filed with the Commission on July 8, 2011.

(47) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2011 filed with the Commission on January 9, 2012.

(48) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2012 filed with the Commission on July 9, 2012.

(49) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2012 filed with the Commission on January 9, 2013.
(50) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2013 filed with the Commission on April 9, 2013.
(51) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2013 filed with the Commission on July 10, 2013.
(52) Incorporated by reference to the Company's Registration Statement on Form S-8 filed April 4, 2013.
(53) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2013 filed with the Commission on October 30, 2013.
(54) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2013 filed with the Commission on January 9, 2014.
(55) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2014 filed with the Commission on April 9, 2014.
(56) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2014 filed with the Commission on July 10, 2014.

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.

(b) Financial Statement Schedules

1) Schedule II – Valuation and Qualifying Accounts for each of the three years in the period ended August 31, 2014.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited the consolidated financial statements of PriceSmart, Inc. as of August 31, 2014 and 2013, and for each of the three years in the period ended August 31, 2014, and have issued our report thereon dated October 30, 2014 (incorporated herein by reference). Our audits also included the financial statement schedule listed in Item 15(b)1. This schedule is the responsibility of the Company’s management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Diego, California
October 30, 2014

SCHEDULE II

PRICESMART, INC.

VALUATION AND QUALIFYING ACCOUNTS
(amounts in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year ended August 31, 2012	$5	$8	$(12)	$1
Year ended August 31, 2013	$1	$64	$(65)	$—
Year ended August 31, 2014	$—	$22	$(22)	$—

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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 to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: October 28, 2014

PRICESMART, INC.
By: /s/ JOSE LUIS LAPARTE
Jose Luis Laparte
Director, Chief Executive Officer and President
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K 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/ JOSE LUIS LAPARTE Jose Luis Laparte	Director, Chief Executive Officer and President (Principal Executive Officer)	October 28, 2014
/s/ JOHN M. HEFFNER John M. Heffner	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	October 28, 2014
/s/ ROBERT E. PRICE Robert E. Price	Chairman of the Board	October 28, 2014
/s/ SHERRY S. BAHRAMBEYGUI Sherry S. Bahrambeygui	Director	October 28, 2014
/s/ MITCHELL G. LYNN Mitchell G. Lynn	Director	October 28, 2014
/s/ GONZALO BARRUTIETA Gonzalo Barrutieta	Director	October 28, 2014
/s/ KATHERINE L. HENSLEY Katherine L. Hensley	Director	October 28, 2014
/s/ LEON C. JANKS Leon C. Janks	Director	October 28, 2014
/s/ EDGAR ZURCHER Edgar Zurcher	Director	October 28, 2014
/s/ GORDON H. HANSON Gordon H. Hanson	Director	October 28, 2014

Exhibit 13.1

PRICESMART, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
OTHER INFORMATION
August 31, 2014

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PRICESMART, INC.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements and accompanying notes. This selected financial data should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and accompanying notes thereto included elsewhere in this report.

	Years Ended August 31,				
	2014	2013	2012	2011	2010
	(in thousands, except income (loss) per common share)				
OPERATING RESULTS DATA:					
Net warehouse club sales [1]	$2,444,314	$2,239,266	$1,999,364	$1,674,788	$1,365,537
Export sales	31,279	23,059	15,320	8,831	4,139
Membership income	38,063	33,820	26,957	22,817	19,742
Other income [1]	3,911	3,667	3,522	3,585	3,290
Total revenues	2,517,567	2,299,812	2,045,163	1,710,021	1,392,708
Total cost of goods sold [1]	2,113,664	1,929,428	1,715,981	1,431,025	1,160,247
Total selling, general and administrative [1]	262,420	240,924	220,639	189,032	157,960
Preopening expenses	3,331	1,525	617	1,408	1,123
Asset impairment and closure costs (gains)	—	—	—	—	18
Loss/(gain) on disposal of assets[2]	1,445	889	312	(763)	509
Operating income	136,707	127,046	107,614	89,319	72,851
Total other income (expense)	(2,458)	(3,835)	(4,900)	37	(611)
Income from continuing operations before provision for income taxes, losses of unconsolidated affiliates and net income attributable to noncontrolling interests	134,249	123,211	102,714	89,356	72,240
Provision for income taxes	(41,372)	(38,942)	(35,053)	(27,468)	(22,787)
Income/(loss) of unconsolidated affiliates	9	(4)	(15)	(52)	(22)
Net income attributable to noncontrolling interests	—	—	—	—	(132)
Net income from continuing operations attributable to PriceSmart	92,886	84,265	67,646	61,836	49,299
Discontinued operations income (loss), net of tax	—	—	(25)	(86)	16
Net income attributable to PriceSmart	$92,886	$84,265	$67,621	$61,750	$49,315
INCOME PER COMMON SHARE -BASIC:					
Income from continuing operations attributable to PriceSmart	$3.07	$2.78	$2.24	$2.07	$1.66
Discontinued operations, net of tax	—	—	—	—	—
Basic net income per common share attributable to PriceSmart	$3.07	$2.78	$2.24	$2.07	$1.66
INCOME PER COMMON SHARE -DILUTED:					
Income from continuing operations attributable to PriceSmart	$3.07	$2.78	$2.24	$2.07	$1.65
Discontinued operations, net of tax	—	—	—	—	—
Diluted net income per common share attributable to PriceSmart	$3.07	$2.78	$2.24	$2.07	$1.65

Weighted average common shares - basic	29,747	29,647	29,554	29,441	29,254
Weighted average common shares - diluted	29,757	29,657	29,566	29,450	29,279

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(1) The Company receives cash consideration from its vendors for product demonstrations. Prior to fiscal year 2013, the Company recorded this consideration as Other income. However, cash or equity consideration received from a vendor is presumed to be a reduction of cost of sales when it is recognized in the income statement. Additionally, reimbursements of costs incurred by the customer to sell the vendor's products are treated as a reduction of the related cost when recognized in the income statement. Therefore, the Company has accordingly recorded such consideration as a reduction to cost of sales and a reduction to related costs incurred to sell the vendor's products starting in fiscal year 2013. The Company has made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013. These reclassifications did not impact consolidated operating income or net income.

