FIRST CASH FINANCIAL SERVICES INC
Form DEF 14A
April 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-12

First Cash Financial Services, 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):

ý No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:
(4) Date Filed:

First Cash Financial Services, Inc.
690 East Lamar Boulevard, Suite 400
Arlington, Texas 76011

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 7, 2016

To Our Stockholders:

We cordially invite you to attend the Annual Meeting of Stockholders of First Cash Financial Services, Inc. (the "Company"). Our 2016 Annual Meeting will be held at the Company's corporate offices located at 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011 at 10:00 a.m. CDT on Tuesday, June 7, 2016, for the following purposes:

1. To elect Amb. Jorge Montaño as a director of the Company;

2. To ratify the selection of Hein & Associates LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2016;

3. To consider an advisory vote to approve the compensation of the Company's named executive officers; and

4. To transact such other business as may properly come before the meeting.

You should read with care the attached Proxy Statement, which contains detailed information about these proposals. As in previous years, the Company will furnish proxy materials to its stockholders primarily through the Internet. The Company will mail a Notice of Internet Availability of Proxy Materials ("Notice") to most of its stockholders, which will contain instructions on how to access proxy materials on the Internet and vote. The Notice will also describe how to request a paper copy of proxy materials or electronic delivery of materials via e-mail, free of charge. Stockholders who have previously elected delivery of the Company's proxy materials electronically will receive an e-mail with instructions on how to access these materials electronically. Stockholders who have previously elected to receive a paper copy of the Company's proxy materials will receive a full paper set of these materials by mail.

Common stockholders of record at the close of business on April 11, 2016 will be entitled to notice of and to vote at the meeting.

Your vote is important, and accordingly, we urge you to complete the on-line voting procedures as described on the proxy card or you can sign, date and return the proxy card in the enclosed postage-paid envelope. The fact that you have voted on-line or returned your proxy in advance will in no way affect your right to vote in person should you attend the meeting. However, by signing and returning the proxy, you have assured representation of your shares at the Annual Meeting of Stockholders.

We hope that you will be able to join us on June 7.

	Very truly yours,
Arlington, Texas	Rick L. Wessel
April 28, 2016	Chairman of the Board, Chief Executive Officer and President

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First Cash Financial Services, Inc.
690 East Lamar Boulevard, Suite 400
Arlington, Texas 76011

PROXY STATEMENT
for
Annual Meeting of Stockholders

GENERAL INFORMATION

This Proxy Statement is being furnished to stockholders in connection with the solicitation of proxies by the Board of Directors ("Board of Directors") of First Cash Financial Services, Inc., a Delaware corporation (the "Company"), for use at the 2016 Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the Company's corporate offices located at 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011 at 10:00 a.m. CDT, on Tuesday, June 7, 2016, and at any adjournments thereof, for the purpose of considering and voting upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders. The Company is mailing a printed copy of this Proxy Statement, a proxy card and the 2015 Annual Report of the Company to certain of its registered stockholders who have not consented to electronic delivery of their proxy materials on or about April 28, 2016, and a Notice of Internet Availability to all other stockholders beginning May 2, 2016.

The close of business on April 11, 2016 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. As of the record date, there were 28,243,229 shares of the Company's common stock, par value $.01 per share ("Common Stock"), issued and outstanding. The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock on the record date is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted as present for the purposes of determining the presence of a quorum. A broker non-vote occurs when a bank, broker or other nominee who holds shares for another person returns a proxy but does not vote on a particular item, usually because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

Each share of Common Stock is entitled to one vote on all questions requiring a stockholder vote at the Annual Meeting. The votes required to act on each proposal at the Annual Meeting are summarized below.

Item 1 Election of Director. A plurality of the votes of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the approval of the election of directors under Item 1 as set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders may not cumulate their votes in the election of directors. Abstentions and broker non-votes will not be counted as having been voted on Item 1 and will have no effect on the outcome of the vote.

Item 2 Ratification of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the ratification of the selection of the Company's independent public accountants under Item 2 as set forth in the accompanying Notice of Annual Meeting of Stockholders. The ratification of the selection of Hein & Associates LLP as the Company's independent public accountants for the year ending December 31, 2016 is a discretionary matter and brokers will be permitted to vote uninstructed shares as to such matter. Broker non-votes are not considered entitled to vote on this proposal and, therefore, have no effect on the outcome of the vote on the proposal. Abstentions will have the same effect as votes against Item 2.

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Item 3 Advisory Vote on Executive Compensation. The non-binding resolution to approve the compensation of the Company's named executive officers will be approved if a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting vote in favor of the proposal. Broker non-votes are not considered entitled to vote on this proposal and, therefore, have no effect on the outcome of the vote on the proposal. Abstentions will have the same effect as votes against Item 3.

Stockholder Proposals. If any stockholder proposal is properly presented at the Annual Meeting, the stockholder proposal will be approved if it receives the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting. Broker non-votes will not be counted as having been voted on such a proposal, and will have no effect on the outcome of the vote on the proposal. Abstentions will have the same effect as votes against any stockholder proposal.

If you are a stockholder of record, you may vote in person at the Annual Meeting, or by proxy without attending the Annual Meeting. You may vote by mail by signing, dating and returning your proxy card in the enclosed prepaid envelope. You may also vote over the Internet or by telephone. The proxy card the Company mails you will instruct you on how to vote over the Internet or by telephone. If you hold your shares in an account through a broker or other nominee in "street name," you should complete, sign and date the voting instruction card that your broker or nominee provides to you or as your broker or nominee otherwise instructs.

All shares represented by properly executed proxies, unless such proxies previously have been revoked, will be voted at the Annual Meeting in accordance with the directions on the proxies. If no direction is indicated, the shares will be voted to: (i) ELECT AMB. JORGE MONTAÑO AS DIRECTOR; (ii) RATIFY THE SELECTION OF HEIN & ASSOCIATES LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2016; (iii) APPROVE THE ADVISORY PROPOSAL ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS; AND (iv) TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING. The enclosed proxy, even though executed and returned, may be revoked at any time prior to the voting of the proxy (a) by the execution and submission of a revised proxy, (b) by written notice to the Secretary of the Company or (c) by voting in person at the Annual Meeting.

ANNUAL REPORT

The Annual Report on Form 10-K, covering the Company's fiscal year ended December 31, 2015, including audited financial statements, is enclosed herewith. The Annual Report on Form 10-K does not form any part of the material for solicitation of proxies.

The Company's website can be accessed at www.firstcash.com, where a link to the Annual Report on Form 10-K is available on the Investor Relations page of the website (www.firstcash.com/investors). The Company will provide, without charge, a printed copy of its Annual Report on Form 10-K upon written request to R. Douglas Orr, Chief Financial Officer, at 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011. The Company will provide exhibits to its Annual Report on Form 10-K, upon payment of the reasonable expenses incurred by the Company in furnishing such exhibits.

ITEM 1

TO ELECT ONE DIRECTOR

The Bylaws of the Company provide that the Board of Directors will determine the number of directors, but shall consist of at least one director and no more than 15 directors, however, the NASDAQ stock exchange requires at least three independent directors make up the Board of Directors. The stockholders of the Company elect the directors. At each annual meeting of the stockholders of the Company, successors of the class of directors whose term expires at the annual meeting will be elected for a three-year term. Any director elected to fill a vacancy or newly created directorship resulting from an increase in the authorized number of directors shall hold office for a term that shall coincide with the remaining term of that class. In no case will a decrease in the number of directors shorten the term of any incumbent director. Any vacancy on the Board of Directors, howsoever resulting, may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. The stockholders will elect one director for the coming year; the nominee, who does not presently serve as a director of the Company, will be appointed for a term of three years.

Unless otherwise instructed or unless authority to vote is withheld, the enclosed proxy will be voted for the election of the nominee listed herein. Although the Board of Directors does not contemplate that the nominee will be unable to serve, if such a situation arises prior to the Annual Meeting, the person named in the enclosed proxy will vote for the election of such other person as may be nominated by the Board of Directors.

The Board of Directors of the Company currently consists of four directors divided into three classes. At each annual meeting of stockholders, one class is elected to hold office for a term of three years. Directors serving until the earlier of (i) resignation or (ii) expiration of their terms at the annual meeting of stockholders in the years indicated as follows: 2016 - Mr. Gabriel Guerra Castellanos; 2017 - Messrs. Mikel D. Faulkner and Randel G. Owen; and 2018 - Mr. Rick L. Wessel.

