PRICESMART INC
Form DEF 14A
December 06, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule 14a-12

PriceSmart, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

PRICESMART, INC.

NOTICE OF ANNUAL MEETING OF

STOCKHOLDERS AND PROXY STATEMENT

TO THE STOCKHOLDERS OF PRICESMART, INC.:

Notice is hereby given that the Annual Meeting of the Stockholders of PriceSmart, Inc. (the Company), will be held at 10:00 a.m. on Wednesday, January 25, 2012 at the Company s corporate headquarters, 9740 Scranton Road, San Diego, California, 92121 for the following purposes:

1. To elect directors for the ensuing year, to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. The Board of Directors of the Company has nominated and recommends for election as directors the following nine persons:

Sherry S. Bahrambeygui	Leon C. Janks	Mitchell G. Lynn
Gonzalo Barrutieta	Lawrence B. Krause	Robert E. Price
Katherine L. Hensley	Jose Luis Laparte	Edgar Zurcher

2. To hold an advisory vote on executive compensation as disclosed in these materials;

3. To hold an advisory vote on whether an advisory vote on executive compensation should be held every one, two or three years; and

4. To transact such other business as may be properly brought before the Annual Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. The Board of Directors has fixed the close of business on November 28, 2011 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. A list of such stockholders shall be open to the examination of any stockholder at the Annual Meeting and for a period of ten days prior to the date of the Annual Meeting at the Company s corporate headquarters, 9740 Scranton Road, San Diego, California 92121.

Accompanying this Notice is a Proxy. WHETHER OR NOT YOU EXPECT TO BE AT THE ANNUAL MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY, OR YOU MAY VOTE YOUR SHARES BY TELEPHONE OR OVER THE INTERNET, AS DESCRIBED IN THE ENCLOSED PROXY. If you plan to attend the Annual Meeting and wish to vote your shares personally, you may do so at any time before the Proxy is voted.

All stockholders are cordially invited to attend the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Gans

Secretary

San Diego, California

December 6, 2011

PRICESMART, INC.

9740 Scranton Road

San Diego, California 92121

PROXY STATEMENT

for

ANNUAL MEETING OF STOCKHOLDERS

January 25, 2012

The Board of Directors of PriceSmart, Inc., a Delaware corporation (the Company), is soliciting the enclosed Proxy for use at the Annual Meeting of Stockholders of the Company to be held on January 25, 2012 (the Annual Meeting), and at any adjournments thereof. This Proxy Statement will be first sent to stockholders on or about December 6, 2011. You can submit your Proxy by mail or you may provide voting instructions for your shares by telephone or via the Internet. Instructions for voting by telephone, by using the Internet or by mail are described on the enclosed Proxy. If you plan to attend the Annual Meeting and wish to vote your shares personally, you may do so. Unless contrary instructions are indicated on the Proxy, all shares represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted for the election of the Board of Directors nominees for directors, or for a substitute or substitutes selected by the Board in the event a nominee or nominees are unable to serve or decline to do so, for approval of the compensation of the named executive officers as disclosed in this Proxy Statement, and for three years as the frequency of votes regarding executive compensation. As to any other business which may properly come before the Annual Meeting and be submitted to a vote of the stockholders, Proxies received by the Board of Directors will be voted in accordance with the best judgment of the holders thereof.

A Proxy may be revoked by written notice to the Secretary of the Company at any time prior to the Annual Meeting, by executing a later Proxy or by attending the Annual Meeting and voting in person.

The Company will bear the cost of solicitation of Proxies. In addition to the use of mails, Proxies may be solicited by personal interview, telephone, facsimile or e-mail, by officers, directors and other employees of the Company. The Company also will request persons, firms and corporations holding shares in their names, or in the names of their nominees, which are beneficially owned by others, to send, or cause to be sent, Proxy material to, and obtain Proxies from, such beneficial owners and will reimburse such holders for their reasonable expenses in so doing.

The Company s mailing address is 9740 Scranton Road, San Diego, California 92121.

Voting

Stockholders of record at the close of business on November 28, 2011 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof.

As of November 28, 2011, 29,900,030 shares of the Company s common stock, $.0001 par value per share (Common Stock), were outstanding, representing the only voting securities of the Company. Each share of Common Stock is entitled to one vote.

Votes cast by Proxy or in person at the Annual Meeting will be counted by the person appointed by the Company to act as Inspector of Election for the Annual Meeting. The Inspector of Election will treat shares represented by Proxies that reflect abstentions or include broker non-votes as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

Because directors are elected by a plurality of the votes of the shares present in person or represented by Proxy at the Annual Meeting and entitled to vote on the election of directors, abstentions and broker non-votes do not constitute a vote for or against any nominee for the Board of Directors and thus will be disregarded in the calculation of votes cast for purposes of electing nominees to the Board of Directors.

The non-binding advisory vote on executive compensation requires the affirmative vote of a majority of the aggregate votes present, in person or by proxy, and entitled to vote at the Annual Meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes will have no effect on the outcome.

With regard to the non-binding advisory vote on the frequency with which the compensation of our executive officers will be subject to an advisory stockholder vote, the frequency (every one, two or three years) receiving the largest number of votes, even if not a majority, will be considered the preference of our stockholders. However, because this vote is advisory and not binding on us in any way, we may decide that it is in our and our stockholders best interests to hold an advisory vote on executive compensation more or less frequently than the preference expressed by our stockholders. Abstentions and broker non-votes will have no effect on the outcome.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors of the Company has nominated and recommends for election as directors the nine persons named herein to serve until the next Annual Meeting of Stockholders and until their respective successors shall have been duly elected and qualified. All of the nominees are presently directors of the Company, and following the Annual Meeting there will be no vacancies on the Board. Directors are elected by a plurality of the votes of the shares present in person or represented by Proxy at the Annual Meeting and entitled to vote on the election of directors. The enclosed Proxy will be voted in favor of the persons nominated unless otherwise indicated. If any of the nominees should be unable to serve or should decline to do so, the discretionary authority provided in the Proxy will be exercised by the proxy holders to vote the shares represented by the Proxies for one or more substitute nominees selected by the present Board of Directors. The Board of Directors does not believe at this time that any substitute nominee or nominees will be required.

Nominations Process

The Board of Directors of the Company has adopted a resolution approving certain procedures comprising a Nominations Process. A copy of the Nominations Process is available on the Company s website at *www.pricesmart.com*. Among other things, the Nominations Process sets forth a procedure calling for director nominees to be recommended to the Board of Directors, for the Board s nomination, by a majority of the independent directors. Under the Company s Corporate Governance Guidelines, the independent directors, in recommending to the Board of Directors candidates for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, are required to take into account many factors, including a candidate s ability to make independent analytical inquiries, general understanding of marketing, finance and other elements relevant to the success of a publicly traded company in today s business environment, experience in the Company s industry and with relevant social policy concerns, understanding of the Company s business on a technical level, other board service and educational and professional background. Each nominee must also possess fundamental qualities of intelligence, honesty, good judgment, high ethics, and standards of integrity, fairness and responsibility. While the Company does not have a specific policy regarding Board diversity, it is one of a number of factors that the Board of Directors may take into account in identifying nominees. The independent directors and the Board of Directors are required to evaluate each individual in the context of the Board of Directors as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend to the Board a director for re-election, the independent directors also are required to consider the director s past attendance at meetings and participation in, and contributions to, the activities of the Board. Notwithstanding the foregoing, there are no specific, minimum qualifications that a nominee must meet. The independent directors of the Board unanimously recommended the director nominees who were subsequently nominated by the full Board.

Under the Company s Nominations Process, the independent directors are required to give consideration to candidates recommended by any stockholder of the Company who has held the Company s Common Stock for at least one year and who holds a minimum of 1% of the Company s outstanding shares of Common Stock. The recommending stockholder must submit the following:

- a detailed resume of the recommended candidate;
- an explanation of the reasons why the stockholder believes the recommended candidate is qualified for service on the Company s Board;
- such other information that would be required by the rules of the Securities and Exchange Commission, or the SEC, to be included in a proxy statement;

the written consent of the recommended candidate;

a description of any arrangements or undertakings between the stockholder and the recommended candidate regarding the nomination; and

proof of the recommending stockholder s stock holdings in the Company.

Recommendations from stockholders received after the deadline set forth in the Company s most recent proxy statement for a stockholder proposal to be considered for inclusion in the Corporation s proxy statement for the next annual meeting likely will not be considered timely for consideration for the following year s annual meeting. Recommendations received by the Company from stockholders will be evaluated pursuant to the same criteria as other candidates recommended to the Board.

Independent Directors

The Company s Board of Directors has determined that the following nominees for director are independent under the Nasdaq Stock Market listing standards applicable to the Company: Gonzalo Barrutieta, Katherine Hensley, Leon Janks, Lawrence Krause, Mitchell Lynn and Edgar Zurcher.

Information Regarding Nominees

The table below indicates the name, current position with the Company and age as of October 31, 2011 of each nominee for director.

Name	Position	Age
Robert E. Price	Chairman of the Board	69
Sherry S. Bahrambeygui.	Director	47
Gonzalo Barrutieta	Director	45
Katherine L. Hensley	Director	74
Leon C. Janks	Director	62
Lawrence B. Krause	Director	81
Jose Luis Laparte	Director; Chief Executive Officer and President	45
Mitchell G. Lynn	Director	62
Edgar Zurcher	Director	60

Robert E. Price has been Chairman of the Board of the Company since July 1994 and served as Chief Executive Officer of the Company from April 2006 until July 2010. Mr. Price served as Interim Chief Executive Officer of the Company from April 2003 until April 2006 and also served as Interim President of the Company from April 2003 until October 2004. Mr. Price also served as President and Chief Executive Officer of the Company from July 1994 until January 1998. Additionally, Mr. Price served as Chairman of the Board of Price Enterprises, Inc. (PEI) from July 1994 until November 1999 and was President and Chief Executive Officer of PEI from July 1994 until September 1997. Mr. Price was Chairman of the Board of Price/Costco, Inc. (Price/Costco) from October 1993 to December 1994. From 1976 to October 1993, he was Chief Executive Officer and a director of The Price Company (TPC). Mr. Price served as Chairman of the Board of TPC from January 1989 to October 1993, and as its President from 1976 until December 1990. Mr. Price has been a Manager of The Price Group, LLC since August 2000. Mr. Price s significant experience as an executive and director of warehouse club merchandising businesses, as well as his extensive knowledge of the Company s business, history and culture, contribute to the Board s conclusion that he should serve as a director of the Company.