The following table summarizes the impact of these reclassifications (in thousands):

	Years Ended August 31,		
	2012	2011	2010
Revenues:			
Net warehouse club sales-as previously reported	$ 2,000,046	$ 1,675,247	$ 1,365,801
Reclassifications	(682)	(459)	(264)
Net warehouse club sales-as currently reported	$ 1,999,364	$ 1,674,788	$ 1,365,537
Other income-as previously reported	8,422	7,352	6,209
Reclassifications	(4,900)	(3,767)	(2,919)
Other income-as currently reported	$ 3,522	$ 3,585	$ 3,290
Cost of goods sold:			
Total cost of goods sold-as previously reported	1,718,780	1,433,028	1,161,797
Reclassifications	(2,799)	(2,003)	(1,550)
Total cost of goods sold reported	$ 1,715,981	$ 1,431,025	$ 1,160,247
Selling, general and administrative:			
Total selling, general and administrative-as previously reported	223,422	191,255	159,593
Reclassifications	(2,783)	(2,223)	(1,633)
Total selling, general and administrative-as currently reported	$ 220,639	$ 189,032	$ 157,960
Net effect on operating income	$—	$—	$—

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(2) The Company recorded asset disposal activity prior to fiscal year 2014 under other income (expense), net. This activity consisted mainly of normally scheduled asset replacement and upgrades involved in operating activities. The Company has determined that these costs represent operating expenses. Therefore, the Company has accordingly recorded such asset disposal activity as operating expenses under loss/(gain) on disposal of assets starting in fiscal year 2014. The Company has made reclassifications to the consolidated statements of income for fiscal years prior to 2014 to conform to the presentation in fiscal year 2014. These reclassifications did not impact net income. The following tables summarize the impact of these reclassifications (in thousands):

	Years Ended August 31,			
	2013	2012	2011	2010
Other income (expense), net – as previously reported	$(1,843)	$(837)	$3,864	$1,050
Loss/(gain) on disposal of assets, other income (expense), net reclassified to Loss/(gain) on disposal of assets, total operating expenses	889	312	(763)	509
Other income (expense), net – as currently reported	$(954)	$(525)	$3,101	$1,559

	Years Ended August 31,			
	2013	2012	2011	2010
Composition of beginning balance other income (expense) – as previously reported:				
Gain/(loss) on sale	$(889)	$(312)	$763	$(509)
Currency gain/(loss)	(954)	(525)	3,101	1,559
Total	$(1,843)	$(837)	$3,864	$1,050
Composition of ending balance Other income (expense) – as currently reported:				
Gain/(loss) on sale	$—	$—	$—	$—
Currency gain/(loss)	(954)	(525)	3,101	1,559
Total	$(954)	$(525)	$3,101	$1,559

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PRICESMART, INC.

SELECTED FINANCIAL DATA- (Continued)

	As of August 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$137,098	$121,874	$91,248	$76,817	$73,346
Restricted cash	$29,366	$40,759	$37,746	$23,866	$6,880
Total assets	$940,218	$826,039	$735,712	$664,328	$572,565
Long-term debt	$91,439	$73,020	$78,659	$68,222	$60,720
Total PriceSmart stockholders’ equity	$548,265	$481,049	$418,914	$375,838	$336,043
Dividends paid on common stock[3]	$21,144	$18,133	$18,120	$17,934	$14,895

(3) On January 23, 2014, November 27, 2012, January 25, 2012, January 19, 2011, and January 27, 2010, the Company declared cash dividends on its common stock.

PRICESMART, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This annual report on Form 10-K contains forward-looking statements concerning PriceSmart Inc.'s ("PriceSmart", the "Company" or "we") anticipated future revenues and earnings, adequacy of future cash flow, proposed warehouse club openings, the Company's performance relative to competitors and related matters. These forward-looking statements include, but are not limited to, statements containing the words “expect,” “believe,” “will,” “may,” “should,” “project,” “estima “anticipated,” “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: our financial performance is dependent on international operations, which exposes us to various risks; any failure by us to manage our widely dispersed operations could adversely affect our business; we face significant competition; future sales growth depends, in part, on our ability to successfully open new warehouse clubs; we might not identify in a timely manner or effectively respond to changes in consumer preferences for merchandise, which could adversely affect our relationship with members, demand for our products and market share; although we have begun to offer limited online shopping to our members, our sales could be adversely affected if one or more major international online retailers were to enter our markets or if other competitors were to offer a superior online expericence; we face difficulties in the shipment of and inherent risks in the importation of, merchandise to our warehouse clubs; we are exposed to weather and other natural disaster risks; general economic conditions could adversely impact our business in various respects; we are subject to risks associated with possible changes in our relationships with third parties with which we do business, as well as the performance of such third parties; we rely extensively on computer systems to process transactions, summarize results and manage our business. Failure to adequately maintain our systems and disruptions in our systems could harm our business and adversely affect our results of operations; we could be subject to additional tax liabilities; a few of our stockholders own approximately 28.1% of our voting stock as of August 31, 2014, which may make it difficult to complete some corporate transactions without their support and may impede a change in control; our inability to develop and retain existing key personnel or to attract highly qualified employees could adversely impact our business, financial condition and results of operations; we are subject to volatility in foreign currency exchange rates; we face the risk of exposure to product liability claims, a product recall and adverse publicity; if we do not maintain the privacy and security of confidential information, we could damage our reputation, incur substantial additional costs and become subject to litigation; we are subject to payment related risks; changes in accounting standards and assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations; we face increased public company compliance risks and compliance risks related to our international operations; we face increased compliance risks associated with compliance with Section 404 of the Sarbanes-Oxley Act of 2002; if remediation costs or hazardous substance contamination levels at certain properties for which we maintain financial responsibility exceed management's current expectations, our financial condition and results of operations could be adversely impacted. The risks described above as well as the other risks detailed in the Company's U.S. Securities and Exchange Commission (“SEC”) reports, including the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 2014 filed on October 30, 2014 pursuant to the Securities Exchange Act of 1934, see “Part II - Item 1A - Risk Factors,” could materially and adversely affect our business, financial condition and results of operations. These risks are not the only risks that the Company faces. The Company could also be affected by additional factors that apply to all companies operating globally and in the U.S., as well as other risks that are not presently known to the Company or that the Company currently considers to be immaterial.