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Mr. Guerra, whose term expires on the date of the Annual Meeting on June 7, 2016, is not standing for re-election and will leave the Board effective with the expiration of his current term. The Nominating and Corporate Governance Committee has nominated the following individual to stand for election as a director at the Annual Meeting of Stockholders:

Ambassador Jorge Montaño, age 70, is a native and resident of Mexico, where he has served in a variety of senior diplomatic positions and business consulting roles. In his diplomatic career, he most recently served as the Permanent Representative of Mexico to the United Nations from July 2013 until January 2016. Mr. Montaño was Ambassador to the United States from 1993 to 1995, and had a previous posting as Permanent Representative of Mexico to the United Nations from 1989 to 1992. Between 1982 and 1988, he was Senior Director of Multilateral Affairs in the Ministry of Foreign Affairs. He previously served as Director General for United Nations Specialized Organizations from 1979, the year in which he joined the Foreign Service, until 1982. Amb. Montaño currently serves as partner in a Mexico-based public relations and communications firm, Guerra Castellanos y Asociados. From 1996 to 2013, he was President of Asesoria y Analisis, a Mexico-based consulting and lobbying firm. In addition, he has served as a professor of International Organizations at the Instituto Tecnológico Autónoma de México from 1996 to 2013. A founder of the Spanish-language edition of Foreign Affairs and of the Mexican Council on International Affairs, Mr. Montaño is an author and regular contributor to Mexican newspapers, such as La Jornada, Reforma, El Universal and El Pais. He earned a bachelor’s degree in law and political science from the National Autonomous University of Mexico, as well as a master’s degree and a doctorate in political science from the London School of Economics. Amb. Montaño previously served as a director of the Company from June 2010 to July 2013. The Company believes that Amb. Montaño is qualified to serve as a director of the Company based on his educational background and experience regarding business, political and governmental affairs in the country of Mexico, his prior service as a director of the Company and his extensive knowledge and experience of the Company’s business.

Directors Not Standing For Election

Rick L. Wessel, age 57, has served as chairman of the board of directors of the Company since October 2010, as chief executive officer (“CEO”) since November 2006, as president since May 1998 and has been a director since November 1992. He previously served as vice chairman of the board from November 2004 to October 2010 and secretary and treasurer of the Company from May 1992 to November 2006 and the Company’s chief financial officer (“CFO”) from May 1992 to December 2002. Prior to February 1992, Mr. Wessel was employed by Price Waterhouse LLP for approximately nine years. The Company believes that Mr. Wessel is qualified to serve as a director of the Company based on his experience as the CEO of the Company, his prior service as CFO of the Company and his extensive knowledge and experience of the Company’s business.

Mikel D. Faulkner, age 66, was appointed to the Board of Directors in 2009. He has served as chief executive officer of HKN, Inc. (OTCQB: HKNI) since 1982 and president of HKN since 2003. HKN, Inc., formerly Harken Energy Corporation, is an independent energy company. Since 2002, Mr. Faulkner has also served as chairman of the board of directors of Global Energy Development PLC, a quoted company on the London Stock Exchange (AIM). The Company believes that Mr. Faulkner is qualified to serve as a director of the Company based on his experience as a chief executive officer and board member for publicly-held, multi-national corporations.

Randel G. Owen, age 57, was appointed to the Board of Directors in 2009. Mr. Owen has served as the chief financial officer and executive vice president of Envision Healthcare Holdings, Inc. (NYSE: EVHC) since May 2011 and the chief operating officer since September 2012. He served as chief financial officer since February 2005 and as executive vice president since December 2005 of EVHC and held other senior executive and financial positions with its predecessor companies since 2001. The Company believes that Mr. Owen is qualified to serve as a director of the Company based on his experience as the principal financial and accounting officer for a publicly-held corporation.

There are no family relationships between any director or executive officers, or between any director and executive officer.

Required Vote

Proxies will be voted for the election of Amb. Montaño as director of the Company unless otherwise specified in the proxy. A plurality of the votes cast by the holders of shares of Common Stock present in person or represented by proxy at the Annual Meeting will be necessary to elect the nominee as a director. If, for any reason, any nominee is unable or unwilling to serve, the proxies will be voted for a substitute nominee who will be designated by the Board of Directors at the Annual Meeting. Stockholders may abstain from voting by marking the appropriate boxes on the accompanying proxy. Abstentions will be counted separately and used for purposes of calculating whether a quorum is present at the Annual Meeting. The Company has adopted a voting policy for non-contested director elections, which is described below in the "Corporate Governance and Board Matters" section.

Recommendation of the Board of Directors

The Nominating and Corporate Governance Committee of the Board and the entire Board of Directors unanimously recommend a vote "FOR" the election of Amb. Jorge Montaño as a director of the Company.

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CORPORATE GOVERNANCE AND BOARD MATTERS

Board of Directors, Committees and Meetings

The Board of Directors held four meetings during the year ended December 31, 2015. Messrs. Wessel, Faulkner, Owen and Guerra each attended, either telephonically or in person, all of the meetings of the Board of Directors during the year ended December 31, 2015. Members of the Board of Directors are encouraged to attend the Company's annual meeting; however, attendance is not mandatory. Mr. Wessel attended last year's Annual Meeting.

During 2015, the Audit, Compensation and Nominating and Corporate Governance Committees each consisted of Mr. Faulkner, Mr. Owen and Mr. Guerra. The Audit Committee held four meetings during the year ended December 31, 2015, the Compensation Committee held three meetings during the year ended December 31, 2015, and the Nominating and Corporate Governance Committee held one meeting during the year ended December 31, 2015.

Audit Committee. The Audit Committee is responsible for the oversight of the Company's accounting and financial reporting processes. This includes the selection and engagement of the Company's independent registered public accounting firm and review of the scope of the annual audit, audit fees and results of the audit. The Audit Committee reviews and discusses with management and the Board of Directors such matters as accounting policies, internal accounting controls, procedures for preparation of financial statements and other financial disclosures, scope of the audit, the audit plan and the independence of such accountants. In addition, the Audit Committee has oversight over the Company's internal audit function. The Board of Directors has determined that Messrs. Faulkner and Owen are Audit Committee financial experts as defined by Item 401(h) of Regulation S-K promulgated under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended ("Exchange Act"), and each member of the Audit Committee is independent under the listing standards of the NASDAQ stock exchange. The Board of Directors has adopted a charter for the Audit Committee which is available to stockholders as described below.

Compensation Committee. The Compensation Committee is responsible for reviewing and approving corporate goals and objectives relevant to the compensation of the Company's CEO, evaluating the CEO's performance in light of those goals and objectives, and recommending to the Board of Directors for approval the CEO's compensation. The Committee is also responsible for recommending to the Board of Directors for approval the compensation of all other executive officers of the Company. In addition, the Compensation Committee oversees and approves grants and awards under the Company's equity-based plans, incentive compensation plans and tax-qualified employee benefit plans, and approves severance and other termination payments to executive officers.

The Board of Directors has adopted a charter for the Compensation Committee which is available to stockholders as described below. Pursuant to its charter, the Compensation Committee may delegate all or a portion of its duties and responsibilities to one or more subcommittees consisting of one or more of its members. For more information regarding the Compensation Committee's process and procedures for consideration of executive compensation, see "Compensation Discussion and Analysis."

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board of Directors concerning the governance structure and practices of the Company, including the size of the Board of Directors and the size and composition of various committees of the Board of Directors. In addition, the Nominating and Corporate Governance Committee is responsible for identifying individuals believed to be qualified to become directors, and to recommend to the Board of Directors the nominees to stand for election as directors at the Annual Meeting of Stockholders. The Board of Directors has adopted a charter for the Nominating and Corporate Governance Committee which is available to stockholders as described below.

Each of the Company's committee charters is publicly available and can be accessed on the Company's website at www.firstcash.com. Copies of the Company's committee charters are also available, free of charge, by submitting a written request to First Cash Financial Services, Inc., Investor Relations, 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011.

Directors' Fees

For the year ended December 31, 2015, the independent directors received compensation for service as a director and attending the meetings of the Board of Directors and committee meetings. In addition, the directors were reimbursed for their reasonable expenses incurred for each Board of Directors and committee meetings attended. See "Compensation of Directors" for a summary of the fees paid to the independent directors.