Sherry S. Bahrambeygui joined The Price Group, LLC in September 2006 and has served as a Managing Member of The Price Group, LLC since January 2007. Additionally, Ms. Bahrambeygui serves as Executive Vice President, Secretary and Vice Chairman of the Boards of Price Charities, fka San Diego Revitalization Corp., and Price Family Charitable Fund and she is also the Chief Executive Officer of PS Ivanhoe, LLC, a commercial real estate company. Ms. Bahrambeygui was a licensed stockbroker and is a founding partner of the law firm of Hosey & Bahrambeygui, LLP. She has been practicing law with an emphasis in employment and business litigation since 1993 and provided consultation and legal representation to the Company from time-to-time between 2001 and 2008. Ms. Bahrambeygui s thorough understanding of the business and operations of the Company, as well as having effectively assisted the Company on certain legal and business matters, contribute to the Board s conclusion that she should serve as a director of the Company.

Gonzalo Barrutieta has been a director of the Company since February 2008. Mr. Barrutieta was employed in several capacities with Grupo Gigante, S.A. de C. V. from 1994 to 2006, including as Director of Real Estate and New Business Development. Since 1994, he has served as a member of the board of directors of Grupo Gigante. From 2002 through 2005, Mr. Barrutieta was a director of PriceSmart Mexico (formerly a joint venture between the Company and Grupo Gigante) and served as Chief Executive Officer of PriceSmart Mexico from 2003 to 2005. Mr. Barrutieta has also been a director of Hoteles Presidente since 2004, and Office Depot Mexico and Radio Shack Mexico since 2005, and has served as President and director of Operadora IPC de Mexico since 2007. Mr. Barrutieta s experience as an executive and director of international merchandising businesses, as well as his general knowledge and understanding of the markets in Central America, contribute to the Board s conclusion that he should serve as a director of the Company.

Katherine L. Hensley has been a director of the Company since July 1997 and served as a director of PEI from December 1994 until July 1997. She is a retired partner of the law firm of O Melveny & Myers in Los Angeles, California. Ms. Hensley joined O Melveny & Myers in 1978 and was a partner from 1986 to 1992. From 1994 to 2000, Ms. Hensley served as a trustee of Security First Trust, an open-end investment management company registered under the Investment Company Act of 1940. Ms. Hensley s extensive background in the legal field, including her experience in executive compensation and corporate matters, as well as her many years of service to the Company as a member of the Board as well as its Audit, Finance, Compensation, Nominating and Governance Committees, contribute to the Board s conclusion that she should serve as a director of the Company.

Leon C. Janks has been a director of the Company since July 1997 and served as a director of PEI from March 1995 until July 1997. He has been a partner in the accounting firm of Green, Hasson & Janks LLP in Los Angeles, California since 1980 and serves as its Managing Partner. Mr. Janks has extensive experience in domestic and international business, serving a wide variety of clients in diverse businesses. Mr. Janks is also a certified public accountant. Mr. Janks experience, as well as his significant accounting, financial and tax expertise and his many years of service to the Company as a member of the Board as well as its Audit, Finance, Compensation and Executive Committees, contribute to the Board s conclusion that he should serve as a director of the Company.

Lawrence B. Krause has been a director of the Company since July 1997. Mr. Krause has been a Professor and the Director of the Korea-Pacific Program at the Graduate School of International Relations and Pacific Studies at the University of California, San Diego since 1986. He became a Professor Emeritus in 1997. Mr. Krause also serves on advisory boards for a number of institutions including the Korea Economic Institute, the Committee on Asian Economic Studies and the U.S. National Committee for Pacific Economic Cooperation. Mr. Krause s background, experience with, and understanding of, international affairs, including issues pertaining to international economics, as well as his many years of service to the Company as a member of the Board as well as its Audit, Finance, Compensation and Governance Committees, contribute to the Board s conclusion that he should serve as a director of the Company.

Jose Luis Laparte has been a director of the Company since February 2008, Chief Executive Officer and President of the Company since July 2010, and served as President of the Company from October 2004 through June 2010. Mr. Laparte initially served as a consultant for the Company, from December 2003 to October 2004. Prior to joining the Company as a consultant, Mr. Laparte worked for more than 14 years at Wal-Mart Stores, Inc. in Mexico and the United States in progressively responsible positions. From October 2002 through September 2003, he served as Vice President of Sam s International, where he directed and managed the company s operations, finance, sales, marketing, product development and merchandising. From May 2000 to

October 2002, he served as Vice President, Wal-Mart de Mexico, responsible for sales and the expansion of the Sam s Club format in Mexico. Mr. Laparte s background and experience as an executive overseeing numerous operational aspects of the international merchandising business, including sales, product development, merchandising, marketing, finance and information technology, contribute to the Board s conclusion that he should serve as a director of the Company.

Mitchell G. Lynn served in several senior executive positions and as the President and a director of TPC prior to its merger in 1993 with Costco, Inc., and from 1993 until 1994 he served as an executive officer, director and member of the Executive Committee of Price/Costco. Mr. Lynn was also a member of The Price Group, LLC from 2005 to 2008. Mr. Lynn is a founding and continuing director of Bodega Latina Corporation, dba El Super, a 36-store warehouse-style grocery retailer that targets the Hispanic market in the Southwestern United States. Mr. Lynn is also the founder, owner and General Partner of CRI 2000, LP, dba Combined Resources International (CRI), which designs, develops and manufactures consumer products for international wholesale distribution, primarily through warehouse clubs. Mr. Lynn is also a founder and continuing Managing Member of Early Learning Resources, LLC, dba ECR4Kids (ECR) which designs, manufactures and sells educational/children s products to wholesale dealers. Additionally, Mr. Lynn served as a director of United PanAm Financial Corp. from 2001 until its sale in 2011. Mr. Lynn is a certified public accountant and a licensed real estate broker in California. Mr. Lynn s extensive prior experience in both the warehouse club business and general retailing and his significant knowledge relating to accounting and financial matters, contribute to the Board s conclusion that he should serve as a director of the Company.

Edgar Zurcher has been a director of the Company since October 15, 2009 and also served as a director of the Company from November 2000 to February 2008. Mr. Zurcher has been a partner in the law firm Zurcher, Odio & Raven in Costa Rica since 1980, which the Company uses as counsel for certain legal matters. Mr. Zurcher is also President of PLP, S.A., as well as a director of Payless ShoeSource Holdings, Ltd. (Payless Shoes). PLP, S.A. owns 40% of Payless Shoes, which rents retail space from PriceSmart. Additionally, Mr. Zurcher is a director of Molinos de Costa Rica Pasta and Roma S.A. dba Roma Prince S.A., from which the Company purchases products to sell to its members at its warehouse clubs, and is a director of Promerica Financial Corporation, S.A. from which the Company received rental income and credit card fees in fiscal years 2008 and 2007. Mr. Zurcher s background in legal matters and his significant experience in Central America business and legal affairs contribute to the Board s conclusion that he should serve as a director of the Company.

Recommendation of the Board of Directors

The Board of Directors recommends that stockholders vote FOR the slate of nominees set forth above. Proxies solicited by the Board of Directors will be so voted unless stockholders specify otherwise on the accompanying Proxy.

PROPOSAL 2

APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the Company s stockholders are entitled to vote at the Annual Meeting to provide advisory approval of the compensation of the Company s named executive officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission. Pursuant to the Dodd-Frank Act, the stockholder vote on executive compensation is an advisory vote only, and it is not binding on the Company or our Board of Directors.

Although the vote is non-binding, our Compensation Committee and Board of Directors appreciate the opinions of the stockholders and will consider the outcome of the vote when making future compensation decisions. As described more fully in the Compensation Discussion and Analysis section of this Proxy Statement, the Company s executive compensation program is designed to attract, retain and motivate individuals with superior ability, experience and leadership capability to deliver on our annual and long-term business objectives necessary to achieve growth in stockholder value. We urge stockholders to read the Compensation Discussion and Analysis section of this Proxy Statement, which describes in detail how our executive compensation policies and procedures operate and are intended to operate in the future. The Compensation Committee and the Board of Directors believe that our executive compensation program fulfills these goals and is reasonable, competitive and aligned with our performance and the performance of our executives.

We are asking our stockholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on our named executive officers compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we ask that our stockholders vote FOR the following resolution:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company s Proxy Statement for the 2012 Annual Meeting of Stockholders, pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

Recommendation of the Board of Directors

The Board of Directors recommends that stockholders vote FOR the approval of the compensation of the named executive officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission. Proxies solicited by the Board of Directors will be so voted unless stockholders specify otherwise on the accompanying Proxy.

PROPOSAL 3

FREQUENCY OF STOCKHOLDER VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Act, the Company s stockholders are entitled to vote at the annual meeting regarding whether the stockholder vote to approve the compensation of the named executive officers as required by Section 14A (a)(2) of the Securities Exchange Act of 1934, as amended (and as described in Proposal 2 of this Proxy Statement), should occur every one, two or three years. Under the rules issued by the Securities and Exchange Commission, or the Rules, stockholders shall also have the option to abstain from voting on the matter. Pursuant to the Dodd-Frank Act, the stockholder vote on the frequency of the stockholder vote to approve executive compensation is an advisory vote only, and it is not binding on the Company or our Board of Directors.

Although the vote is non-binding, our Compensation Committee and Board of Directors value the opinions of the stockholders and will consider the outcome of the vote when determining the frequency of the stockholder vote on executive compensation.

Our Board of Directors has determined that an advisory stockholder vote on executive compensation every three years is the best approach for the Company and its stockholders for a number of reasons, including the following:

Our executive compensation program is designed to support long-term value creation, and a triennial vote will allow stockholders to better judge our executive compensation program in relation to our long-term performance. As described in the Compensation Discussion and Analysis section above, one of the core principles of our executive compensation program is to ensure management s interests are aligned with our stockholders interests to support long-term value creation. Accordingly, we grant awards with multi-year service periods to encourage our named executive officers to focus on long-term performance, and recommend a triennial vote which would allow our executive compensation program to be evaluated over a similar time-frame and in relation to our long-term performance.