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Our business consists primarily of operating international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. Our ownership in all operating subsidiaries as of August 31, 2014 is 100%, and they are presented on a consolidated basis. The number of warehouse clubs in operation as of August 31, 2014 for each country or territory are as follows:

Country/Territory	Number of Warehouse Clubs in Operation as of August 31, 2014	Number of Warehouse Clubs in Operation as of August 31, 2013	Anticipated warehouse club openings in fiscal year 2015
Colombia	3	3	3
Panama	4	4	1
Costa Rica	6	5	—
Dominican Republic	3	3	—
Guatemala	3	3	—
El Salvador	2	2	—
Honduras	3	2	—
Trinidad	4	4	—
Aruba	1	1	—
Barbados	1	1	—
U.S. Virgin Islands	1	1	—
Jamaica	1	1	—
Nicaragua	1	1	—
Totals	33	31	4

During October of fiscal year 2014, we opened our sixth membership warehouse club in Costa Rica in La Union, Cartago, and in May of fiscal year 2014, we opened our third warehouse club in Honduras in Tegucigalpa, our second in the capital city of Tegucigalpa. In January of fiscal year 2014, we acquired land in the southern area of Pereira, Colombia and in the city of Medellin, Colombia and leased land in the city of Bogota, Colombia. We are building new warehouse clubs at these three sites, and opened the Bogota location on October 29, 2014 and plan to open the other two sites in November 2014. Together with the three warehouse clubs currently operating in Colombia (one in Barranquilla and two in Cali), these three new clubs will bring the number of PriceSmart warehouse clubs operating in Colombia to six. In September 2014, we acquired land in La Chorrera ("Costa Verde"), west of Panama City, Panama, on which our fifth Panama PriceSmart warehouse club is scheduled to open in the summer of 2015. This will bring the number of PriceSmart warehouse clubs operating in Panama to five.

Our warehouse clubs and local distribution centers are located in Latin America and the Caribbean, and our corporate headquarters, U.S. buying operations and regional distribution centers are located primarily in the United States. Our reportable segments are based on management's organization of these locations into operating segments by general geographic location. Our operating segments are the United States, Latin America and the Caribbean.

General Economic Factors

Economic conditions in our markets are not homogeneous. Where economic conditions are stable or favorable, such as Panama, Trinidad, Guatemala, the Dominican Republic, and Aruba, we are experiencing generally positive retail strength and growing sales. On the other hand, in countries like Costa Rica, Jamaica, Honduras, and El Salvador, we are experiencing slower economic and retail activity and therefore slower sales growth. Costa Rica continues to be impacted by the approximate 10% devaluation of the Costa Rican colon which occurred in February, although the currency has now stabilized. A devaluation such as that impacts the purchasing power of consumers in that country. This devaluation negatively impacts warehouse sales and membership income when translated to and reported in U.S. dollars in the near term and requires us to increase the price of imported merchandise to maintain target margins which may negatively impact the demand for those items. Prices of locally sourced products are also increasing. In addition, there have been recent announcements of large employers planning to reduce their workforce in Costa Rica, which will likely act as a headwind to economic growth. Costa Rica is our largest market with six warehouse clubs and therefore can have a material impact on our financial performance.

We do not currently face direct competition from U.S. branded membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, home improvement centers, electronic retailers and specialty stores, including those within Central America that are owned and operated by a large U.S.-based retailer. We have competed effectively in these markets in the past and expect to continue to do so in the future due to the unique nature of the membership warehouse club format. However, new retail competitors may enter our markets (for example, Cost-U-Less, a cash and carry, low price operator with which we compete in St. Thomas, opened a location in Barbados in February 2013) and existing retailers may expand (for example, Wal-Mart recently announced that it intends to invest $1.1 billion in Mexico and Central America), which could adversely impact our ability to compete within these markets. Further, it is possible that U.S. warehouse club operators may decide to enter our markets and compete more directly with us in a similar warehouse club format, although we have no current indication that such an event is imminent.

Many of our markets are susceptible to foreign currency exchange rate volatility. Currency exchange rate changes either increase or decrease the cost to our subsidiaries of imported products purchased in U.S. dollars and priced in local currency. For the twelve months ended August 31, 2014, approximately 52% of our net warehouse sales were comprised of products purchased in U.S. dollars and which we imported into our markets, but approximately 79% of our net warehouse sales were in foreign currencies.