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Code of Ethics

The Company has adopted a Code of Ethics that applies to all of its directors, officers, and key employees. The Company intends to disclose future amendments to, or waivers from, provisions of its Code of Ethics on its website in accordance with applicable NASDAQ and the Securities and Exchange Commission ("SEC") requirements. The Code of Ethics is publicly available and can be accessed on the Company's website at www.firstcash.com. Copies of the Company's Code of Ethics are also available, free of charge, by submitting a written request to First Cash Financial Services, Inc., Investor Relations, 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011.

Director Election (Majority Voting) Policy

The Company has adopted a Director Election (Majority Voting) Policy. Pursuant to this policy, in an uncontested election of directors (that is, an election where the number of nominees is equal to the number of seats open) any nominee for director who receives a greater number of "WITHHOLD" votes than "FOR" votes for his election must promptly submit an offer of resignation to the Nominating and Corporate Governance Committee following the certification of the stockholder vote for consideration in accordance with the following procedures.

The Nominating and Governance Committee will consider any tendered resignation and, promptly following the date of the stockholders' meeting at which the election occurred, will make a recommendation to the Board of Directors concerning the acceptance or rejection of such resignation. In determining its recommendation to the Board of Directors, the Nominating and Governance Committee will consider all factors deemed relevant by the members of the Nominating and Governance Committee including, without limitation, the stated reason or reasons why stockholders who cast "withhold" votes for the director did so, the qualifications of the director (including, for example, the impact the director's resignation would have on the Company's compliance with the requirements of the SEC and the rules of the NASDAQ), and whether the director's resignation from the Board of Directors would be in the best interests of the Company and its stockholders.

The Nominating and Governance Committee also will consider a range of possible alternatives concerning the director's tendered resignation as members of the committee deem appropriate including, without limitation, acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Nominating and Governance Committee to have substantially resulted in the "withheld" votes.

Director Independence

The Board of Directors has determined that, with the exception of Mr. Wessel, CEO and president of the Company, all of its directors, including all of the members of the Audit, Compensation, and Nominating and Corporate Governance Committees, are "independent" as defined by NASDAQ and the SEC and for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). No director is deemed independent unless the Board of Directors affirmatively determines that the director has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making its determination, the Board of Directors observes all criteria for independence established by the rules of the SEC and NASDAQ.

Oversight of Risk Management

The Board of Directors is responsible for overseeing and monitoring the material risks facing the Company. In its oversight role, the Board of Directors regularly reviews the Company's strategic initiatives, which address, among other things, the risks and opportunities facing the Company. The Board of Directors also has overall responsibility for executive officer succession planning and reviews succession plans from time to time. The Board of Directors has delegated certain risk management oversight responsibility to its committees. As part of its responsibilities set forth in its charter, the Audit Committee is responsible for discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company's risk assessment and risk management policies.

The Compensation Committee reviews the risks and rewards associated with the Company's compensation programs. The Compensation Committee designs compensation programs with features that mitigate risk without diminishing the incentive nature of the compensation. While these performance-based compensation and equity programs have been designed and administered in a manner that discourages undue risk-taking by employees, the Compensation Committee believes these programs create appropriate incentives to increase long-term stockholder value. The Compensation Committee has discussed the concept of risk as it relates to the compensation programs and the Compensation Committee does not believe the compensation programs encourage excessive or inappropriate risk taking for the following reasons:

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The Company structures its pay to consist of both fixed and variable compensation. The fixed portion of compensation (salary) is designed to provide a steady income independent of the Company's stock price performance so that executives do not feel pressured to focus exclusively on short-term stock price performance to the long-term detriment of other important business decisions and metrics and are not encouraged to take unnecessary or excessive risks to achieve corporate objectives. The variable portions of compensation (incentive-based cash awards and equity awards) are designed to reward both short- and long-term corporate performance. For short-term performance, the Company utilizes annual incentive-based cash awards that are based primarily on achieving a combination of earnings per share, EBITDA and annual store addition targets set by the Compensation Committee and approved by the Board of Directors. The Company defines EBITDA from continuing operations as net income (loss) before income (loss) from discontinued operations net of tax, income taxes, depreciation and amortization, interest expense and interest income. For long-term performance, the Company grants restricted stock awards with annual, multi-year vesting periods tied to the achievement of long-term earnings growth targets. The growth targets are set against a base measure at the grant date and are cumulative targets, rather than stand-alone year over year growth targets, making them truly long-term in nature. The Company believes that these variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce both superior short- and long-term corporate results.

- Because earnings targets such as EBITDA from continuing operations and earnings per share are the primary performance measures for determining incentive payments, the Company believes its executives are encouraged to take a balanced approach that focuses on corporate profitability, rather than other measures which may incite management to drive sales or growth targets without regard to cost structure.
- The Company typically caps cash payments for most goals under its annual incentive plan, which the Company believes also mitigates excessive risk taking. Even if the Company dramatically exceeds its targets, bonus payouts are generally limited by such caps. Conversely, the Company has a floor on earnings and growth targets so that performance below a certain level (as approved by the Compensation Committee) does not permit bonus payouts.
- The Company's incentive compensation programs have been structured primarily around the attainment of earnings targets for many years and the Company has seen no evidence that it encourages unnecessary or excessive risk taking.
- The Company believes that use of distinct long-term incentive plans, primarily restricted stock awards, with performance-based vesting over a number of years, provides a strong incentive for sustained operational and financial performance and aligns the interests of our named executive officers with those of our stockholders.
- The Compensation Committee has discretion to adjust payouts under both the annual and long-term performance plans to reflect the core operating performance of the business, but prohibits discretion for payouts above stated maximum awards.

Board Leadership Structure

The Board of Directors recognizes that the leadership structure and combination or separation of the CEO and chairman roles is driven by the needs of the Company at any point in time. The Board of Directors does not believe there should be a fixed rule as to whether the offices of chairman and CEO should be vested in the same person or two different people, or whether the chairman should be an employee of the Company or should be elected from among the non-employee directors. The needs of the Company and the individuals available to fulfill these roles may dictate different outcomes at different times, and the Board of Directors believes that retaining flexibility in these decisions is in the best interest of the Company and its stockholders.

The Board of Directors has determined that the Company and its stockholders are currently best served by having one person serve as both chairman and CEO, as it allows for a bridge between the Board of Directors and management and provides critical leadership for carrying out the Company's strategic initiatives and confronting its challenges. Mr. Wessel's service as chairman facilitates the Board of Directors' decision-making process because Mr. Wessel has first-hand knowledge of the Company's operations and the major issues facing the Company, and he chairs the Board meetings where the Board of Directors discusses strategic and business issues. Mr. Wessel is the only member of executive management who is also a director. The Board of Directors does not have a lead independent director.

Director Qualifications

In discharging its responsibilities to nominate candidates for election to the Board of Directors, the Nominating and Corporate Governance Committee has not specified any minimum qualifications for serving on the Board of Directors. However, the Nominating and Corporate Governance Committee endeavors to evaluate, propose and approve candidates, including those recommended by stockholders, with business experience and personal skills in finance, marketing, financial reporting and other areas that may be expected to contribute to an effective Board of Directors. The Nominating and Corporate Governance Committee seeks to assure that the Board of Directors is composed of individuals who have experience relevant to the needs of the Company and who have the highest professional and personal ethics, consistent with the Company’s values and standards. Candidates should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Each director must represent the interests of all stockholders.

Although there is no specific policy on considering diversity, the Board of Directors and the Nominating and Corporate Governance Committee take various diversity-related considerations into account in the selection criteria for new directors. The Nominating and Corporate Governance Committee seeks members from diverse professional backgrounds to combine a broad spectrum of experience and expertise with a reputation for integrity. Some additional considerations may include national origin, gender, race, functional background and the diversity of perspectives that the candidate would bring to the Board of Directors.

Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee will utilize a variety of methods for identifying and evaluating nominees for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board of Directors, professional search firms, stockholders or other persons. These candidates will be evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. The Nominating and Corporate Governance Committee will also consider properly submitted stockholder nominations for candidates for the Board of Directors. The procedures to be followed by stockholders in submitting such nominations are set forth in the "Stockholder Proposals" section. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating and Corporate Governance Committee. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee may also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder.