A triennial vote will provide us with the time to thoughtfully evaluate and respond to stockholders sentiments and implement any necessary changes. We carefully review changes to our executive compensation program to maintain the consistency and credibility of the program and to ensure its continued effectiveness in motivating and helping us to retain our employees. We therefore believe that a triennial vote is an appropriate frequency to provide our management team and Compensation Committee sufficient time to thoughtfully consider stockholders input and to implement any appropriate changes to our executive compensation program that would be required to implement any decisions related to such changes.

We will continue to engage with our stockholders regarding our executive compensation program during the period between stockholder votes. We are open to input from our stockholders regarding board and governance matters, as well as our executive compensation program. We believe our stockholders ability to contact us at any time to express specific views on executive compensation reduces the need for and value of more frequent advisory votes on executive compensation.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR EVERY THREE YEARS regarding the frequency of the stockholder vote to approve the compensation of the named executive officers as required by Section 14A (a)(2) of the Securities Exchange Act of 1934, as amended. Proxies solicited by the Board of Directors will be so voted unless stockholders specify otherwise on the accompanying Proxy. Please note: Stockholders are not voting to approve or disapprove our Board of Directors recommendation regarding this Proposal.

Information Regarding the Board

Board Meetings

The Company s Board of Directors held six meetings during fiscal year 2011. No nominee for director who served as a director during the past year attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of committees of the Board of Directors on which he or she served.

Board Leadership Structure

The positions of Chairman and Chief Executive Officer are separated, with Mr. Price serving as Chairman and Mr. Laparte serving as Chief Executive Officer. In July 2010, the Board determined that it was appropriate and advisable for Mr. Laparte to assume the role of Chief Executive Officer in view of his six years of effective senior leadership experience as President of the Company. As Chief Executive Officer and President, Mr. Laparte is responsible for the day to day leadership and performance of the Company, with the Board being responsible for setting the strategic direction of the Company. Mr. Price provides guidance to the Chief Executive Officer and President, sets the agenda for meetings of the Board and presides over those meetings. The Board believes that the current independent leadership of the Board by the Company s non-executive Chairman enhances the effectiveness of its oversight of management and provides a perspective that is separate and distinct from that of management.

Role of the Board in Risk Oversight

The Board oversees the Company s risk management processes, either as a whole or through its committees. Committees of the Board review with management and the Company s internal audit department the Company s major risk exposures, their potential impact on the Company s business and the steps the Company takes to manage such risk exposures. The Board s risk oversight process includes receiving reports from Board committees and members of senior management.

Committees of the Board

Audit Committee. The Audit Committee, which consists of Messrs. Janks and Krause and Ms. Hensley, held five meetings during fiscal year 2011. The Audit Committee oversees the Company s accounting and financial reporting processes and the audits of its consolidated financial statements. The Committee reviews the annual audits conducted by the Company s independent public accountants, reviews and evaluates internal accounting controls, is responsible for the selection of the Company s independent public accountants, and conducts such reviews and examinations as it deems necessary with respect to the practices and policies of, and the relationship between the Company and its independent public accountants. All committee members satisfy the definition of independent director as established in the Nasdaq Stock Market s listing standards and the rules promulgated by the SEC under the Securities Exchange Act of 1934, as amended, and the Board of Directors has determined that Mr. Janks qualifies as an audit committee financial expert within the meaning of the applicable SEC rules and regulations.

Compensation Committee. The Compensation Committee, which consists of Ms. Hensley and Messrs. Janks and Krause, held seven meetings during fiscal year 2011. Mr. Lynn will join the Compensation Committee effective as of January 1, 2012. Each of the members of the Compensation Committee is an independent director within the meaning of the Nasdaq Stock Market s listing standards. The Compensation

Committee reviews and approves the compensation program for the Company s executive officers. The Committee is authorized to evaluate and determine the compensation of the Corporation s Chief Executive Officer, and reviews and approves compensation for all other executive officers. The Committee also administers, interprets and makes grants under the Company s stock option plans. The Compensation Committee is governed by a written charter adopted by the Board of Directors, which is available on the Company s public website at *www.pricesmart.com*.

Nominating Committee. The Nominating Committee, which consists of Ms. Hensley and Mr. Price, held one meeting during fiscal year 2011 and on several other occasions Ms. Hensley and Mr. Price have informally discussed matters pertaining to potential director nominees. The Nominating Committee may evaluate and recommend candidates to fill vacancies on the Board of Directors or any committee thereof, which vacancies may be created by the departure of any directors, or the expansion of the number of members of the Board. The Nominating Committee may also consider the slate of nominees to be presented for reelection at annual meetings of stockholders. The Nominating Committee has not adopted a nominating committee charter. Because the Nominating Committee only has two members, director nominees are selected, or recommended for the Board s selection, by a majority of the independent directors who may consider the advice and recommendation of the Nominating Committee pursuant to the Company s Nominations Process.

Executive Committee. The Executive Committee, which consists of Messrs. Price and Janks, did not hold any meetings during fiscal year 2011. The Executive Committee has all powers and rights necessary to exercise the full authority of the Board of Directors in the management of the business and affairs of the Company, except as provided in the Delaware General Corporation Law or the Bylaws of the Company.

Finance Committee. The Finance Committee, which consists of Messrs. Janks, Krause, Wolcott and Price and Ms. Hensley, held four meetings during fiscal year 2011. Mr. Lynn will join the Finance Committee effective as of January 1, 2012. The Finance Committee reviews and makes recommendations with respect to (1) annual budgets, (2) investments, (3) financing arrangements and (4) the creation, incurrence, assumption or guaranty by the Company of any indebtedness, obligation or liability, except, in each case, for any such transactions entered into in the ordinary course of business of the Company.

Real Estate Committee. The Real Estate Committee, which consists of Messrs. Price and Laparte, was re-established in July 2010. The Committee held six meetings during fiscal year 2011. The Real Estate Committee reviews and approves the material terms of real estate-related transactions entered into by the Company, consistent with the applicable annual budget of the Company previously approved by the Board.

Governance Committee. The Governance Committee, which consists of Mr. Krause and Ms. Hensley did not hold any meetings during fiscal year 2011. The Governance Committee assists the Board of Directors as needed in establishing corporate governance guidelines and other policies and procedures pertaining to corporate governance matters, and assists the Board of Directors in evaluating potential nominees for director of the Company.

Policy Governing Stockholder Communications with the Board of Directors

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

Policy Governing Director Attendance at Annual Meetings of Stockholders

The Company encourages, but does not require, its Board members to attend the annual meeting of stockholders. Eight members of the Board of Directors attended the Annual Meeting of Stockholders held on January 19, 2011.

Audit Committee Report

The Audit Committee oversees the Company s financial accounting and reporting process and the audits of the financial statements of the Company. All committee members satisfy the definition of independent director set forth at Rule 5605(a)(2) of the Nasdaq Stock Market s listing standards. The Audit Committee is governed by a written charter adopted by the Board of Directors, and is available on the Company s public website at *www.pricesmart.com*.

In fulfilling its oversight responsibilities, the committee reviewed and discussed with management the audited financial statements in the Company s Annual Report on Form 10-K for the year ended August 31, 2011, including a discussion of the quality, and not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Company s independent registered public accounting firm, Ernst & Young LLP, is responsible for expressing an opinion on the conformity of its audited financial statements with generally accepted accounting principles. Ernst & Young met with the committee and expressed its judgment as to the quality, not just the acceptability, of the Company s accounting principles and discussed with the committee other matters as required under generally accepted auditing standards, including those matters required under Statement of Auditing Standards No. 61, or the Codification of Statements on Auditing Standards, AU Section 380. In addition, Ernst & Young discussed the accountants independence from the Company and from the Company s management and delivered to the committee those matters to be set forth in written disclosures as required by applicable requirements of the Public Company Accounting Oversight Board regarding independent registered public accounting firm s communications with the Audit Committee concerning independence.

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

In reliance on the reviews and discussions referred to above, the committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended August 31, 2011 for filing with the SEC.

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

Leon C. Janks

Katherine L. Hensley

Lawrence B. Krause

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company s Common Stock as of October 31, 2011 by (1) each of its directors and nominees for director, (2) each of its Named Executive Officers, (3) each person or group known by it to own beneficially more than 5% of the Common Stock and (4) all directors and executive officers as a group.

Name and Address[1]	Number of Shares of Common Stock Beneficially Owned[2]	Percentage of Shares of Common Stock Beneficially Owned
Robert E. Price[3][4]	9,382,899	31.4%
Sherry S. Bahrambeygui[5]	355,558	1.2
Gonzalo Barrutieta[6]	2,400	*
Katherine L. Hensley[7]	21,665	*
Leon C. Janks[8]	19,290	*
Lawrence B. Krause[9]	27,540	*
Edgar A. Zurcher[10]	200	*
Jose Luis Laparte[11]	264,962	*
Mitchell G. Lynn[12]	9,457	*
John Heffner[13]	22,000	*
Robert M. Gans[14]	21,022	*
William J. Naylon[15]	19,847	*
Keene Wolcott[16]	31,600	*
Thomas Martin[17]	32,534	*
The Price Group[18] 7979 Ivanhoe Ave., Suite 520 La Jolla, California 92037	9,382,899	31.4
Grupo Gigante, S.A. de C.V Ave. Ejercito Nacional 769-A Delegacion Miguel Hidalgo Col. Nueva Granada 11520 Mexico, D.F., Mexico	1,677,333	5.6
The London Company[19] 801 Bayberry Court, Suite 301 Richmond, Virginia 23226	1,677,229	5.6
All executive officers and directors as a group (14 persons)[20]	10,227,841	34.2

* Less than 1%.

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

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

(3) Mr. Robert Price is manager of The Price Group, LLC. As such, for purposes of this table, he is deemed to beneficially own 944,315 shares of Common Stock held by The Price Group. Mr. Price has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, the shares held by The Price Group. In addition, Mr. Price is a director of Price Charities (fka San Diego Revitalization Corp.). As such, for purposes of this table, he is deemed to beneficially own 2,889,335 shares of Common Stock held by

Price Charities. Mr. Price has shared voting and dispositive power with respect to, and disclaims beneficial ownership of, the shares held by Price Charities. If the percentages of shares of Common Stock beneficially owned by Mr. Price were calculated without regard to the shares held by The Price Group or Price Charities, he would own 10.3% of the Common Stock.