Currency exchange rate fluctuations affect our consolidated sales and membership income as local-currency-denominated sales are translated to U.S. dollars. Also, as a result of local currency fluctuations, we revalue all U.S. dollar-denominated monetary assets and liabilities within our markets that do not use the U.S. dollar as their functional currency. These monetary assets and liabilities include, but are not limited to, excess cash permanently reinvested offshore, U.S. dollar-denominated long-term debt used to finance land acquisitions and the construction of warehouse clubs, and U.S. dollar-denominated accounts payable related to the purchase of merchandise.

We seek to manage foreign exchange risk by (1) adjusting prices on goods acquired in U.S. dollars on a periodic basis to maintain its target margins after taking into account changes in exchange rates; (2) obtaining local currency loans from banks within certain markets where it is economical to do so and where management believes the risk of devaluation and the level of U.S. dollar denominated liabilities warrants this action; (3) reducing the time between the acquisition of product in U.S. dollars and the settlement of that purchase in local currency; (4) maintaining a balance between assets held in local currency and in U.S. dollars; and (5) by entering into cross-currency interest rate swaps and forward currency derivatives. We have local-currency-denominated long-term loans in Honduras and Guatemala and have cross-currency interest rate swaps and forward currency derivatives in Colombia. Turbulence in the currency markets can have a significant impact on the value of the foreign currencies within the countries in which we operate. We report the gains or losses associated with the revaluation of these monetary assets and liabilities on our Consolidated Statements of Income under the heading “Other income (expense), net.” Future volatility and uncertainties regarding the currencies in our countries could have a material impact on our operations in future periods. However, there is no way to accurately forecast how currencies may trade in the future and, as a result, we cannot accurately project the impact of the change in rates on our future demand for imported products, reported sales, or financial results.

Business Strategy

Our business strategy is to offer for sale to businesses and families a limited number of stock keeping units (SKU's) covering a wide range of products at the lowest possible prices. We charge an annual membership fee to our customers. These fees combined with warehouse and distribution operating efficiencies and volume purchasing enable us to operate our business on lower merchandise margins than conventional retail stores. The combination of annual membership fees, operating efficiencies and low margins enable us to offer our members high quality merchandise at very competitive prices which, in turn, enhances the value of the PriceSmart membership.

Current and Future Management Actions

Generally, our operating efficiencies, earnings and cash flow from operations improve as sales increase. Higher sales provide greater purchasing power and often result in lower product prices from our suppliers. Further, increased sales permit us to leverage our selling, general and administrative expenses. Sales growth in our existing locations (comparable warehouse club sales) create the highest degree of expense leverage. Therefore, we prioritize initiatives that we expect will have the greatest impact on increasing sales, particularly within our existing locations. Looking forward to the next several quarters, the following actions are likely to have an impact on our business and the results of operations.

We seek to increase sales by growing sales with existing members in our warehouse clubs, by attracting new members to our clubs and by adding new warehouse clubs. Our continued focus on initiatives to increase comparable warehouse club sales within existing warehouse clubs locations resulted in a 4.8% increase in comparable warehouse club sales for the 52-week period ended August 31, 2014 compared to the same 52-week period the prior year. During the first quarter of fiscal 2014, we opened our sixth membership warehouse club in Costa Rica in La Union, Cartago, and in the third quarter opened our third warehouse club in Honduras. In both cases, these new clubs negatively impacted reported comparable warehouse club sales during the year as warehouse sales transferred to these new clubs from existing clubs. With the comparable warehouse club sales growth and the addition of these two new warehouse clubs, the Company grew warehouse sales by 9.2% for the year ended August 31, 2014 compared to a year ago. In addition, the Company increased the number of member accounts 7.9% over the prior year. We are currently constructing three new warehouse clubs in Colombia which are expected to have a positive impact on sales and membership in fiscal year 2015 as they are planned to open by the end of the fiscal first quarter. Unlike, the new warehouse clubs which opened in fiscal year 2014 (Costa Rica and Honduras), these new clubs are not expected to negatively impact comparable warehouse club sales.

Effective June 1, 2012, we raised the annual membership fee by approximately $5.00 in most markets. The annual fee for a Diamond membership in these markets is now approximately $35.00 (entitling members to two cards). A membership fee helps us offer high quality merchandise at low prices, providing value to our members. In October 2012, we launched the Platinum membership account in Costa Rica. Platinum members pay an annual membership fee of approximately $75.00 for a primary membership card for which they receive an annual 2% rebate of their purchases on most items, up to a maximum annual rebate of $500.00. Platinum members can apply this rebate to future purchases at the warehouse club at the end of the annual membership period. We continue to evaluate the Platinum membership program to determine if Platinum memberships should be offered in any of our other markets.

Logistics and distribution operations are an important part of what allows us to deliver high quality merchandise at low prices to our members. We continue to explore areas to improve efficiency, lower costs and ensure a good flow of merchandise to our warehouse clubs. We have added local and regional distribution centers in several of our markets to improve merchandise flow and in-stock conditions and reduce operating costs, the benefit of which can be passed on to our members in the form of lower merchandise prices, and we expect to add more in fiscal year 2015 as merchandise volumes increase.

We have begun to offer on-line shopping options to our members. Members have the ability to purchase merchandise that is not stocked in their local warehouse clubs through our e-commerce website. These purchases are shipped from the U.S. distribution warehouse for pick-up at the member's local warehouse club location. In Colombia, members in certain markets who do not reside in a city where one of our warehouse clubs is located, can purchase in-club merchandise on-line from warehouse clubs located within Colombia and have it delivered to their home or office via a third party delivery service. We have been expanding our offerings in these alternative shopping methods, and while the percentage of sales through these channels relative to our overall sales is small, we believe it is an important and growing way to serve our current members and attract new members.