Procedure for Stockholder Communications with Directors

The Board of Directors has established a procedure for stockholders to send communications to the Board of Directors. Stockholders may communicate with the Board of Directors generally or with a specific director at any time by writing to the Company's Corporate Secretary at the Company's address, 690 East Lamar Boulevard, Suite 400, Arlington, Texas 76011. The Secretary will review all messages received and will forward any message that reasonably appears to be a communication from a stockholder about a matter of stockholder interest that is intended for communication to the Board of Directors. Communications will be sent as soon as practicable to the director to whom they are addressed, or if addressed to the Board of Directors generally, to the chairman of the Nominating and Corporate Governance Committee. Because other appropriate avenues of communication exist for matters that are not of stockholder interest, such as general business complaints or employee grievances, communications that do not relate to matters of stockholder interest will not be forwarded to the Board of Directors. The Corporate Secretary has the option, but not the obligation, to forward these other communications to appropriate channels within the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of April 11, 2016, the number and percentage of outstanding shares of Common Stock owned by: (a) each person who is known by the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock; (b) each of the Company's directors or director nominees; (c) the named executive officers as defined in Item 402 of Regulation S-K; and (d) all directors and executive officers, as a group. As of April 11, 2016, there were 28,243,229 shares of Common Stock issued and outstanding.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares is deemed to include the amount of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person’s actual voting power at any particular date.

To the best of the Company’s knowledge, 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 investment power with respect to all shares of Common Stock shown as beneficially owned by them.

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Name		Shares Beneficially Owned Number	Percent
Genesis Asset Managers, LLP	(1)	2,708,766	9.59 %
BlackRock Inc.	(2)	2,663,443	9.43
The Vanguard Group	(3)	2,027,879	7.18
William Blair Investment Management, LLC	(4)	1,511,369	5.35
Vaughn Nelson Investment Management, L.P.	(5)	1,476,983	5.23
GIC Private Limited	(6)	1,443,605	5.08
Officers and Directors:			
Rick L. Wessel		884,700	3.13
R. Douglas Orr		171,000	0.61
Raul R. Ramos		4,731	*
Sean D. Moore		2,430	*
Peter H. Watson		650	*
Mikel D. Faulkner		—	—
Gabriel Guerra Castellanos		—	—
Randel G. Owen		—	—
Executive officers and directors as a group (8 persons, including the nominee for director)		1,063,511	3.77 %

* Ownership percentage is less than 0.5%

(1) According to current publicly available shareholder reporting services obtained on April, 18, 2016, Genesis Asset Managers, LLP beneficially owns 2,708,766 shares. Genesis Asset Managers, LLP's address is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, Channel Islands, X0, GY1 4HY, UK

(2) According to Schedule 13G filed with the SEC on January 26, 2016, BlackRock Inc. beneficially owns 2,663,443 shares. BlackRock Inc.'s address is 55 East 52nd Street, New York, NY 10055.

(3) According to Schedule 13G filed with the SEC on February 10, 2016, The Vanguard Group beneficially owns 2,027,879 shares. The Vanguard Group's address is 100 Vanguard Blvd., Malvern, PA 19355.

(4) According to Schedule 13G filed with the SEC on February 9, 2016, The William Blair Investment Management, LLC beneficially owns 1,511,369 shares. The William Blair Investment Management, LLC's address is 238 W. Adams Street, Chicago, IL 60606.

(5) According to Schedule 13G filed with the SEC on February 11, 2016, The Vaughan Nelson Investment Management, L.P. beneficially owns 1,476,983 shares. The Vaughan Nelson Investment Management, L.P.'s address is 600 Travis Street, Suite 6300, Houston, TX 77002.

(6) According to Schedule 13G filed with the SEC on March 7, 2016, GIC Private Limited beneficially owns 1,433,605 shares. GIC Private Limited's address is 168, Robinson Road, #37-01, Capital Tower, Singapore 068912.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on the reports furnished pursuant to Section 16a-3(e) of the Exchange Act and representations made to the Company, all reports as required under Section 16(a) of the Exchange Act were filed on a timely basis during the year ending December 31, 2015.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2015, Messrs. Faulkner, Owen and Guerra served as members of the Compensation Committee, were not and have never been employed by the Company, and did not have any interlocking relationship with another entity requiring disclosure pursuant to SEC rules.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

During the fiscal year ended December 31, 2015, the Company had an informal policy for the review of transactions in which the Company was a participant, and in which any of the Company's directors or executive officers, or their immediate family members, had a direct or indirect material interest. While the Company does not have a written policy, pursuant to the Audit Committee Charter, the Audit Committee reviews proposed related party transactions and makes recommendations to the Board of Directors regarding approval or rejection of related party transactions. The Board of Directors reviews the recommendation of the Audit Committee and then approves all related party transactions prior to the Company entering into the transaction. Any such related party transaction is evaluated to determine whether such transaction is for the benefit of the Company and upon terms no less favorable to the Company than if the related party transaction was with an unrelated party. The Company had no transactions, nor are there any currently proposed transactions, in which the Company was or is to be a participant where any director, executive officer or any of their immediate family members had a material direct or indirect interest reportable under applicable SEC rules or that required approval of the Board of Directors under the Company's informal related party transaction policy.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board of Directors. All members of the Audit Committee meet the independence standards and other criteria established by NASDAQ.

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee management's implementation of the Company's financial reporting process. Management is responsible for the audited financial statements of the Company and for maintaining effective internal control over financial reporting. In discharging its oversight role, the Audit Committee reviewed and discussed with management and Hein & Associates LLP, the Company's independent registered public accounting firm, the audited financial statements of the Company as of and for the year ended December 31, 2015. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America. The Audit Committee has also reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting as well as the independent auditor's report on the effectiveness of the Company's internal control over financial reporting. Management's Report on Internal Control over Financial Reporting is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The Audit Committee met privately with Hein & Associates LLP, and discussed issues deemed significant by the auditor, including those required to be discussed under the applicable requirements of the Public Company Accounting Oversight Board. In addition, the Audit Committee received from Hein & Associates LLP the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding Hein and Associates, LLP's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with Hein & Associates LLP its independence from the Company and its management. The Audit Committee also considered whether the provision of non-audit services, if any, by Hein & Associates LLP was compatible with maintaining its independence.

Based upon the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements and Management's Report on Internal Control over Financial Reporting referred to above be filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

By the Audit Committee:
Mikel D. Faulkner

Randel G. Owen
Gabriel Guerra Castellanos

The Audit Committee report above does not constitute “soliciting material” and will not be deemed “filed” or incorporated by reference into any of the Company’s filings under the Securities Act or the Exchange Act except to the extent that the Company specifically incorporates it by reference therein.

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ITEM 2

RATIFY THE SELECTION OF HEIN & ASSOCIATES LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2016

The Audit Committee selected Hein & Associates LLP ("Hein & Associates") as independent accountants to audit the books, records and accounts of the Company for the year ending December 31, 2016. The Board of Directors has endorsed this appointment.

Hein & Associates was first engaged in March 2004 as the Company's principal accountant. The firm has served as the independent accountant to the Company and has audited the Company's consolidated financial statements for the 12 most recent years ended December 31, 2015.

Principal Accountant Fees and Services

Aggregate fees for professional services rendered for the Company by Hein & Associates for the years ended December 31, 2015 and 2014, respectively, were as follows:

	2015	2014
Services Provided:		
Audit	$292,192	$283,630
Audit related	—	76,640
Tax	—	—
All other	—	—
Total	$292,192	$360,270

The audit fees for the years ended December 31, 2015 and 2014 were for the audits of the consolidated financial statements of the Company, internal control auditing and reporting as required by Section 404 of the Sarbanes Oxley Act of 2002, issuance of consents, and review of the Company's SEC filings. The audit related fees for fiscal 2014 relate primarily to the Company's March 2014 senior notes offering and subsequent SEC registration of the senior notes.

Audit Committee Pre-Approval Policies and Procedures

The 2015 and 2014 audit and audit related services provided by Hein & Associates were approved in advance by the Audit Committee.

The Audit Committee implemented pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit Committee pre-approves both the type of services to be provided by the Company's independent accountants and the estimated fees related to these services. During the approval process, the Audit Committee considers the impact of the types of services and the related fees on the independence of the auditor. The services and fees must be deemed compatible with the maintenance of the auditor's independence, including compliance with SEC rules and regulations.

Throughout the year, the Audit Committee reviews any revisions to the estimates of audit and non-audit fees initially approved.