(4) Includes 2,245,168 shares of Common Stock held by the Robert & Allison Price Charitable Remainder Trust, of which Mr. Price is a trustee, 787,578 shares of Common Stock held by the Robert and Allison Price Trust, of which Mr. Price is a trustee, 61,625 shares of Common Stock held by trusts for the benefit of Mr. Price s children, of which Mr. Price is a trustee, 2,243,122 shares of Common Stock held by the Sol and Helen Price Trust, of which Mr. Price is a trustee, 205,600 shares held by the Price Family Charitable Trust, of which Mr. Price is a trustee, and 6,076 shares held by the Price Family Charitable Fund, of which Mr. Price is a director.

(5) Of the shares for which Ms. Bahrambeygui may be deemed to have shared voting and dispositive power, 205,600 shares are owned directly by the Price Family Charitable Trust, of which Ms. Bahrambeygui is a trustee, 45,458 shares are owned trusts for the benefit of Mr. Price s children and nephew, of which Ms. Bahrambeygui is a trustee, 42,500 shares are owned directly by the Hosey Family Trust, of which Ms. Bahrambeygui is a trustee, 2,000 shares are owned directly by Ms. Bahrambeygui s minor children, and 60,000 shares were awarded to her by The Price Group, LLC and are subject to forfeiture if Ms. Bahrambeygui ceases to provide services to The Price Group, LLC before her rights to the shares have vested.

(6) Includes 2,400 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(7) Includes 3,000 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table. Also includes 450 shares of Common Stock held by the Hensley Living Trust, of which Ms. Hensley is a trustee.

(8) Includes 3,000 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(9) Includes 2,200 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table. Also includes 7,540 shares of Common Stock held by the Krause Family Limited Partnership, of which Mr. Krause is a general partner, and 10,000 shares of Common Stock held by the Krause Family Trust, of which Mr. Krause is a trustee.

(10) Includes 200 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(11) Includes 264,962 shares of restricted Common Stock that are subject to vesting restrictions.

(12) Includes 9,457 shares held by the Lynn Family Trust.

(13) Includes 12,000 shares of restricted Common Stock that are subject to vesting restrictions.

(14) Includes 12,000 shares of restricted Common Stock that are subject to vesting restrictions.

(15) Includes 14,000 shares of restricted Common Stock that are subject to vesting restrictions.

(16) Includes 2,600 shares of Common Stock subject to options that are currently exercisable or will become exercisable within 60 days after the date of this table.

(17) Includes 12,000 shares of restricted Common Stock that are subject to vesting restrictions.

(18) The Price Group is comprised of Mr. R. Price, the Price Charities and the Sol & Helen Price Trust. Please see notes (3) and (4).

(19) These shares are owned by a variety of investment advisory clients of The London Company. No client of The London Company is known to own more than 5% of the Company s Common Stock.

(20) See notes (3)-(14). Also includes (a) 6,363 shares of Common Stock beneficially owned by Brud Drachman, of which 6,363 are shares of restricted Common Stock subject to vesting restrictions and (b) 8,304 shares of Common Stock beneficially owned by John D. Hildebrandt, 2,310 of which are subject to vesting restrictions.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company and their ages as of October 31, 2011 are as follows:

Name	Position	Age
Jose Luis Laparte	Chief Executive Officer and President	45
John M. Heffner	Executive Vice President and Chief Financial Officer	57
Robert M. Gans	Executive Vice President, Secretary and General Counsel	62
William J. Naylon	Executive Vice President and Chief Operating Officer	49
Thomas D. Martin	Executive Vice President and Chief Merchandising Officer	55
Brud E. Drachman	Executive Vice President Construction Management	56
John D. Hildebrandt	Executive Vice President Operations	53

Jose Luis Laparte has been a director of the Company since February 2008, Chief Executive Officer and President of the Company since July 2010, and served as President of the Company from October 2004 through June 2010. Mr. Laparte initially served as a consultant for the Company, from December 2003 to October 2004. Prior to joining the Company as a consultant, Mr. Laparte worked for more than 14 years at Wal-Mart Stores, Inc. in Mexico and the United States in progressively responsible positions. From October 2002 through September 2003, he served as Vice President of Sam s International, where he directed and managed the company s operations, finance, sales, marketing, product development and merchandising. From May 2000 to October 2002, he served as Vice President, Wal-Mart de Mexico, responsible for sales and the expansion of the Sam s Club format in Mexico.

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

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

William J. Naylon has been Executive Vice President and Chief Operating Officer of the Company since January 2002. Mr. Naylon served as Executive Vice President Merchandising of the Company from July 2001 until January 2002 and as Senior Vice President of the Company from March 1998 until July 2001. From September 1995 through February 1998, Mr. Naylon was Managing Director for the Company s licensee warehouse club operation in Indonesia. Prior to joining the Company, Mr. Naylon was a General Manager for Price/Costco and served in various management roles for TPC.

Thomas D. Martin has been Executive Vice President and Chief Merchandising Officer since November 2011. He served as Executive Vice President Merchandising of the Company from October 1998 until November 2011 and as Senior Vice President of the Company from August 1997 to September 1998. Mr. Martin previously served as Vice President of PEI from August 1994 until July 1997, directing merchandising strategies and product sourcing for its international merchandising business, in addition to managing its trading company activities. Prior to joining PEI as Vice President in August 1994, Mr. Martin served as Vice President of Price/Costco from October 1993 to December 1994 and served in various management roles for TPC.

Brud E. Drachman has been Executive Vice President Construction Management of the Company since November 2005, served as Executive Vice President Real Estate and Construction of the Company from February 2005 through October 2005 and as Executive Vice President Construction and Private Label

Merchandising from November 2004 until January 2005. Mr. Drachman served as Executive Vice President Real Estate and Construction of the Company from November 2002 until October 2004 and served as Senior Vice President Real Estate and Construction of the Company from August 1998 to October 2002. Mr. Drachman previously served as Vice President Real Estate and Construction at PEI from August 1994 to August 1997. Prior to joining PEI in 1994, Mr. Drachman served as Project Manager at TPC beginning in 1987.

John D. Hildebrandt has been Executive Vice President Operations of the Company since February 2010. Mr. Hildebrandt served as Executive Vice President Central America and Trinidad Operations from March 2009 through January 2010, as Executive Vice President Central America Operations from August 2003 until February 2009, as Executive Vice President Caribbean and Asia Operations from July 2001 until July 2003 and as Senior Vice President of the Company from September 2000 until July 2001. Mr. Hildebrandt previously served as Vice President of the Company from September 1998 until August 2000, overseeing operations in Central America. Mr. Hildebrandt served as the Company s Country Manager in the Philippines and Panama from August 1997 until August 1998, and as PEI s Country Manager in the Philippines and Panama from 1996 until the Company was spun off from PEI in August 1997. Prior to joining PEI as Country Manager in 1996, Mr. Hildebrandt was a Senior Operations Manager of Price/Costco from 1994 through 1996, and served in various management roles for TPC beginning in 1979.

COMPENSATION DISCUSSION AND ANALYSIS

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

Purposes and Structure of the Executive Compensation Program

Our compensation programs are designed to:

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

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

The compensation of our named executive officers is composed of base salaries, an annual corporate incentive bonus plan and long-term equity incentives in the form of restricted stock. In determining specific components of compensation, the Compensation Committee considers each officer s performance, level of responsibility, skills and experience, and other compensation awards or arrangements, as more fully described below under Elements of Compensation.

Compensation Determination Process

The Compensation Committee reviews and approves all elements of compensation for all of our named executive officers taking into consideration recommendations from management. The Compensation Committee also reviews and approves all annual bonus awards for all executives and restricted stock grants for all employees. The Chief Executive Officer and President sets the salaries and bonus opportunities for employees below the level of Executive Vice President and makes recommendations with respect to restricted stock grants to people at these levels. He likewise makes recommendations with respect to salary, bonus eligibility and restricted stock for our Executive Vice Presidents. The Chief Executive Officer and President and the Chief Financial Officer also collect information and provide compensation recommendations in response to requests from the Compensation Committee. The information includes historical salary and bonus payments to PriceSmart executives, internal equity comparisons, and the financial impact of a particular decision. The Compensation Committee also receives comparable company compensation information, as described below. After gathering this input and receiving these recommendations, the Compensation Committee determines the compensation of our named executive officers in executive session.

The Compensation Committee has not established a specific formula for determining the relative proportion of each component of compensation. In evaluating the overall compensation of the named executive officers, the Compensation Committee first seeks to provide a competitive base salary in absolute terms and reviews compensation information for comparable companies, as discussed below, to ensure that this base salary is not excessive. Second, the Compensation Committee believes an annual bonus based upon the achievement of specific annual operating results of the Company motivates the named executive officers performance toward these goals. The Compensation Committee believes that the amount of these bonuses relative to total compensation (15% of base salary with an opportunity to achieve up to 30% of base salary for Messrs. Heffner, Gans, Martin and Naylon, and $100,000 with an opportunity to achieve $200,000 for Mr. Laparte) for fiscal year 2011 was meaningful but not so large as to unduly motivate short-term behavior which may not benefit the Company in the longer run. Third, the Compensation Committee provides periodic restricted stock grants to the named executive officers to reward them for long-term value creation consistent with the interest of stockholders and to provide a retention mechanism as future vesting of restricted stock requires ongoing employment with the Company. In establishing new grants, the Compensation Committee considers the value of current grants already in place, the vesting schedule of those grants and the expense to the Company relative to the value to the named executive officers. New stock grants are provided periodically to ensure an ongoing four to five year time horizon for future vesting. In the most recent fiscal year, no equity compensation was granted to our named executive officers, based on the Compensation Committee s review of the awards granted to those officers in prior fiscal years and the relative proportion of individual components of compensation for Messrs. Heffner, Gans, Martin and Naylon were approximately 78% base salary and 22% annual bonus. As described below, the portion of Mr. Laparte s future potential compensation from existing restricted stock grants is larger than that of Messrs. Heffner, Gans, Martin and Naylon, which reflects the Compensation Committee s belief that the President and Chief Executive Officer s compensation should be more heavily weighted towards long term incentives given his greater ability to affect the results of the Company and the importance to the Company of retaining his services.