Purchasing land and constructing warehouse clubs is our single largest capital investment. Securing land for warehouse club locations is challenging within our markets, especially in Colombia, because suitable sites at economically feasible prices are difficult to find. In January of fiscal year 2014, we acquired land in the southern area of Pereira, Colombia and in the city of

Medellin, Colombia and leased land in the city of Bogota, Colombia. We are building new warehouse clubs at these three sites, and opened the Bogota location on October 29, 2014 and plan to open the other two sites in November 2014. In September 2014, we acquired land in Costa Verde, west of Panama City, Panama. We plan to construct a warehouse club on this site, which we expect to open in the summer of 2015. This will bring the number of our warehouse clubs operating in Panama to five. The Colombia and Panama land acquisitions and the Colombia lease are in keeping with our real estate philosophy. We have entered into real estate leases in the past and will likely do so in the future, but our preference is to own rather than lease real estate. Real estate ownership provides a number of advantages as compared to leasing, including lower operating expenses, flexibility to expand or otherwise enhance our buildings, long-term control over the use of the property and the residual value that the real estate may have in future years. In order to secure warehouse club locations, we occasionally have purchased more land than is actually needed for the warehouse club facility. To the extent that we acquire property in excess of what is needed for a particular warehouse club, we generally have looked to either sell or develop the excess property. Excess land at Alajuela and Brisas is being developed by joint ventures formed by us and the sellers of the property, which commenced in fiscal year 2011. We are employing a similar development strategy for the excess land at the San Fernando, Trinidad and Arroyo Hondo, Dominican Republic locations where the properties are fully owned by us. The recent land purchases in Colombia do not contain excess property beyond that which will be needed for warehouse clubs. The profitable sale or development of real estate is highly dependent on real estate market conditions.

Financial highlights for the fourth quarter of fiscal year 2014 included:

- Net warehouse club sales increased 5.6% over the comparable prior year period. We ended the quarter with 33 warehouse clubs compared to 31 warehouse clubs at the end of the fourth quarter of fiscal year 2013. Comparable warehouse club sales (that is, sales in the warehouse clubs that have been open for greater than 13 1/2 calendar months) for the 13 weeks ended August 31, 2014 grew 1.8%.
- Membership income for the fourth quarter of fiscal year 2014 increased 7.9% to $9.8 million.
- Warehouse gross profits (net warehouse club sales less associated cost of goods sold) in the quarter increased 6.4% over the prior year period and warehouse gross profits as a percent of net warehouse club sales were 15.2%, an increase of 12 basis points from the same period last year.
- Selling, general and administrative expenses (not including pre-opening expenses and loss on the disposal of assets) increased 4 basis points as a percentage of sales compared to the fourth quarter of last year.
- Operating income for the fourth quarter of fiscal year 2014 was $33.8 million, an increase of $1.3 million over the fourth quarter of fiscal year 2013.
- We had a $(528,000) net loss from currency exchange transactions in the current quarter compared to a $97,000 net gain from currency exchange transactions in the same period last year.
- Net income for the fourth quarter of fiscal year 2014 was $21.9 million or $0.73 per diluted share, compared to $20.8 million, or $0.69 per diluted share, in the comparable prior year period.

Financial highlights for fiscal year 2014 included:

- Net warehouse club sales increased 9.2% to $2.4 billion for fiscal year 2014 compared to fiscal year 2013.
- Membership income for fiscal year 2014 was $38.1 million, an increase of 12.5% compared to fiscal year 2013. The number of membership accounts at year end was 1,182,355.
- Gross profits (net warehouse sales less associated cost of goods sold) increased 8.7%. Gross profits as a percent of net warehouse sales were 14.7% for the full year, a decrease of 7 basis points (0.07%) from fiscal year 2013.
- Selling, general and administrative expenses (not including pre-opening expenses and loss on the disposal of assets) as a percentage of net warehouse club sales remained essentially flat with fiscal year 2013 at 10.7%.
- Operating income for fiscal year 2014 was $136.7 million, an increase of 7.6% from the prior year.
-

Foreign exchange transactions resulted in a net gain of $984,000 for the fiscal year 2014 compared to a net loss in fiscal year 2013 of $(954,000).

- Net income for fiscal year 2014 was $92.9 million, or $3.07 per diluted share, compared to $84.3 million, or $2.78 per diluted share, in the prior year.

Comparison of Fiscal Year 2014 to 2013 and Fiscal Year 2013 to 2012

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 2014, 2013 and 2012 and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report.

Certain percentages presented are calculated using actual results prior to rounding. Our fiscal year ends on August 31. Unless otherwise noted, all tables present dollar amounts in thousands.

Net Warehouse Club Sales

	Fiscal Years Ended August 31,				
	2014		2013		2012[1]
	Amount	% Change	Amount	% Change	Amount
Net Warehouse Club Sales	$2,444,314	9.2 %	$2,239,266	12.0 %	$1,999,364

(1) We have made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see "Selected Financial Data" for further detail.

Comparison of 2014 to 2013

Net warehouse club sales grew in all countries in the fiscal year 2014 compared to fiscal year 2013, with the exception of Jamaica, which has experienced a significant devaluation of its currency over the past year and challenges generally in its economy. The countries with the highest sales growth (recording double digit growth) were Colombia, Panama, Trinidad and Aruba. Costa Rica recorded high single digit sales growth despite the currency devaluation in the second half of the year, primarily as a result of opening of the additional warehouse club in October 2013. Sales growth in Colombia was positively impacted by the full annual effect in the current fiscal year of the third warehouse club which opened in May 2013. Total net warehouse club sales growth of 9.2% during fiscal year 2014 resulted from a 8.1% growth in transactions and a 1.0% growth in average ticket.