Ratification of the Independent Registered Public Accounting Firm

Stockholder ratification of the selection of Hein & Associates as the independent registered public accounting firm is not required by the Company's bylaws or otherwise. However, the Board of Directors is submitting the selection of Hein & Associates to the stockholders for ratification. In the event the stockholders do not ratify the appointment of Hein & Associates as the independent registered public accounting firm for the year ending December 31, 2016, the adverse vote will be considered as a direction to the Audit Committee and the Board of Directors to select other auditors for the following year. However, because of the difficulty in making any substitution of auditors so long after the beginning of the fiscal year, it is contemplated that the appointment for the year ending December 31, 2016 will be permitted to stand unless the Audit Committee and the Board of Directors finds other good reason for making a change.

Representatives of Hein & Associates are expected to be present at the meeting, with the opportunity to make a statement if desired to do so. Such representatives are also expected to be available to respond to appropriate questions.

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Required Vote

The affirmative vote of the holders of a majority of the outstanding shares of Common Stock present or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the Audit Committee's selection of Hein & Associates.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote "FOR" the ratification of the appointment of Hein & Associates as the Company's independent registered public accountants for the fiscal year ending December 31, 2016. Unless marked to the contrary, proxies received from stockholders will be voted in favor of ratifying the appointment of Hein & Associates as the Company's independent registered public accountants for the fiscal year ending December 31, 2016.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about the Company's Common Stock that may be issued under stockholder-approved plans as of December 31, 2015.

	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)
Plan Category:			
Equity compensation plans approved by security holders	182,000	$ 37.34	1,088,000(1)
Equity compensation plans not approved by security holders	—	—	—
Total	182,000	$ 37.34	1,088,000

(1) Includes shares that may be issued pursuant to the grant or exercise of stock options and full-value awards.

EXECUTIVE OFFICERS

The following table lists the named executive officers of the Company as of the date hereof and the capacities in which they serve.

Name	Age	Position
Rick L. Wessel	57	Chief Executive Officer and President
R. Douglas Orr	55	Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Raul R. Ramos	50	Senior Vice President, Latin American Operations
Sean D. Moore	39	Senior Vice President, Store Development and Facilities
Peter H. Watson	67	Senior Vice President, Compliance and Government Relations

Rick L. Wessel, joined the Company in 1992 and has served as CEO since November 2006, as president since May 1998 and has been a director since November 1992 and the chairman of the board of directors since October 2010. He previously served as vice chairman of the board from November 2004 to October 2010 and secretary and treasurer of the Company from May 1992 to November 2006 and the Company’s CFO from May 1992 to December 2002. Prior to February 1992, Mr. Wessel was employed by Price Waterhouse LLP for approximately nine years.

R. Douglas Orr joined the Company in July 2002 as the vice president of finance. Since January 2003, Mr. Orr has served as CFO, and since January 2005, Mr. Orr has served as executive vice president. In addition, Mr. Orr has served as secretary and treasurer since November 2006. Prior to joining the Company, Mr. Orr spent 14 years at Ray & Berndtson, a global executive search firm, where he served in senior executive and financial management roles. Prior to his employment at Ray & Berndtson, Mr. Orr worked for four years at Price Waterhouse LLP.

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Raul R. Ramos joined the Company in 1992 to be in charge of the jewelry operations center. Mr. Ramos has served in a progression of operational management roles, including his current position of senior vice president, Latin American operations. In this role, which he has held since May 2013, Mr. Ramos directs all store operations in the Company's Latin America and South Texas markets. Prior to his employment with the Company, he worked in the pawn and retail jewelry industries.

Sean D. Moore joined the Company in 2003 in the store operations division as an area supervisor. Mr. Moore was promoted to senior vice president, store development and facilities in May 2013. In this role, Mr. Moore directs all aspects of store development, facilities management including site selection, leasing, construction, and maintenance and other store support functions. Prior to his employment with the Company, Mr. Moore served as an officer in the U.S. Marine Corps, where he achieved the rank of Captain and is a veteran of Operation Iraqi Freedom. Mr. Moore has a BBA in accounting from Baylor University.

Peter H. Watson joined the Company in May 2010 as general counsel and served in that capacity through December 2014. Since January 2015, Mr. Watson has served as senior vice president, compliance and government relations. Previously, he had an established private law practice in Minnesota for more than 30 years, where he specialized in advising clients on business opportunities in Latin America. During this time, he worked on a consulting basis for the Company on matters related to its operations in Mexico. Mr. Watson is a licensed attorney in Minnesota and Texas. He received a BA from Syracuse University in 1971 and a J.D. degree from the University of Missouri at Kansas City in 1976.

All officers serve at the discretion of the Board of Directors.

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Executive Summary

The following discussion provides an overview and analysis of the Company's compensation program and policies, the material compensation decisions it has made under those programs and policies with respect to its top executive officers in relation to the Company's performance results and the material factors that it considered in making those decisions. This discussion focuses on the compensation awarded to, earned by, and paid to the following individuals who are referred to as the "named executive officers" throughout this Proxy Statement:

- Rick L. Wessel, Chief Executive Officer and President ("CEO")
- R. Douglas Orr, EVP and Chief Financial Officer ("CFO")
- Raul R. Ramos, SVP Latin American Operations
- Sean D. Moore, SVP Store Development and Facilities
- Peter H. Watson, SVP Compliance and Government Relations

The goal for the executive compensation program is to attract, motivate and retain the highest quality executives who will provide leadership for the Company's growth and success in a dynamic and competitive market. The Company's overriding compensation philosophy is to promote a "culture of ownership" among its executives by aligning their interests with those of its stockholders. The Company's compensation program's specific objectives include:

- Linking pay to individual and Company performance, while not encouraging excessive risk-taking;
- Balancing short- and long-term Company performance with a weighting towards long-term performance; and
- Aligning executives' interests with those of stockholders through long-term ownership of Company stock.

The Company continually reviews and improves its pay practices and related disclosures to ensure that it drives superior performance and is aligned with stockholders' interests. Based on a review of feedback obtained from management's stockholder outreach efforts, as further described in the "Results of 2015 Stockholder Say on Pay Vote" section below, the Compensation Committee made several changes to the Company's compensation programs and practices to better align them with stockholder interests, including the adoption of stock ownership guidelines for executive officers and a compensation clawback policy, the elimination of automatic single-trigger acceleration for equity awards and increased transparency in the proxy reporting of performance goals for annual incentive awards, all of which are described in greater detail below.

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Performance Measurement

In assessing its performance for internal and external reporting purposes, the Company looks at certain key performance measures which include:

- Net income and diluted earnings per share from continuing operations;
- EBITDA (Earnings before net interest expense, tax expense, depreciation expense and amortization expense);
- Revenue growth;
- Store count additions from de-novo store openings and acquisitions; and
- Total shareholder return

The Company’s long-term strategy and business plans are focused on growing revenues and operating profits by opening new retail pawn locations, acquiring existing pawn stores in strategic markets and increasing operating profits in its existing stores.

Over 50% of the Company’s revenues and 73% of its stores are in Latin America, and the Company expects that a significant portion of its future growth will be derived from operations in Latin America. With a majority of its revenues coming from outside the U.S. and conducted in foreign currencies, the Company’s financial performance may be significantly impacted by the changes in the exchange rates between local currencies and the reporting currency, the U.S. dollar, which are outside of the Company’s control. Other macro factors which may impact operating results include changes in commodity prices, especially precious metals, as jewelry comprises a significant portion of pawn collateral and inventories.

As the Company continues to focus on core pawn operations, its strategy also includes reducing the percentage of revenues from non-core unsecured consumer lending products such as payday loans. Related to the strategic reductions in payday lending activities, the Company has reduced non-core revenues, including closing payday lending stores, that caused the Company to incur certain non-recurring and primarily non-cash charges related to these store closings and divestitures.

Operating Results

Revenue Growth:

The following revenue highlights of the Company’s performance are on a constant currency basis, which excludes the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Constant currency results may be considered a non-GAAP measurement of financial performance. See Appendix A for further details.

- Core pawn revenue, which is composed of retail merchandise sales and pawn service fees, increased 14% for fiscal 2015 compared to the prior-year. Total revenue for fiscal 2015 increased 8%, despite a 29% decline in total non-core revenues which include payday lending operations.
- Consolidated core same-store pawn revenue increased 3% for fiscal 2015, highlighted by 8% growth in Mexico.
- Consolidated core pawn revenues have grown at a compound annual growth rate of 21% and 23% over the past three and five year periods, respectively.