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

Role of Comparable Company Compensation Information in the Compensation Determination Process

The Compensation Committee establishes individual executive compensation at levels the Compensation Committee believes are comparable with those of executives in other companies of similar size and stage of development operating in retail industries, taking into account our relative performance and our own strategic goals. Management utilized Equilar Inc. s Executive Insight research database, a resource for referencing executive compensation and analyzing executive pay trends, to aid the Compensation Committee in the identification of a peer group of publicly traded companies so that the Compensation Committee could consider competitive market data in determining our named executive officers fiscal year 2011 compensation program and compensation levels. In establishing 2011 compensation levels for our named executive officers, the Compensation Committee evaluated the compensation practices of the following public company peer groups:

- U.S. based retail companies with annual revenues ranging from $500 million to $15 billion: 99¢ Only Stores, Big Lots, Inc., BJ s Wholesale Club, Inc., Dollar General Corporation, Dollar Tree, Inc., Family Dollar Stores, Inc., Fred s, Inc., Tuesday Morning Corp., Duckwall Alco Stores, Bon Ton Stores, Inc., Burlington Coat Factory, Dillards, Inc., Neiman Marcus, Inc., Saks, Inc., Belk, Inc. and Retail Ventures, Inc.

- Companies based in Southern California with revenues of $500 million to $3 billion: Callaway Golf Co., Cubic Corp., Jack in the Box, Inc., Leap Wireless International, Inc., Resmed, Inc., Corinthian Colleges, Inc., Edwards Lifesciences Corp., Impac Mortgage Holdings, Inc., Kaiser Aluminum Corp., Massey Energy Co., Quicksilver, Inc., Standard Pacific Corp., Guess, Inc., Pacific Sunwear of California, Inc. and Valeant Pharmaceuticals International.

As part of this process, the Compensation Committee reviews the mix of the compensation elements for our named executive officers against the compensation data for positions similar to those held by such officers with our peer group of companies. Equilar draws data from proxy statements and reports filed with the Securities and Exchange Commission. The Compensation Committee noted that there was substantial variation between the compensation levels of similarly situated named executive officers across the comparable companies. In particular, the Compensation Committee noted that long-term equity compensation varied significantly company-to-company resulting from the timing of grants or stock options provided to executives. As a result, the Compensation Committee focused on the cash compensation aspect of overall compensation (that is, base salary and annual target bonus) of other companies executives relative to the Company s named executive officers compensation. The Compensation Committee determined that the cash compensation of the Company s named executive officers was below the midpoint of the similarly titled executives at the comparable companies and therefore concluded that the compensation was not excessive.

The named executive officers are all employees of PriceSmart, Inc. and work and reside in the U.S. (either San Diego, California or Miami, Florida). As such, the Compensation Committee concluded that the competition for executive talent for the Company s named executives would likely be either similarly sized U.S. headquartered companies in the retail industry and/or similarly sized companies in varying industries located in Southern California. PriceSmart had to use a broader revenue range for U.S. retail companies than for Southern California companies to get an adequate sample of broadline retailers.

The Compensation Committee utilized data obtained from Equilar s Executive Insight research database but did not otherwise engage Equilar as a compensation consultant. The chief executive officer did not meet with a representative of Equilar with respect to his or any other named executive officers compensation.

Based on the objectives outlined above, the Compensation Committee strives to set target total compensation opportunity levels and the individual components of compensation to be competitive with the market that we compete in for executive talent. The Compensation Committee does not, however, guarantee that any executive will receive a specific market-derived compensation level.

Compensation data for our peer group of companies is only one of the many factors our Compensation Committee considers in setting compensation for our named executive officers, and actual compensation may vary based on our Compensation Committee s review of other considerations, including our Company s and the individual named executive officer s performance and the value of the executive s leadership and other skills to our Company. Our named executive officers may also realize compensation above target opportunity levels based on achieving outstanding results, which is measured in large part based on our performance relative to the annual financial and operational goals set by the Compensation Committee. This approach is intended to ensure that there is a direct relationship between our overall performance in the achievement of our financial and operational goals and each individual named executive officer s total compensation.

Elements of Compensation

Executive compensation consists of the following elements:

Base Salary. Base salaries for the named executive officers were established either when they were hired into the position from outside the Company (the most recent being October 1, 2004), or over an extended period as they were promoted to increasing levels of responsibility within the Company. Base salaries for our named executive officers are generally established based on the scope of their responsibilities, level of experience and individual performance, taking into account both external competitiveness and internal equity considerations. While the goal for the base salary component is to compensate executives at a level that are competitive with the salaries of executives in comparable positions among our peer group, our Compensation Committee does not attempt to set base salaries at a certain target percentile within our peer group. Instead, our Compensation Committee considers the peer group information as merely a means by which to confirm that its base salary determinations based on the other factors described above are competitive within our peer group. The Compensation Committee annually evaluates the base salary levels of the named executive officers to ensure that there is consistency within the Company based upon scope of responsibility and also to ensure that the base salaries are not excessive relative to other companies of similar size. In establishing changes to base salaries, the Compensation Committee may consider the overall financial condition of the Company but does not make changes to executive salaries based on the achievement of any particular financial criteria.

In January 2011, all of the named executives received approximately the same increase to their base salaries. Mr. Laparte received an increase of $10,000 (2%), Mr. Heffner received an increase of $5,298 (2%), Mr. Gans received an increase of $5,687 (2%), Mr. Naylon received an increase of $5,826 (2%), and Mr. Martin received an increase of $5,200 (2%), in each case to provide a modest but appropriate cost of living increase consistent with the increases provided to other employees of the Company.

The named executive officers base salaries for fiscal 2011 are set forth below in the Summary Compensation Table. In November 2011, the Compensation Committee approved increases to the base salaries of each of the named executives, which increases will be effective January 1, 2012. The new annual base salaries of the named executives are as follows: Mr. Laparte, $561,000; Mr. Heffner, $330,000; Mr. Gans, $343,000; Mr. Naylon, $400,000; and Mr. Martin, $350,000. These base salary increases are intended to increase the executives base salaries to levels the Compensation Committee believes are commensurate with those of executives of companies in our peer group.

Annual Management Bonus Program. The Company emphasizes pay-for-performance through an annual management bonus program. All PriceSmart employees with at least six months of service who meet a minimum level of acceptable performance are eligible to participate in the program. Under the program, the Compensation Committee sets a target bonus for each participant, which is awarded if the Company achieves a targeted level of operating income approved by the Compensation Committee.

As described above, for fiscal 2011, the named executive officers target bonuses were as follows: Mr. Laparte, $100,000 (with an opportunity to achieve $200,000); and the Executive Vice Presidents, 15% of base salary (with an opportunity to achieve 30% of base salary).

In fiscal 2011 each named executive officer s target bonus was contingent upon the Company s achieving specified percentages, ranging from 90% to 100%, of targeted operating income of $71.8 million. Minimum performance of 90% of the targeted level of operating income was required for any bonus payouts, with performance between 90% and 100% of the targeted level of operating income resulting in bonuses, as follows: 25% of the target bonuses for operating income at 90-94% of the specified operating income level, 50% of target bonuses at 95-96% of the specified operating income level and 75% of target bonuses at 97-99% of the specified operating income level. The 2011 program also allowed for (1) an additional bonus amount, of up to 50% of an executive s target bonus, for achievement of net warehouse sales above $1,450 million and achieving the maximum payout at net warehouse sales above $1,530 million; and also (2) a second additional bonus amount, of

18

up to 50% of an executive s target bonus, for achievement of operating income over $71.8 million and achieving the maximum payout at operating income above $78.8 million. If the maximum levels of both net warehouse sales and operating income are achieved, an executive s maximum bonus would be 200% of his target bonus.

For fiscal 2011, our operating income was $90.9 million and net warehouse sales were $1,675 million. Accordingly, we paid annual incentive bonuses to each of our named executive officers at 200% of target. The amounts paid to the named executive officers under the annual management bonus program for fiscal 2011 are disclosed below in the Summary Compensation Table below as Non-Equity Incentive Plan Compensation. The named executive officers received the bonus amounts dictated by the 2011 Management Bonus Program, as described above, with no adjustment.

Our 2012 bonus program is similar to the 2011 bonus program described above and contains target and maximum bonuses consistent with those disclosed above, with the exception of the maximum bonus for Mr. Laparte, which was increased to $220,000 for purposes of the 2012 bonus program. Under the 2012 bonus program, bonus amounts will be determined based on the Company s performance relative to the corporate performance criteria discussed above at levels established for fiscal 2012. Notwithstanding these performance target levels, the Compensation Committee retains discretion in determining whether to grant a bonus to each named executive officer. The Compensation Committee reserves the right to apply its judgment to the year-end bonus pool funding based on factors that may affect reported operating income, both positively and negatively, and specifically approves the payments made to the Company s named executive officers. We do not currently have specific guidelines regarding the exercise of such judgment by the Compensation Committee.

Long-Term Incentive Compensation. We believe that long-term incentives are an integral part of the overall executive compensation program and that the Company s long-term performance will be enhanced through the use of equity awards that reward our executives for maximizing stockholder value over time. While we previously used stock options as the primary long-term equity incentive vehicle, in January 2006 we instead began using restricted stock grants. The restricted stock vests based on continued employment over the vesting period, which historically has not exceeded five years.

We have used restricted stock as our primary long-term incentive vehicle because:

- restricted stock and the related vesting period help attract and retain executives;
- the value received by the recipient of a restricted stock grant can be enhanced by the growth of the stock price; therefore, restricted stock enhances the executives incentive to increase our stock price and maximize stockholder value; and
- restricted stock helps to provide a balance to the overall executive compensation program as base salary and our annual bonus plan focus on short-term compensation, while restricted stock rewards executives for increases in stockholder value over the longer term.

We may continue to use restricted stock, or other long-term incentives, to achieve these objectives.

In determining the number of shares of restricted stock to be granted to our named executive officers, we take into account the individual s position, scope of responsibility, ability to affect profits and stockholder value and the value of restricted stock in relation to other elements of the individual executive s total compensation. All awards of restricted stock are made by the Compensation Committee. The Company does not have equity ownership requirements or guidelines.

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

The grants currently held by our named executive officers expire in 2015. In March 2010, our named executive officers received restricted stock awards that vest 50% in year four and 50% in year five to reinforce the long-term view of the Company. In August 2010, Mr. Laparte received an additional grant, also providing for 50% vesting in year four and 50% vesting in year five.

There were no grants of restricted stock to any of our named executive officers in fiscal year 2011.