Comparison of 2013 to 2012

Net warehouse club sales grew 12.0% in fiscal year 2013 compared to fiscal year 2012 with the Company recording positive sales growth in all countries. Colombia, in particular, experienced strong sales growth with the addition of two warehouse clubs in fiscal year 2013 (North and South Cali, Colombia). Overall sales growth was predominantly driven by transaction growth of 8.8%. The average value of each transaction grew 2.9%.

Comparable Sales

We report comparable warehouse club 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 and quarter that is used for financial reporting purposes. This approach equalizes the number of weekend days and weekdays in each period for improved sales comparison, as we experience 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 warehouse club opened in Cali, Colombia ("Canas Gordas") on October 19, 2012 were not used in the calculation of comparable warehouse club sales until January 2014. Sales related to the warehouse club opened in Cali, Colombia ("Menga") on May 3, 2013 were not used in the calculation of comparable warehouse club sales until July 2014. Sales related to the warehouse club opened in La Union, Cartago, Costa Rica

("Tres Rios") on October 18, 2013 will not be used in the calculation of comparable warehouse sales until January 2015. In addition, sales related to the warehouse club opened in Tegucigalpa, Honduras ("El Sauce") on May 1, 2014 will not be used in the calculation of comparable warehouse club sales until July 2015.

Comparison of 2014 to 2013

Comparable warehouse club sales increased 4.8% for the 52-week period ended August 31, 2014, compared to the same 52-week period last year. We opened two new warehouse clubs (one in La Cartago, Costa Rica in October and one in Tegucigalpa, Honduras in May). While these new warehouse clubs are attracting new members from areas of their respective cities who were not being served by us, it is also resulting in some existing members, particularly those that shopped at our Zapote warehouse club in Costa Rica and our first Tegucigalpa, Honduras warehouse club, choosing to shop at the new location. This transfer of sales from a warehouse club that is included in the calculation of comparable warehouse club sales to a warehouse club that is not included in the calculation had an adverse impact on comparable warehouse club sales. Similarly, although to a lesser extent, the opening of the Cali, Colombia ("Menga") club in May 2013 has resulted in some existing members of the first warehouse club that opened in Cali ("Canas Gordas") to shop now in Menga. We have not made a specific determination of what the comparable warehouse club sales would have been had we not opened those new warehouse clubs given various factors, such as whether previously existing members are now shopping more often given the greater convenience of these new clubs, which would make it difficult to provide an accurate assessment. However, if we exclude in their entirety the net warehouse sales of the two warehouse clubs most impacted (Zapote and Tegucigalpa) that are in the comparable warehouse club calculation but were negatively impacted by the openings of the new warehouse clubs, the remaining 29 warehouse clubs would have recorded comparable warehouse club growth of 6.8% for the 52 week period ending August 31, 2014.

Comparison of 2013 to 2012

Comparable warehouse club sales for the 52-week period ended September 1, 2013 increased 9.0% compared to the same 52-week period in the prior year.

Net Warehouse Club Sales by Segments

The following tables indicate the net warehouse club sales and the percentage growth in net warehouse club sales during fiscal years 2014, 2013 and 2012 in the segments in which we operate.

The first warehouse club in Colombia opened on August 19, 2011. During fiscal 2013, we opened our second and third clubs in Colombia. These clubs are in south and north Cali and opened in October 2012 and May 2013, respectively. During the first quarter of fiscal 2014, we opened our sixth membership warehouse club in Costa Rica in La Union, Cartago, and in the third quarter of fiscal year 2014, we opened our third warehouse club in Honduras.

	Fiscal Years Ended August 31,								
	2014			2013			2012[1]		
	Amount	% of net revenue		Amount	% of net revenue		Amount	% of net revenue	
Latin America	$1,670,329	68.3	%	$1,515,211	67.7	%	$1,315,917	65.8	%
Caribbean	773,985	31.7	%	724,055	32.3	%	683,447	34.2	%
Net Warehouse Club Sales	$2,444,314	100.0	%	$2,239,266	100.0	%	$1,999,364	100.0	%

(1) We have made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see "Selected Financial Data" for further detail.

Fiscal Years Ended August 31,

	2014 Year-over-year increase	% change		2013 Year-over-year increase	% change	
Latin America	$155,118	10.2	%	$199,294	15.1	%
Caribbean	49,930	6.9	%	40,608	5.9	%
Net Warehouse Club Sales	$205,048	9.2	%	$239,902	12.0	%

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Comparison of 2014 to 2013

For the twelve months ended August 31, 2014 and 2013, the higher net warehouse club sales growth in Latin America compared to the Caribbean primarily reflects the sales associated with the additional warehouse club sales in Cali, Colombia, La Union, Costa Rica and Tegucigalpa, Honduras in the current periods compared to the prior period. We expect Latin America sales growth to continue to outpace Caribbean sales growth as the next warehouse clubs we expect to open are in Colombia and Panama.

Comparison of 2013 to 2012

The higher net warehouse club sales growth in Latin America compared to the Caribbean reflects the sales associated with two additional warehouse clubs in this segment in fiscal year 2013 compared to fiscal year 2012 (North and South Cali, Colombia) and improved economic conditions in those larger and more diversified markets, particularly Panama and Costa Rica. Within the Caribbean segment, we saw small positive growth in the single club island markets, with stronger growth in Trinidad. There was no change in the number of warehouse clubs in the Caribbean segment between fiscal year 2012 and fiscal year 2013.