Store Growth:

- A total of 103 pawn stores were added in fiscal 2015, composed of 70 new and acquired stores in Latin America and 33 stores acquired in the U.S., which represents a 10% and 11% increase in the number of pawn stores, respectively.

- The Company made its largest and most significant acquisition in Latin America to date with a multi-step purchase of 211 pawn stores in three countries.

The acquisition of 32 stores in Guatemala was completed in December of 2015.

The acquisitions of 166 stores in Mexico and 13 stores in El Salvador were completed in January 2016 and February of 2016, respectively.

- Net store additions have grown at a compound annual growth rate of 10% over the past three years and 13% over the past five years.

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Earnings Results:

- Diluted earnings per share for the fiscal year ended December 31, 2015 totaled $2.14, which includes the impact of non-recurring and primarily non-cash restructuring expenses related to U.S. consumer loan operations of $0.21 per share and non-recurring store acquisition expenses of $0.07 per share. Excluding these expeThe Company recognizes stock based compensation expense on a straight-line basis over the vesting period of each grant.

The stock based compensation expense recognized by the Company was:

	For the three months ended	
	Mar 27, 2010	Mar 28, 2009
Stock Based Compensation Expense	$ 40,755	$ 37,994

Stock based compensation expense is included in general and administrative expense and had no impact on cash flow from operations and cash flow from financing activities for the three months ended March 27, 2010.

On May 27, 2009, the Company's stockholders approved a new equity incentive plan entitled the 2009 Stock Incentive Plan (the "2009 Plan"). The Company no longer grants equity awards under its former equity incentive plan, the Amended and Restated 1998 Incentive and Nonqualified Stock Option Plan (the "1998 Plan" and with the 2009 Plan, the "Plans").

Under the Company's Plans, options to acquire shares of common stock may be granted to officers, directors, key employees and consultants. Under the 2009 Plan, the exercise price for qualified incentive options and non-qualified options cannot be less than the fair market value of the stock on the grant date, as determined by the Company's Board of Directors. In addition, under the 2009 Plan, other stock-based and performance awards may be granted to officers, directors, key employees and consultants, including stock appreciation rights, restricted stock, and restricted stock units. Under the Plans, a combined total of 11,000,000 shares of common stock or other stock based awards may be granted. To date, the Company has only issued options for shares under its Plans, which have been granted to employees, directors and consultants of the Company at fair market value at the date of grant. Of the options that have been issued, options for 435,261 shares have been exercised and options for 9,936,345 shares remain outstanding at March 27, 2010. Generally, employee options become exercisable over periods of up to four years, and expire ten years from the date of grant.

The Company granted options for the purchase of an aggregate 165,000 shares of common stock to key employees on March 11, 2010 at an exercise price of $0.41 per share. The Company granted options for the purchase of an aggregate of 1,085,000 shares of common stock to key employees, including its executive officers, and each of the four independent members of the Board of Directors on May 27, 2009 at an exercise price of $0.11 per share. In addition, the Company granted options for the purchase of an aggregate of 200,000 shares of common stock to its Chief Financial Officer on March 4, 2009 at an exercise price of $0.07 per share. The grant date fair market value using the Black-Scholes option pricing model of the options granted on March 11, 2010 was $0.34 per share, was $0.09 per share for the options granted on May 27, 2009 and was $0.06 per share for the options granted on March 4, 2009. The fair market value of the options at the date of the grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the three months ended			
	Mar 27, 2010		Mar 28, 2009	
Risk-free interest rate	2.43	%	1.87	%
Expected volatility	107.89	%	106.50	%
Weighted average expected life (in years)	6.25		6.25	
Expected dividends	0.00	%	0.00	%

A summary of the Company's stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price	Price Range			Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding - December 26, 2009	10,034,761	$ 0.45	$ 0.07	-	$ 4.25		
Granted	165,000	0.41	0.41	-	0.41		
Expired/Forfeited	(263,416)	2.12	0.36	-	4.25		
Exercised	-	-	-	-	-		
	9,936,345	$ 0.41	$ 0.07	-	$ 1.33	3.8	$ 855,912

Outstanding - March 27, 2010							
Exercisable - March 27, 2010	8,204,776	$ 0.45	$ 0.07	-	$ 1.33	2.8	$ 537,050
Available for grant - March 27, 2010	628,394						

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The following table summarizes information for options outstanding and exercisable at March 27, 2010:

			Outstanding		Exercisable	
Price Range		Number of Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
$ 0.07	-	$ 0.20	1,393,350	8.4	$ 0.11	253,350	$ 0.14
0.21	-	0.30	3,411,297	1.4	0.25	3,355,048	0.25
0.31	-	0.50	2,463,620	5.4	0.38	1,928,300	0.38
0.51	-	1.00	2,629,778	3.0	0.77	2,629,778	0.77
1.01	-	3.50	38,300	3.8	1.13	38,300	1.13
Total			9,936,345	3.8	$ 0.41	8,204,776	$ 0.45

The remaining unrecognized stock based compensation expense related to unvested awards at March 27, 2010 was $205,845 and the period of time over which this expense will be recognized is 3.96 years.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred. A listing of the estimated useful life of the various categories of property and equipment is as follows:

Asset Classification	Estimated Useful Life
Leasehold improvements	Lesser of term of lease or 10 years
Furniture and fixtures	7 years
Computer hardware and software	3 years
Equipment	5 years

Intangible Assets

Intangible assets consist primarily of (i) the values of two non-compete agreements acquired in conjunction with the purchase of retail stores in 2006 and 2008, and (ii) the occupancy valuations of retail store leases acquired in those transactions. These assets have been accounted for at fair value as of their respective acquisition dates using significant other observable inputs, or Level 2 criteria, defined in the Fair Value Measurements section below.

Intangible assets as of March 27, 2010 and December 26, 2009 were:

	Mar 27, 2010	Dec 26, 2009
Non-compete agreements	$ 2,358,540	$ 2,358,540
Occupancy valuations	944,716	944,716
Other	157,855	157,855
Intangible assets	3,461,111	3,461,111
Less: accumulated amortization	(2,022,553)	(1,854,526)
Intangible assets, net	$ 1,438,558	$ 1,606,585

Amortization expense for these intangible assets was:

	For the three months ended	
	Mar 27, 2010	Mar 28, 2009
Amortization expense	$ 168,027	$ 174,277

Non-compete agreements are amortized based on the pattern of their expected cash flow benefits over the 5-year terms of the agreements. Occupancy valuations are amortized on a straight line basis over the terms of the related leases ranging from 79 to 96 months. The non-compete agreement amortization expense is included in general and administrative expense on the Consolidated Statement of Operations. The lease valuation amortization expense is included in cost of products sold and occupancy costs.

Future amortization expense related to these intangible assets as of March 27, 2010 is:

Year	Amount
2010	504,081
2011	467,412
2012	242,438
2013	127,029
Thereafter	97,598
Total	$ 1,438,558

Accounting for the Impairment of Long-Lived Assets

The Company reviews each store for impairment indicators whenever events and changes in circumstances suggest that the carrying amounts may not be recoverable from estimated future store cash flows. The Company's review considers store operating results, future sales growth and cash flows. As of March 27, 2010, the Company has not identified any indicators of impairment based on its review of each of its stores' operations and, accordingly, does not believe that any of its remaining long-lived assets are impaired.

Note Payable

Note payable consists of one subordinated promissory note in the principal amount of $600,000, payable to Party City Corporation (the "Party City Note"). The note bears interest at the rate of 12.25% per annum and is payable by quarterly interest-only payments over four years, with the full principal amount due at the note's maturity on August 7, 2010.

During the fiscal year ended December 26, 2009, the Company paid in full two notes in accordance with their terms. The first was a subordinated note in the amount of $2,500,000 (the "Highbridge Note"). The second was a subordinated note in the original principal amount of $1,819,373 (the "Amscan Note"). The Highbridge Note matured on September 15, 2009, at which time the Company paid the full principal amount of $2,500,000 plus all accrued interest. The Amscan Note was payable in monthly installments of $59,562. It was paid in full on September 24, 2009.