Other Benefits. Our named executive officers are eligible to participate in all of our employee benefit plans, such as our 401(k) plan and our medical, dental, vision, long and short-term disability and life insurance plans, in each case on the same basis as our other employees. We also offer to our Chief Executive Officer and President a housing allowance and travel benefits in accordance with his employment agreement described below. The Compensation Committee believes that these perquisites are no greater than our competitors practices.

Summary of Compensation

The following table shows information regarding the compensation earned by any person who served as our Chief Executive Officer or Chief Financial Officer during fiscal year 2011, and the three other most highly compensated executive officers who were serving as executive officers at August 31, 2011. We refer to these persons as our named executive officers elsewhere in this proxy statement.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Jose Luis Laparte	2011	506,667				200,000	156,440(3)	863,107
Chief Executive Officer and President	2010	424,619		1,575,950		200,000	160,011(3)	2,360,580
	2009	405,333				125,000	209,787(3)	740,121
John M. Heffner	2011	268,426				81,058	17,000(2)	366,484
Executive Vice President and Chief Financial	2010	263,163		140,580		79,470	17,400(2)	500,613
Officer	2009	258,000				48,694	22,610(2)	329,304
Robert M. Gans	2011	288,133				87,008	17,000(4)	392,141
Executive Vice President, Secretary and	2010	282,483		140,580		85,302	17,400(4)	525,765
General Counsel	2009	276,944				52,269	22,710(4)	351,923
William J. Naylon	2011	295,196				89,141	18,200(5)	402,537
Executive Vice President and Chief Operating	2010	289,408		187,440		87,394	17,900(5)	582,142
Officer	2009	283,733				53,550	21,876(5)	359,159
Thomas D. Martin	2011	263,467				79,560	17,000(6)	360,027
Executive Vice President and Chief	2010	254,911		140,580		78,000	17,400(6)	490,891
Merchandising Officer								

(1) Represents the aggregate grant date fair value of the restricted stock awards granted to our named executive officers in the relevant fiscal year in accordance with FASB Accounting Standards Codification ASC 718, Share-Based Payment (ASC 718). For information regarding assumptions made in connection with this valuation, please see Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended August 31, 2011, filed with the SEC on November 9, 2011.

(2) For fiscal 2011, represents dividend payment of $7,200 and 401(k) contribution made by the Company totaling $9,800. For fiscal 2010, represents dividend payments of $7,600 and 401(k) matching contributions made by the Company totaling $9,800. For fiscal 2009, represents a dividend payment of $13,136 and 401(k) matching contributions made by the Company totaling $9,474.

(3) For fiscal 2011, represents dividend payments of $87,000, 401(k) contribution made by the Company totaling $9,800, housing allowance payments totaling $50,004 and tax-gross up payments of $9,636. For fiscal 2010, represents dividend payments of $77,500, 401(k) matching contributions made by the Company totaling $9,800, housing allowance payments totaling $50,004 and tax-gross up payments totaling $22,707. For fiscal 2009, represents a dividend payment of $134,200, 401(k) matching contributions made by the Company totaling $8,986, housing allowance payments totaling $50,004 and tax gross-up payments totaling $16,597.

(4) For fiscal 2011, represents dividend payments of $7,200 and 401(k) contribution made by the Company totaling $9,800. For fiscal 2010, represents dividend payments of $7,600 and 401(k) matching contributions made by the Company totaling $9,800. For fiscal 2009, represents a dividend payment of $13,136 and 401(k) matching contributions made by the Company totaling $9,574.

(5) For fiscal 2011, represents dividend payments of $8,400 and 401(k) contribution made by the Company totaling $9,800. For fiscal 2010, represents dividend payments of $8,100 and 401(k) matching contributions made by the Company totaling $9,800. For fiscal 2009, represents a dividend payment of $13,136 and 401(k) matching contributions made by the Company totaling $8,740.

(6) For fiscal 2011, represents dividend payments of $7,200 and 401(k) contribution made by the Company totaling $9,800. For fiscal 2010, represents dividend payments of $7,600 and 401(k) matching contributions made by the Company totaling $9,800.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to grants of plan-based awards for the year ended August 31, 2011 to the named executive officers.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimates Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**	**($)**
Jose Luis Laparte Chief Executive Officer and President		90,000	100,000	200,000							
John M. Heffner Executive Vice President and Chief Financial Officer		36,476	40,529	81,058							
Robert M. Gans Executive Vice President, Secretary and General Counsel		39,154	43,504	87,008							
William J. Naylon Executive Vice President and Chief Operating Officer		40,114	44,571	89,141							

Thomas D. Martin Executive Vice President and Chief Merchandising Officer	35,802	39,780	79,560

Employment Contracts

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

The following table shows the name and titles of the named executive officers with employment agreements, as well as the current expiration date.

Executive	**Title**	**Expiration Date**
Jose Luis Laparte	Chief Executive Officer and President	October 8, 2012
John M. Heffner	Executive Vice President and Chief Financial Officer	January 31, 2012
William J. Naylon	Executive Vice President and Chief Operating Officer	January 31, 2012
Robert M. Gans	Executive Vice President, Secretary and General Counsel	October 16, 2012
Thomas D. Martin	Executive Vice President and Chief Merchandising Officer	March 31, 2012

Pursuant to his agreement, Mr. Laparte also is entitled to receive an annual housing allowance of $50,000, up to 11 round-trip tickets annually between Mexico City and San Diego for Mr. Laparte and members of his family and reasonable moving expenses to Mexico at the end of the employment term.

For purposes of the employment agreements and our standard severance policy, cause generally means the executive s (1) repeated and habitual failure to perform his duties or obligations hereunder, (2) engaging in any act that has a direct, substantial and adverse effect on our interests, (3) personal dishonesty, willful misconduct, or breach of fiduciary duty involving personal profit, (4) intentional failure to perform his stated duties, (5) willful violation of any law, rule or regulation which materially adversely affects his ability to discharge his duties or has a direct, substantial and adverse effect on our interests, (6) any material breach of the employment agreement by the executive (if applicable), or (7) the executive s willful breach of duty in the course of his employment, or habitual neglect of his duty or continued incapacity to perform it.

Equity Incentive Plans

The Company has four equity incentive plans.

1997 PriceSmart Stock Option Plan

The Stock Option Plan of PriceSmart, Inc. (the 1997 Plan) provides for option grants covering up to 700,000 shares of Common Stock. As of October 31, 2011, under the 1997 Plan, 556,274 shares had been issued upon exercise of options granted, and 143,726 shares remained available for future grant. No additional awards will be granted under the 1997 Plan.

Each award agreement under the 1997 Plan provides that in the event of a Change in Control or a Corporate Transaction, as defined in such award agreements, each outstanding award shall, immediately prior to the effective date of the Change in Control or Corporate Transaction, automatically become fully vested, exercisable or payable, as applicable, for all of the shares of Common Stock at the time subject to such award.

1998 Equity Participation Plan

The 1998 Equity Participation Plan of PriceSmart, Inc. (the 1998 Plan) provides that the Compensation Committee of the Board or a subcommittee thereof may grant or issue non-qualified stock options, stock purchase rights, stock appreciation rights, restricted stock, deferred stock, dividend equivalents, performance awards, stock payments and other stock related benefits, or any combination thereof. Under the stock purchase feature of the 1998 Plan, the Compensation Committee may grant to any consultant or employee the right to purchase shares of Common Stock (stock purchase rights) under the 1998 Plan from time to time, in such amounts and subject to such terms and conditions as the Compensation Committee may determine, and, at the discretion of the Compensation Committee, such determinations may include determining categories of employees and the number of shares to be made available to employees in each such category.

Under the 1998 Plan, each person who is initially elected to the Board and who is a non-employee director at the time of such initial election automatically shall be granted on the date of such initial election the right to purchase 2,716 shares of Common Stock at a purchase price equal to the fair market value on the date the shares are purchased. Non-employee directors also are eligible to receive grants of non-qualified options under the 1998 Plan upon purchases of shares of Common Stock. For each such director who has purchased at least an aggregate of 500 shares of Common Stock, on the date such person purchases additional shares of Common Stock (other than upon the exercise of stock options), such person automatically will be granted a non-qualified stock option to purchase a number of shares of Common Stock equal to the difference between (1) three times the number of such shares of Common Stock actually purchased and (2) the number of shares of Common Stock subject to options previously granted to such director under this provision of the 1998 Plan. No director, however, may receive options under this provision of the 1998 Plan that are exercisable for more than an aggregate of 8,146 shares of our Common Stock.

The 1998 Plan provides for awards covering up to 700,000 shares of Common Stock. As of October 31, 2011 under the 1998 Plan, 240,938 shares had been issued upon exercise of options, 80,421 shares of Common Stock had been issued under the stock purchase provisions of the 1998 Plan, awards of 356,022 shares of restricted Common Stock had been granted, net of forfeitures and shares repurchased by the Company to cover employees tax withholding obligations upon vesting, and 22,619 shares remained available for future grant.

Each award agreement under the 1998 Plan provides that in the event of a Change in Control or a Corporate Transaction, as defined in such award agreements, each outstanding award shall, immediately prior to the effective date of the Change in Control or Corporate Transaction, automatically become fully vested, exercisable or payable, as applicable, for all of the shares of Common Stock at the time subject to such award and, as applicable, may be exercised for any or all of those shares as fully vested shares of Common Stock.

2001 Equity Participation Plan

The 2001 Equity Participation Plan of PriceSmart, Inc. (the 2001 Plan) provides that the Compensation Committee of the Board of Directors or a subcommittee thereof may grant or issue incentive stock options, non-qualified stock options, stock purchase rights, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance awards, stock payments and other stock related benefits, or any combination thereof. Under the stock purchase feature of the 2001 Plan, the Compensation Committee may grant to any employee, independent director or consultant stock purchase rights under the 2001 Plan from time to time, in such amounts and subject to such terms and conditions as the Compensation Committee may determine, and,

at the discretion of the Compensation Committee, such determinations may include determining categories of employees and the number of shares to be made available to employees in each such category. The purchase price for shares of Common Stock purchased pursuant to any stock purchase right granted under the 2001 Plan shall be no less than the fair market value of such Common Stock as of the date of purchase.

The 2001 Plan provides for awards covering up to 400,000 shares of Common Stock. As of October 31, 2011, under the 2001 Plan, 236,075 shares had been issued upon exercise of options granted, options to purchase an aggregate of 20,200 shares of Common Stock at prices ranging from $8.18 to $23.61 per share remained outstanding, awards of 118,800 shares of restricted Common Stock had been granted, net of forfeitures and shares repurchased by the Company to cover employees tax withholding obligations upon vesting, no shares of Common Stock had been issued under the stock purchase provisions of the 2001 Plan, and 24,925 shares remained available for future grant.