Net Warehouse Club Sales by Category

The following table indicates the approximate percentage of net sales accounted for by each major category of items sold us during the fiscal years ended August 31, 2014, 2013 and 2012.

	Fiscal Years Ended August 31,					
	2014		2013		2012	
Sundries (including health and beauty aids, tobacco, alcoholic beverages, soft drinks, cleaning and paper products and pet supplies)	26	%	26	%	26	%
Food (including candy, snack foods, dry and fresh foods)	53	%	53	%	53	%
Hardlines (including major appliances, small appliances, electronics, hardware, office supplies, garden and patio, sporting goods, business machines and automotive supplies)	12	%	13	%	13	%
Softlines (including apparel, domestics, cameras, jewelry, housewares, media, toys and home furnishings)	7	%	6	%	6	%
Other (including one-hour photo and food court)	2	%	2	%	2	%
	100	%	100	%	100	%

Comparison of 2014 to 2013

There was a slight shift in the mix of major category sales between fiscal year 2014 and 2013, with lower sales growth in hardlines compared to the other categories, resulting in a 49 basis point reduction in percentage of net sales accounted for by that category, largely from slower sales in computers and small and major appliances.

Comparison of 2013 to 2012

There was no change in the mix of major category sales between fiscal year 2013 and 2012.

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Export Sales

	Fiscal Years Ended August 31, 2014			2013			2012
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Export sales	$31,279	$8,220	35.6 %	$23,059	$7,739	50.5 %	$15,320

The increases in export sales in both years were due to increased direct sales to a single institutional customer (retailer) in the Philippines consistent with each of the past two fiscal years for which PriceSmart earns an approximately 5% margin.

Membership Income

	Fiscal Years Ended August 31, 2014			2013			2012
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Membership Income	$38,063	$4,243	12.5 %	$33,820	$6,863	25.5 %	$26,957
Membership income % to net warehouse club sales	1.6 %			1.5 %			1.3 %
Number of total accounts	1,182,355	86,842	7.9 %	1,095,513	129,912	13.5 %	965,601

Comparison of 2014 to 2013

Membership income, which is recognized ratably over the one-year life of the membership, grew 12.5% for the twelve months ended August 31, 2014 compared to same period in the prior year. The increase in membership income primarily reflects a growth in membership accounts during the year. The average number of member accounts during the year increased 10.8% compared to the average number of membership accounts in fiscal year 2013. The income recognized per member account increased 1.6% which reflects the effect of the higher annual fee that went into effect in June 2012, offset by the impact of devaluation in Costa Rica and Colombia on the translation of membership fees in local currency to U.S. dollars. We ended the fiscal year with 1,182,355 membership accounts and a renewal rate of 84% for the 12-month period ended August 31, 2014.

Comparison of 2013 to 2012

We ended the fiscal year 2013 with 1,095,513 membership accounts. Membership income grew 25.5% for the twelve months ended August 31, 2013 compared to same period in the prior year. The increase in the annual fee in most markets which took effect in June 2012 and the Platinum membership introduced in Costa Rica in November 2012 contributed 10.1% to the increased membership income recognized in the quarter compared to the same period a year ago. The membership renewal rate for the 12-month period ended August 31, 2013 was 85%.

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Other Income

Other income consists of rental income, advertising revenue, and other miscellaneous revenue.

	Fiscal Years Ended August 31,						
	2014			2013			2012[1]
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Other income	$3,911	$244	6.7 %	$3,667	$145	4.1 %	$3,522

(1) We have made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see "Selected Financial Data" for further detail.

Comparison of 2014 to 2013

The increase in Other income for fiscal year 2014 compared to fiscal year 2013 resulted primarily from growth in rental income.

Comparison of 2013 to 2012

The increase in Other income for fiscal year 2013 compared to fiscal year 2012 resulted primarily from growth in rental income.

Gross Margin

Warehouse Sales Gross Profit and Gross Margin

	Fiscal Years Ended August 31,							
	2014			2013			2012[1]	
	Amount	Increase from prior year	% to sales	Amount	Increase from prior year	% to sales	Amount	% to sales
Warehouse club sales	$2,444,314	$205,048	100.0 %	$2,239,266	$239,902	100.0 %	$1,999,364	100.0 %
Less associated cost of goods	2,083,933	176,301	85.3 %	1,907,632	206,300	85.2 %	1,701,332	85.1 %
Warehouse gross profit	$360,381	$28,747	14.7 %	$331,634	$33,602	14.8 %	$298,032	14.9 %

(1) We have made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see "Selected Financial Data" for further detail.

Comparison of 2014 to 2013

For the twelve months ended August 31, 2014, warehouse gross profit margin as a percent of sales was 7 basis points lower than the twelve months ended August 31, 2013, with the higher margin percentage recorded in the third and fourth quarters of the current year offset by lower margin percentages in the first two quarters of the fiscal year compared to the same periods a year ago. In the fourth fiscal quarter, warehouse gross profit margins were 15.2% on net warehouse sales, an increase of 12 basis points from the year earlier quarter primarily reflecting low shrink and markdown activity and supplier rebates (largely volume related) that results in reduced cost of goods sold. We expect to take advantage of these rebates in the future by passing them through to reduce prices to our members resulting in lower gross profit margins.

Comparison of 2013 to 2012

For fiscal year 2013, warehouse gross profit increased due to higher sales, but gross margins as a percent of warehouse club sales were lower than fiscal year 2012 by 10 basis points. This margin reduction resulted from price reductions across nearly all merchandise categories and countries implemented throughout the year, reflecting our efforts to provide value to our members through on-going price reductions. The decrease in overall warehouse gross profit margins due to price reductions was partially offset by changes in merchandise mix within the major categories that had a small positive increase on warehouse gross profit margins as a percent of sales.