On August 7, 2006, the Company entered into a Supply Agreement with Amscan Inc. ("Amscan"), the largest supplier in the party goods industry. The Supply Agreement with Amscan gave the Company the right to receive certain additional rebates and more favorable pricing terms over the term of the agreement than generally were available to the Company under its previous terms with Amscan. The right to receive additional rebates, and the amount of such rebates, were subject to the Company's achievement of increased levels of purchases and other factors provided for in the Supply Agreement. In exchange, the Supply Agreement obligates the Company to purchase increased levels of merchandise from Amscan until 2012. The Supply Agreement provided for an initial ramp-up period during 2006 and 2007 and, beginning with calendar year 2008, required the Company to purchase on an annual basis merchandise equal to the total number of its stores open during such calendar year, multiplied by $180,000 until 2012. The Supply Agreement provides for penalties in the event the Company fails to attain the annual purchase commitment. Under the terms of the Supply Agreement, the annual purchase commitment for any individual year can be reduced for orders placed by the Company but not filled by the supplier within a specified time period. The Company's purchases for 2009 fell short of the annual commitment by approximately $368,000. The supplier has agreed to allow the Company to roll over the shortfall amount for the year 2009 into future years' requirements, without penalty. The Company is not aware of any reason that would prevent it from meeting the minimum purchase requirements, including the 2009 shortfall amount, for the remainder of the term of the Supply Agreement.

On August 7, 2006, the Company also entered into and simultaneously closed an Asset Purchase Agreement with Party City Corporation, an affiliate of Amscan, pursuant to which the Company acquired a Party City retail party goods store in Peabody, Massachusetts and received a five-year non-competition covenant from Party City covering Massachusetts, Maine, New Hampshire, Vermont, Rhode Island and Windsor and New London counties in Connecticut , for aggregate consideration of $2,450,000, payable by a subordinated note in the principal amount of $600,000, which is the Party City Note defined above, and $1,850,000 in cash.

Line of Credit

On July 1, 2009, the Company and its wholly-owned subsidiary, iParty Retail Stores Corp., as borrowers (together, the "Borrowers"), and Wells Fargo, as administrative agent, collateral agent, swing line lender and lender, entered into a Second Amended and Restated Credit Agreement (the "Agreement").

The Agreement amended and restated the previous revolving credit facility with Wells Fargo, continued the revolving line of credit with Wells Fargo in the amount of up to $12,500,000 and extended the maturity date of the revolving line of credit for three years to July 2, 2012. In addition, the Agreement includes an option whereby the Borrowers may increase the revolving line of credit up to a maximum level of $15,000,000, at any time until July 2, 2011. The amount of credit that is available from time to time under the Agreement is determined as a percentage of the value of eligible inventory plus a percentage of the value of eligible credit card receivables, as reduced by certain reserve amounts that may be required by Wells Fargo.

Borrowings under the Agreement will generally accrue interest at a margin ranging from 3.00% to 3.50% (determined according to the average daily excess availability during the fiscal quarter immediately preceding the adjustment date) over, at the Borrowers' election, either the London Interbank Offered Rate ("LIBOR") or a base rate determined by Wells Fargo from time to time. The credit facility also provides for letters of credit and includes an unused line fee on the unused portion of the revolving credit line.

The obligations of the Borrowers under the Agreement and the other loan documents are secured by a lien on substantially all of the personal property of the Borrowers.

The Agreement has financial covenants that are limited to minimum availability and capital expenditures and contains a number of restrictive covenants, such as incurrence, payment or entry into certain indebtedness, liens, investments, acquisitions, mergers, dispositions and dividends. The Agreement contains events of default customary for credit facilities of this type. Upon an event of default that is not cured or waived within any applicable cure periods, in addition to other remedies that may be available to Wells Fargo, the obligations under the Agreement may be accelerated, outstanding letters of credit may be required to be cash collateralized and the lenders may exercise remedies to collect the balance due, including to foreclose on the collateral. Should the Agreement be prepaid or the maturity accelerated for any reason, the Borrowers would be responsible for an early termination fee in the amount of (i) 1.50% of the revolving credit facility ceiling then in effect within the first year of the term of the facility, (ii) 1.00% of the revolving credit facility ceiling then in effect within the second year of the term of the facility and (ii) 0.50% thereafter.

The line includes a financial covenant requiring the Company to maintain a minimum availability under the line of 7.5% of the credit limit. At the current credit limit of $12,500,000, the minimum availability is $937,500. The Agreement also has a covenant that requires the Company to limit its capital expenditures to within 110% of those amounts included in its business plan, which may be updated from time to time. At March 27, 2010, the Company was in compliance with all debt covenants. The Agreement also includes a 0.5% unused line fee. The line generally prohibits the payment of any dividends or other distributions to any of the Company’s classes of capital stock.

The amounts outstanding under the line as of March 27, 2010 and December 26, 2009 were $2,922,565 and $2,526,982, respectively. The interest rate on these borrowings was 6.25% at March 27, 2010 and 6.25% at December 26, 2009. The outstanding balances under the line are classified as current liabilities in the accompanying consolidated balance sheets since the Company is required to apply daily lock box receipts to reduce the amount outstanding. At March 27, 2010, the Company had approximately $3,920,328 of additional availability under the line.

Stockholders’ Equity

During the three months ended March 27, 2010, there were no exercises of stock options or warrants, and no conversions of convertible preferred stock.

On May 27, 2009, the Company’s stockholders approved an amendment to the Company's Restated Certificate of Incorporation to authorize the Board of Directors to implement a reverse stock split, pursuant to which the existing shares of the Company's common stock would be combined into new shares of the Company's common stock at an exchange ratio ranging between one-for-five and one-for-thirty, with the exchange ratio to be determined by the Board of Directors (the "Reverse Stock Split"). With the approval of the Reverse Stock Split, the Board of Directors has the authority, but not the obligation, to effect the Reverse Stock Split at any time prior to the date of the 2010 Annual Meeting of Stockholders, without further approval or authorization of stockholders.   The Reverse Stock Split will be effected, if at all, only upon a determination by the Board of Directors that implementing a Reverse Stock Split is in the best interest of the Company and its stockholders and after the filing of an amendment to the Company’s Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

On May 27, 2009, the Company’s stockholders approved a new equity incentive plan entitled the 2009 Stock Incentive Plan (the “2009 Plan”). The Company no longer grants equity awards under its former equity incentive plan, the Amended and Restated 1998 Incentive and Nonqualified Stock Option Plan (the “1998 Plan” and with the 2009 Plan, the “Plans”).

Under the Company's Plans, options to acquire shares of common stock may be granted to officers, directors, key employees and consultants. Under the 2009 Plan, the exercise price for qualified incentive options and non-qualified options cannot be less than the fair market value of the stock on the grant date, as determined by the Company's Board of Directors. In addition, under the 2009 Plan, other stock-based and performance awards may be granted to officers, directors, key employees and consultants, including stock appreciation rights, restricted stock, and restricted stock units. Under the Plans, a combined total of 11,000,000 shares of common stock or other stock based awards may be granted. To date, the Company has only issued options for shares under its Plans, which have been granted to employees, directors and consultants of the Company at fair market value at the date of grant. Of the options that have been issued, options for 435,261 shares have been exercised and options for 9,936,345 shares remain outstanding at March 27, 2010. Generally, employee options become exercisable over periods of up to four years, and expire ten years from the date of grant.

Fair Value Measurements

Effective December 30, 2007, the Company adopted Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. ASC 820 defined fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also described three levels of inputs that may be used to measure the fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets or liabilities

Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions

The only assets and liabilities subject to fair value measurement standards at March 27, 2010 and December 26, 2009 are cash equivalents and restricted cash which are based on Level 1 inputs.

2. SUBSEQUENT EVENTS

The Company has evaluated subsequent events as required by ASC 855, Subsequent Events, and has determined that there were no subsequent events to recognize or disclose in these financial statements except for acceleration of options for the purchase of 720,000 shares of common stock to two executives in connection with the execution of new employment contracts on April 1, 2010. The acceleration of these options resulted in an additional expense of $48,204 recognized on April 1, 2010.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited Consolidated Financial Statements and related Notes included in Item 1 of this Quarterly Report on Form 10-Q and the audited Consolidated Financial Statements and related Notes and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, contained in our Annual Report on Form 10-K for the fiscal year ended December 26, 2009.