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

2002 Equity Participation Plan

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

The 2002 Plan provides for awards covering up to 1,250,000 shares of Common Stock. As of October 31, 2011, under the 2002 Plan, 202,982 shares had been issued upon exercise of options granted, options to purchase an aggregate of 10,600 shares of Common Stock at prices ranging from $15.66 to $40.40 per share remained outstanding, awards of 823,618 shares of restricted Common Stock had been granted, net of forfeitures and shares repurchased by the Company to cover employees tax withholding obligations upon vesting, no shares of Common Stock had been issued under the stock purchase provisions of the 2002 Plan, and 212,800 shares remained available for future grant.

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

The Retirement Plan of PriceSmart, Inc.

In 1998, the Company established a retirement plan. The retirement plan is designed to be a qualified plan under applicable provisions of the Internal Revenue Code of 1986, as amended, covering all employees who have completed three months of service, as defined in the retirement plan. Each year, participants may contribute up to

100% per pay period of their pre-tax annual compensation (as defined in the retirement plan) up to the maximum allowable by the Internal Revenue Code of 1986, as amended. Participants also may contribute amounts representing distributions from other qualified plans. Effective January 1, 2011, the Plan was amended to replace the Company match with a discretionary contribution of 4% of the employee s eligible compensation up to the IRS maximum allowed, to all employees regardless of their own salary deferrals. Prior to that amendment, the Company provided a matching contribution equal to 100% of the participant s elective deferrals up to an annual maximum of 4% of base compensation. Although the Company has not expressed any intent to do so, the Company has the right under the retirement plan to discontinue its contributions at any time and to terminate the retirement plan, subject to the provisions of Employee Retirement Income Security Act of 1974, as amended. All participants in the retirement plan are immediately vested in their accounts and earnings thereon.

Outstanding Equity Awards

The following table sets forth certain information with respect to outstanding equity awards at August 31, 2011 with respect to the named executive officers.

Outstanding Equity Awards at Fiscal Year-End Table

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares of Stock That Have Not Vested (#)**	**Market Value of Shares of Stock That Have Not Vested ($)(3)**	**Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Other Rights That Have Not Vested ($)**
Jose Luis Laparte						30,000(1)	1,963,800(4)		
Chief Executive Officer and						50,000(1)	3,273,000(5)		
President						40,000(2)	2,618,400(6)		
						25,000(2)	1,636,500(7)		
John M. Heffner						6,000(1)	392,760(5)		
Executive Vice President and Chief						6,000(2)	392,760(6)		
Financial Officer									
Robert M. Gans						6,000(1)	392,760(5)		
Executive Vice President, Secretary						6,000(2)	392,760(6)		
and General Counsel									
William J. Naylon						6,000(1)	392,760(5)		
Executive Vice President and Chief						8,000(2)	523,680(6)		
Operating Officer									
Thomas D. Martin						6,000(1)	392,760(8)		
Executive Vice President and Chief						6,000(2)	392,760(6)		
Merchandising Officer									

(1) Represents our standard form of restricted stock award. Each restricted stock award vests in five equal installments on an annual basis based upon continued employment over a five-year period measured from the date of grant. Each award is also subject to certain accelerated vesting upon a change in control, as described under Equity Incentive Plans above.

(2) Each restricted stock award vests in two equal installments on the fourth and fifth anniversaries of the date of grant, while the compensation expense associated with these awards will be recorded over the five year period following the date of grant. Each award is also subject to certain accelerated vesting upon a change in control, as described under Equity Incentive Plans above.

(3) Computed by multiplying the closing market price of the Company s Common Stock ($65.46) on August 31, 2011 (the last trading day of fiscal 2011) by the number of shares subject to such stock award.

(4) This award was granted on December 7, 2006.

(5) This award was granted on February 1, 2008.

(6) This award was granted on March 11, 2010.

(7) This award was granted on August 17, 2010.

(8) This award was granted on January 28, 2009.

Option Exercises and Shares Vested

The following table sets forth certain information with respect to option exercises and the vesting of shares of restricted stock during the fiscal year ended August 31, 2010 with respect to the named executive officers.

	Option Awards		Stock Awards	
Name and Principal Position	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)[(1)]**
John M. Heffner Executive Vice President and Chief Financial Officer			6,200	244,776
Jose Luis Laparte Chief Executive Officer and President			55,000	2,072,752
Robert M. Gans Executive Vice President, Secretary and General Counsel			6,200	244,776
William J. Naylon Executive Vice President and Chief Operating Officer			6,200	244,776
Thomas D. Martin Executive Vice President and Chief Merchandising Officer			6,200	244,776

(1) The value realized upon vesting of a stock award is calculated based on the number of shares vesting multiplied by the fair market value per share of our Common Stock on the vesting date.

Pension Benefits

Other than our retirement plan, which is described above, we do not have any plan that provides for payments or other benefits at, following, or in connection with, retirement.

Nonqualified Deferred Compensation

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

Director Compensation

Each non-employee director receives $20,000 per year for serving on the Board. In addition, non-employee directors who serve on committees of the Board (in a capacity other than chairman of a committee) receive $500 for each meeting attended. The chairmen of the committees of the Board each receive $5,000 per year in addition to their other compensation as directors, except that the chairman of the Audit Committee receives $35,000 per year. Each director is eligible to receive stock options pursuant to the Company s 1998 Plan, 2001 Plan and 2002 Plan. Under each of the 1998 Plan, 2001 Plan and 2002 Plan, non-employee directors are entitled to receive initial grants of non-qualified stock options to purchase 3,000 shares of Common Stock upon becoming directors and additional grants of options to purchase 1,000 shares of Common Stock on the date of each annual meeting of stockholders at which the director is re-elected to the Board. Each year, the Company makes a determination as to which equity plan the automatic non-employee option awards will be granted under for such year based in part on its review of the available share reserves under such equity plans. In no event will the non-employee directors receive automatic option grants under more than one equity plan during any year.

Under the 1998 Plan, each person who is initially elected to the Board and who is an independent director at the time of such initial election automatically receives on the date of such initial election the right to purchase 2,716 shares of Common Stock at a purchase price equal to the fair market value on the date the shares are purchased. Non-employee directors also are eligible to receive grants of non-qualified options under the 1998 Plan upon purchases of shares of Common Stock. For each such director who has purchased at least an aggregate of 500 shares of Common Stock, on the date such person purchases additional shares of Common Stock (other than upon the exercise of stock options), such person automatically will be granted a non-qualified stock option to purchase a number of shares of Common Stock equal to the difference between (1) three times the number of such shares of Common Stock actually purchased and (2) the number of shares of Common Stock subject to options previously granted to such director under this provision of the 1998 Plan. No director, however, may receive options under this provision of the 1998 Plan that are exercisable for more than an aggregate of 8,146 shares of our Common Stock.

In April 2008 the Company s Board granted to directors Hensley, Janks, Krause and Wolcott an award of restricted stock units, entitling each of such directors to 5,000 shares of the Company s Common Stock, with vesting commencing on March 29, 2008 at the rate of 20% per year. Such awards were subject to approval of an amendment to the Company s 2001 Plan by the Company s stockholders, allowing for the award of restricted stock units to independent directors under the 2001 Plan. The amendment was approved by the Company s stockholders at the Company s Annual Meeting of Stockholders held on January 28, 2009.

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

The following table sets forth a summary of the compensation we paid or was earned by our non-employee directors in the fiscal year ended August 31, 2011.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Gonzalo Barrutieta	20,000		40,400				60,400
Katherine L. Hensley	34,500		40,400				74,900
Leon C. Janks	62,500		40,400				102,900
Lawrence B. Krause	32,000		40,400				72,400
Robert Price	32,000						32,000
Keene Wolcott	22,000		40,400				62,400
Edgar Zurcher	20,000		40,400				60,400

(1) The aggregate number of restricted stock unit awards outstanding at the end of fiscal 2011 for each director were as follows: Gonzalo Barrutieta 0; Katherine L. Hensley, 2,000; Leon C. Janks, 2,000; Lawrence B. Krause, 2,000; Robert Price, 0; Keene Wolcott, 2,000; and Edgar Zurcher, 0.

(2) Represents the aggregate grant date fair value of the options to purchase our Common Stock granted to the non-employee directors in fiscal 2011, as computed under ASC 718. For information regarding assumptions made in connection with this valuation, please see Note 8 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended August 31, 2011, filed with the SEC on November 9, 2011. The aggregate number of stock option awards outstanding at the end of fiscal 2011 for each director were as follows: Gonzalo Barrutieta, 6,000; Katherine L. Hensley, 6,000; Leon C. Janks, 6,000; Lawrence B. Krause, 5,200; Robert Price, 0; Keene Wolcott, 5,600; and Edgar Zurcher, 2,000.

Severance and Change in Control Payments

The Company has entered into agreements and maintains plans that require it to make payments and/or provide benefits to its named executive officers under specified circumstances in the event of a termination of their employment or a change of control. The Company provides for certain severance benefits in the event that a named executive officer s employment is involuntarily terminated. Such severance benefits are designed to alleviate the financial impact of an involuntary termination through salary continuation and with the intent of providing for a stable work environment. The Company believes that reasonable severance benefits for its named executive officers are important because it may be difficult for the Company s executive officers to find comparable employment within a short period of time following certain qualifying terminations. In addition to normal severance, the Company provides for accelerated vesting of all equity awards for all of its employees in the event of a change in control as a means reinforcing and encouraging the continued attention and dedication of its employees to their duties of employment without personal distraction or conflict of interest in circumstances which could arise from the occurrence of a change in control. The Company believes that the interests of stockholders will be best served if the interests of its senior management are aligned with them, and providing these change-in-control benefits should eliminate, or at least reduce, the reluctance of senior management to pursue potential change in control transactions that may be in the best interests of stockholders.

The Company extends severance, continuity and change-in-control benefits because they are essential to help the Company fulfill its objectives of attracting and retaining key managerial talent. These agreements are intended to be competitive with those of similarly sized companies in the Company s industry and company size and to attract and retain highly qualified individuals. While these arrangements form an integral part of the total compensation provided to these individuals and are considered by the Compensation Committee when determining executive officer compensation, the decision to offer these benefits did not influence the Compensation Committee s determinations concerning other direct compensation or benefit levels.