Export Sales Gross Profit Margin

	Fiscal Years Ended August 31, 2014				2013				2012		
	Amount	Increase from prior year	% to sales		Amount	Increase from prior year	% to sales		Amount	% to sales	
Export sales	$31,279	$8,220	100.0	%	$23,059	$7,739	100.0	%	$15,320	100.0	%
Less associated cost of goods sold	29,731	7,935	95.1	%	21,796	7,147	94.5	%	14,649	95.6	%
Export sales gross profit margin	$1,548	$285	4.9	%	$1,263	$592	5.5	%	$671	4.4	%

The increase in export sales gross margin dollars in each fiscal year was due to increased direct sales to an institutional customer (retailer) in the Philippines for which we generally earn lower margins than those obtained through our warehouse club sales.

Selling, General and Administrative Expenses

Warehouse Club Operations

	Fiscal Years Ended August 31, 2014						2013						2012[1]		
	Amount	% to warehouse club sales		Increase from prior year	% Change		Amount	% to warehouse club sales		Increase from prior year	% Change		Amount	% to warehouse club sales	
Warehouse club operations expense	$212,476	8.7	%	$18,336	9.4	%	$194,140	8.7	%	$14,522	8.1	%	$179,618	9.0	%

(1) We have made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see selected financial data for further detail.

Comparison of 2014 to 2013

Warehouse club operations expense as a percent of net warehouse sales in fiscal year 2014 was essentially flat with fiscal year 2013 at 8.7%. The additional costs associated with the new warehouse clubs in Costa Rica (Tres Rios) and

Honduras (El Sauce), which were not included in fiscal year 2013, contributed a higher level of operating expense compared to the incremental sales generated by these new warehouse clubs, outweighing the positive operating expense leverage recorded across the rest of our company.

Comparison of 2013 to 2012

Warehouse club operations expense decreased 31 basis points (0.31%) as a percent of net warehouse sales in fiscal year 2013 compared to fiscal year 2012, despite the additional expenses associated with the Canas Gordas (Cali South) Colombia warehouse club and the Menga (Cali North) Colombia for portions of the year. We experienced positive expense leverage in nearly all of our major operating cost categories. In addition, the year-over-year comparison benefited from a $777,000 charge taken last year associated with past debit card fees.

General and Administrative Expenses

	Fiscal Years Ended August 31, 2014				2013				2012	
	Amount	% to warehouse club sales	Increase from prior year	% Change	Amount	% to warehouse club sales	Increase from prior year	% Change	Amount	% to warehouse club sales
General and Administrative Expenses	$49,944	2.0 %	$3,160	6.8 %	$46,784	2.1 %	$5,763	14.0 %	$41,021	2.1 %

Comparison of 2014 to 2013

The expenses associated with our corporate and U.S. buying operations grew 6.8% in fiscal year 2014, primarily resulting from increased headcount within our IT and U.S. buying departments required to support the growth of our company. General and administrative expenses as a percentage of warehouse club sales decreased 5 basis points to 2.0% of sales.

Comparison of 2013 to 2012

The expenses associated with our corporate and U.S. buying operations grew 14.0% in fiscal year 2013 compared to the year earlier period, largely driven by increased salaries and benefits including stock compensation expense. However, as a percentage of sales, general and administrative expenses were basically flat.

Pre-Opening Expenses

Expenses incurred before a warehouse club is in operation are captured in pre-opening expenses.

	Fiscal Years Ended August 31, 2014			2013			2012
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Pre-opening expenses	$3,331	$1,806	118.4 %	$1,525	$908	147.2 %	$617

Comparison of 2014 to 2013

For fiscal year 2014, we recorded pre-opening expenses related to the La Union, Cartago, Costa Rica ("Tres Rios") warehouse club which opened in October 2013, the Tegucigalpa, Honduras ("El Sauce") warehouse club which opened in May 2014 and expenses (primarily related to the property lease) associated with the Bogota, Colombia warehouse club, which opened on October 29, 2014. Furthermore, pre-opening expenses were recorded for the Pereira and Medellin, Colombia warehouse clubs which we expect to open in November 2014. There will be additional pre-opening expenses in the first quarter of fiscal year 2015 related to these three new warehouse clubs in Colombia. For the same period in the prior year, we recorded pre-opening expenses related to the opening of the south Cali, Colombia ("Canas Gordas") warehouse club which opened in October 2012 and the north Cali, Colombia ("Menga") warehouse club which opened in May 2013.

Comparison of 2013 to 2012

The majority of pre-opening expenses incurred in fiscal year 2013 were related to the activities of the Canas Gordas and Menga, Colombia warehouse clubs which opened during the year. In addition, we incurred a small amount of pre-opening expenses in conjunction with the warehouse clubs planned to be opened in fiscal year 2014 in Cartago, Costa Rica and Tegucigalpa, Honduras.

Loss/(Gain) on Disposal of Assets

Asset disposal activity consisted mainly of normally scheduled asset replacement and upgrades.

	Fiscal Years Ended August 31, 2014			2013[1]			2012[1]
	Amount	Increase/ (decrease) from prior year	% Change	Amount	Increase/ (decrease) from prior year	% Change	Amount
Loss/(gain) on disposal of assets	$ 1,445	556	62.5 %	$ 889	577	184.9 %	$ 312

[1] We have made reclassifications to the consolidated statement of income for fiscal years reported prior to 2014 to conform to the presentation in fiscal year 2014; see selected financial data for further detail.

Operating Income

Fiscal Years Ended August 31,
2014