The following table summarizes the potential payments to each named executive officer in two different potential scenarios: (1) a termination of the named executive officer without cause, and (2) a change of control without a termination of employment. The table assumes that the termination of employment or change of control occurred on August 31, 2011, the last business day of our last completed fiscal year. For purposes of estimating the value of accelerated vesting of equity awards to be received in the event of a change of control, the Company has assumed a price per share of our Common Stock of $65.46, which represents the closing market price of the Company s Common Stock as reported on the Nasdaq Global Select Market on August 31, 2011 (the last trading day of fiscal 2011).

Named Executive Officer	Severance upon Termination without Cause ($)	Acceleration of Options and Restricted Stock upon Change of Control ($)
John M. Heffner Executive Vice President and Chief Financial Officer	270,192(1)	785,520
Jose Luis Laparte Chief Executive Officer and President	510,000(1)	9,491,700
Robert M. Gans Executive Vice President, Secretary and General Counsel	290,028(1)	785,520
William J. Naylon Executive Vice President and Chief Operating Officer	297,138(1)	916,440
Thomas D. Martin Executive Vice President and Chief Merchandising Officer	265,200(1)	785,520

(1) Under the named executive officer s employment agreement, in the event of his termination for other than cause, death or disability, he will be entitled to the continuation of his base salary for a period of one year, payable over such severance period in conformity with the Company s normal payroll.

Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis provisions to be included in this proxy statement. Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in this report.

The foregoing has been furnished by the Compensation Committee.

Katherine L. Hensley

Leon C. Janks

Lawrence B. Krause

Compensation Committee Interlocks and Insider Participation

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

Risk Assessment

Management assessed the Company s compensation program for the purpose of reviewing and considering any risks presented by the Company s compensation policies and practices that are likely to have a material adverse effect on the Company.

As part of that assessment, management reviewed the primary elements of the Company s compensation program, including base salary, annual short-term incentive compensation and long-term equity compensation. Management s risk assessment included a review of the overall design of each primary element of the Company s compensation program and an analysis of the various design features, controls and approval rights in place with respect to compensation paid to management and other employees that mitigate potential risks to the Company.

Following the assessment, management determined that the Company s compensation policies and practices did not create risks that were reasonably likely to have a material adverse effect on the Company and reported the results of the assessment to the Compensation Committee.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the number and weighted-average exercise price of securities to be issued upon exercise of outstanding options, warrants and rights, and the number of securities remaining available for future issuance under all of our equity compensation plans, at August 31, 2011. For more information regarding the Company s equity compensation plans, please see Compensation Discussion and Analysis Equity Incentive Plans above.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	70,402	$ 22.729	404,070
Equity compensation plans not approved by security holders			
Total	70,402	$ 22.729	404,070

CERTAIN TRANSACTIONS

Review and Approval of Related Party Transactions

As set forth in the Audit Committee charter, the members of the Audit Committee, all of whom are independent directors, review and approve related party transactions for which such approval is required under applicable law, including SEC and Nasdaq rules. In the course of its review and approval or ratification of a disclosable related party transaction, the Audit Committee may consider:

- the nature of the related person s interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and
- any other matters the Audit Committee deems appropriate.

Related Party Transactions

Relationships with Edgar A. Zurcher: Mr. Zurcher has been a director of the Company since October 15, 2009 and also served as a director of the Company from November 2000 to February 2008. Mr. Zurcher is a director of a company that owns 40% of Payless ShoeSource Holdings, Ltd., which rents retail space from the Company. The Company recorded approximately $1.3 million in rental income for this space during the fiscal year ended August 31, 2011. Additionally, Mr. Zurcher is a director of Molinos de Costa Rica Pasta, from which PriceSmart purchases pasta and other products. PriceSmart paid approximately $313,000 for products purchased from this entity during the fiscal year ended August 31, 2011. Also, Mr. Zurcher is a director of Roma S.A. dba Roma Prince S.A. PriceSmart purchased products from this entity for approximately $1.7 million for the fiscal year ended August 31, 2011.

Relationships with Gonzalo Barrutieta: Gonzalo Barrutieta has been a director of the Company since February 2008. Mr. Barrutieta is a member of the Board of Directors of Office Depot Mexico, which operates Office Depot Panama, which rents retail space from the Company. The Company recorded approximately $246,000 in rental income and maintenance charges for this space during the fiscal year ended August 31, 2011. Additionally, the Company sold to Office Depot Panama approximately 2,600 square meters of undeveloped land, located adjacent to the Panama, Via Brasil PriceSmart location, for approximately $2.1 million during the fiscal year ended August 31, 2011. Also during the fiscal year ended August 31, 2011 the Company s joint venture Golf Park Plaza, S.A. (GPP) and Office Depot Panama entered into a 30 year lease, with an option to buy, approximately 2,400 square meters of land, as to which Office Depot Panama: (i) made an initial rental pre-payment to GPP in the sum of approximately $545,000 at the time of signing the lease agreement; (ii) will pay an additional sum of approximately $436,000 in prepaid rent at the time the building is completed and opened to the public or 365 days from execution of the contract, whichever occurs first; (iii) will pay monthly rent of $1,000 per month starting 365 days from execution of the contract or at the time the building is complete and open to the public, whichever occurs first; and (iv) would pay an additional balance due of approximately $109,000 less any rental payments previously applied on the lease of the land if and when Office Depot exercises its option to purchase the land.

Relationships with Mitchell G. Lynn: Mr. Lynn has been a director of the Company since November 2011. Mr. Lynn is a founder, owner, General Partner and Chief Executive Officer of CRI 2000, LP, dba Combined Resources International (CRI), which designs, develops and manufactures consumer products for international wholesale distribution. Mr. Lynn is also a founder and continuing Managing Member of Early Learning

Resources, LLC, dba ECR4Kids (ECR) which designs, manufactures and sells educational/children s products to wholesale dealers. CRI and ECR sold merchandise to the Company, for which the Company paid a combined total of approximately $275,000 during the fiscal year ended August 31, 2011.

The Company believes that each of the related party transactions described above were consummated on terms comparable to those that the Company could have obtained in arms-length transactions with unaffiliated third parties.

GENERAL

Independent Registered Public Accounting Firm

The Audit Committee of the Company s Board has selected Ernst & Young LLP to serve as the Company s independent registered public accounting firm for the 2012 fiscal year, subject to the Company and Ernst & Young LLP agreeing on a mutually acceptable engagement letter. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. Such representatives will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Audit and non-audit fees. The aggregate fees billed to us by Ernst & Young LLP, the Company s independent registered public accounting firm, for the indicated services for each of the last two fiscal years were as follows (in thousands):

	2011	2010
Audit Fees[1]	$ 1,969	$ 1,923
Audit-Related Fees[2]	36	36
Tax Fees[3]	15	18
All Other Fees	7	2
Total	$ 2,027	$ 1,979

(1) Audit Fees consist of fees for professional services performed by Ernst & Young LLP for the audit of the Company s annual financial statements and review of quarterly financial statements.

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

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

Audit Committee Policy Regarding Pre-Approval of Audit and Permissible Non-Audit Services of Our Independent Registered Public Accounting Firm

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

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, directors, officers and beneficial owners of 10% or more of the Company s Common Stock, or reporting persons, are required to report to the SEC on a timely basis the initiation of their status as a reporting person and any changes with respect to their beneficial ownership of the Common Stock. Based solely on our review of such forms received by the Company and the written representations of the reporting persons, the Company has determined that no reporting persons known to the Company were delinquent with respect to their reporting obligations as set forth in Section 16(a) of the Exchange Act, other than Mr. Drachman who did not timely report the sale of 8,600 shares of PriceSmart Common Stock and Ms. Hensley and Mr. Krause who each did not timely report the exercise of 1,000 options to acquire Common Stock.

Stockholder Proposals

A proposal to be considered for inclusion in the Company s proxy statement for the next annual meeting must be received by the Secretary of the Company not later than August 8, 2012 to be considered for inclusion in the Company s proxy statement and form of proxy relating to that meeting. A stockholder proposal submitted after October 22, 2012 will not be considered timely. Holders of proxies which expressly confer discretionary authority may vote for or against an untimely proposal.

Annual Report

The Annual Report of the Company for the fiscal year ended August 31, 2011 will be mailed to stockholders of record on or about, December 6, 2011. The Annual Report does not constitute, and should not be considered, a part of this Proxy solicitation material.

If any person who was a beneficial owner of Common Stock of the Company on the record date for the Annual Meeting of Stockholders desires additional information, a copy of the Company s Annual Report on Form 10-K will be furnished without charge upon receipt of a written request identifying the person so requesting a report as a stockholder of the Company at such date. Requests should be directed to PriceSmart, Inc., 9740 Scranton Road, San Diego, California 92121, Attention: Secretary.

Householding of Proxy Materials

If you share an address with another stockholder, you may receive only one set of proxy materials unless you have provided contrary instructions. The rules promulgated by the SEC permit companies, brokers, banks or other intermediaries to deliver a single copy of a proxy statement and annual report to households at which two or more stockholders reside. This practice, known as householding, is designed to reduce duplicate mailings, save significant printing and postage costs, and conserve natural resources. Stockholders will receive only one copy of our proxy statement and annual report if they share an address with another stockholder, have been previously notified of householding by their broker, bank or other intermediary, and have consented to householding, either affirmatively or implicitly by not objecting to householding. If you would like to opt out of this practice for future mailings, and receive separate annual reports and proxy statements for each stockholder sharing the same address, please contact your broker, bank or other intermediary. You may also obtain a separate annual report or proxy statement without charge by sending a written request to PriceSmart, Inc., 9740 Scranton Road, San Diego, California 92121, Attention: Secretary or call Investor Relations at (858) 404-8800. We will promptly send additional copies of the annual report or proxy statement upon receipt of such request.

Other Matters

The Board does not know of any matter to be presented at the Annual Meeting which is not listed on the Notice of Annual Meeting and discussed above. If other matters should properly come before the meeting, however, the persons named in the accompanying Proxy will vote all Proxies in accordance with their best judgment.

ALL STOCKHOLDERS ARE URGED TO COMPLETE, SIGN AND RETURN

THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE.

By Order of the Board of Directors

Robert M. Gans

Secretary

Dated: December 6, 2011