Certain statements in this Quarterly Report on Form 10-Q, particularly statements contained in this Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “intend” and o similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. Forward-looking statements included in this Quarterly Report on Form 10-Q or hereafter included in other publicly available documents filed with the Securities and Exchange Commission (“SEC”), reports to our stockholders and other publicly available statements issued or released by us involve known and unknown risks, uncertainties, and other factors which could cause our actual results, performance (financial or operating) or achievements to differ from the future results, performance (financial or operating) or achievements expressed or implied by such forward looking statements. Such future results are based upon our best estimates based upon current conditions and the most recent results of operations. Various risks, uncertainties and contingencies could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, the forward-looking statements contained in this Quarterly Report on Form 10-Q. These include, but are not limited to, those described below under the heading “Factors That May Affect Future Results” and in Part II, Item 1A, “Risk Factors” as well as under Item 1A, “Risk Factors” of our most recently filed Annual Report on Form 10-K for the fiscal year ended December 26, 2009 and our other periodic reports filed with the SEC. We assume no obligation to update these forward looking statements contained in this report, whether as a result of new information, future events or otherwise.

Overview

We are a party goods retailer operating stores throughout New England, where 46 of our 51 retail stores are located, and in Florida. We believe we are a leading brand in the party industry in the markets we serve and a leading resource in those markets for consumers seeking party goods, party planning advice and information. We also license the name iParty.com (at www.iparty.com) to a third party in exchange for royalties, which to date have not been significant.

Our 51 retail stores are located predominantly in New England with 7 stores in Connecticut, 6 in New Hampshire, 3 in Rhode Island, 3 in Maine, 1 in Vermont, and 26 in Massachusetts, including a new store opened in December 2009 in Boston. We also operate 5 stores in Florida.

Our stores range in size from approximately 8,000 square feet to 20,295 square feet and average approximately 10,175 square feet in size.

We lease our properties, typically for 10 years and usually with options from our landlords to renew our leases for an additional 5 or 10 years.

The following table shows the number of stores in operation (not including temporary stores):

	For the three months ended	
	Mar 27, 2010	Mar 28, 2009

Beginning of period	51	50
Openings / Acquisitions	-	-
Closings	-	-
End of period	51	50

Our stores feature over 20,000 products ranging from paper party goods, Halloween costumes, greeting cards and balloons to more unique merchandise such as piñatas, tiny toys, masquerade and Hawaiian Luau items. Our sales are primarily driven by the following holiday and party events: Halloween, Christmas, Easter, Valentine's Day, New Year's, Independence Day, St. Patrick's Day, Thanksgiving, Hanukkah and professional sports playoff events. We also focus our business closely on lifetime events such as anniversaries, graduations, birthdays, and bridal and baby showers.

During the 2009 Halloween season, we operated four temporary Halloween stores. Three of the stores were in the greater Boston area and one in New Hampshire. These stores featured a strategically selected assortment of Halloween related merchandise. Three of these stores were closed in early November 2009 and one was converted to a permanent store in December 2009. During the 2008 Halloween season we operated two temporary Halloween stores in the greater Boston area, which were both closed in early November 2008.

Trends and Quarterly Summary

Our business has a seasonal pattern. In the past three years, we have realized an average of approximately 34.3% of our annual revenues in our fourth quarter, which includes Halloween and Christmas, and an average of approximately 24.9% of our revenues in the second quarter, which includes school graduations, and often the Easter holiday. Also, during these past three years, we have had net income in our second and fourth quarters and generated losses in our first and third quarters.

First Quarter Summary

For the first quarter of 2010, our consolidated revenues were $14.8 million, compared to $14.6 million for the first quarter of 2009. The increase in first quarter revenues from the year-ago period included a 1.3% increase in comparable store sales (sales from stores open more than one year). The increase in consolidated revenue was primarily due to the increase in customer traffic and the sales from our new store in Boston, Massachusetts. Consolidated gross profit margin was 35.7% for the first quarter of 2010 compared to a margin of 35.6% for the same period in 2009. The improvement in gross profit margin was due to increased leveraging of occupancy costs attributable to higher sales in the first quarter of 2010 compared to the first quarter of 2009. The consolidated net loss for the first quarter of 2010 was $1,485,134 or $0.07 per share, compared to a consolidated net loss of $1,715,271, or $0.08 per share, for the first quarter in 2009, a decrease of $230,137.

Acquisition and Growth Strategy

Our growth strategy for 2010 includes further development of our urban store concept, which we started in late 2009 with the opening or our Boston store, expanding the temporary Halloween store side of our business, opening one or two more new stores, and reviewing potential acquisition of other entities. Currently, we plan to open an additional store in another prime Boston retail location before the upcoming 2010 Halloween season, and we are actively reviewing sites for an expanded number of temporary Halloween stores for 2010. Any determination to open a new or temporary store or make an acquisition will be based upon a variety of factors, including, without limitation, the purchase price and other financial terms of the transaction, the business prospects, geographical location and the extent to which any new or temporary store or acquisition would enhance our prospects.

On January 2, 2008, we completed the purchase of two retail stores located in Rhode Island and a related non-compete agreement. The aggregate consideration paid was $1,350,000 plus approximately $195,000 for associated inventory. The stores were converted into iParty stores immediately following the closing of the transaction. We did not complete any other acquisitions in 2008 or 2009, although we opened two temporary Halloween stores during the fourth quarter of 2008, and four temporary Halloween stores and one new store during the fourth quarter of 2009. The consideration for the January 2008 store acquisitions was ascribed as follows:

		Fair Value at Jan 2, 2008
Non-compete agreement	$	781,000
Occupancy valuation		495,000
Equipment and other		74,000
	$	1,350,000

Results of Operations

Fiscal year 2010 has 52 weeks and ends on December 25, 2010. Fiscal year 2009 had 52 weeks and ended on December 26, 2009.

The first quarter of fiscal year 2010 had 13 weeks and ended on March 27, 2010. The first quarter of fiscal year 2009 had 13 weeks and ended on March 28, 2009.

Three Months Ended March 27, 2010 Compared to Three Months Ended March 28, 2009

Revenues

Revenues include the selling price of party goods sold, net of returns and discounts, and are recognized at the point of sale. Our consolidated revenues for the first quarter of fiscal 2010 were $14,836,379, an increase of $267,972, or 1.8% from the first quarter of the prior fiscal year. The increase was primarily due to an increased level of consumer demand in the first quarter of 2010 compared to the first quarter of 2009, plus sales from our new store in Boston, Massachusetts.

	For the three months ended					
		Mar 27, 2010			Mar 28, 2009	
Revenues	$	14,836,379		$	14,568,407	
Increase (decrease) in revenues		1.8	%		(9.8	%)

Comparable store sales for the quarter increased by 1.3%.

Cost of products sold and occupancy costs

Cost of products sold and occupancy costs consist of the cost of merchandise sold to customers and the occupancy costs for our stores. Our cost of products sold and occupancy costs for the first quarter of fiscal 2010 were $9,534,769, or 64.3% of revenues, an increase of $152,703 and a decrease of 0.1 percentage point, as a percentage of revenues, from the first quarter of the prior fiscal year.

	For the three months ended					
		Mar 27, 2010			Mar 28, 2009	
Cost of products sold and occupancy costs	$	9,534,769		$	9,382,066	
Percentage of revenues		64.3	%		64.4	%

As a percentage of revenues, the slight decrease in cost of products sold and occupancy costs was primarily attributable to the increased leveraging of occupancy costs related to higher sales in the first quarter of 2010 compared to the first quarter of 2009.

Marketing and sales expense

Marketing and sales expense consists primarily of advertising and promotional expenditures, all store payroll and related expenses for personnel engaged in marketing and selling activities and other non-payroll expenses associated with operating our stores. Our consolidated marketing and sales expense for the first quarter of fiscal 2010 was $4,936,767, or 33.3% of revenues, a decrease of $42,551 or 0.9 percentage point, as a percentage of revenues, from the first quarter of the prior fiscal year.

	For the three months ended					
		Mar 27, 2010			Mar 28, 2009	
Marketing and sales	$	4,936,767		$	4,979,318	
Percentage of revenues		33.3	%		34.2	%

As a percentage of revenues, the decrease in marketing and sales expense was primarily due to increased leveraging of this expense related to higher sales in the first of quarter of 2010 compared to the first quarter of 2009.

General and administrative expense

General and administrative ("G&A") expense consists of payroll and related expenses for executive, merchandising, finance and administrative personnel, as well as information technology, professional fees and other general corporate expenses. Our consolidated G&A expense for the first quarter of fiscal 2010 was $1,783,814, or 12.0% of revenues, a decrease of $1,956 or 0.3 percentage point, as a percentage of revenues, from the first quarter of the prior fiscal year.

	For the three months ended					
		Mar 27, 2010			Mar 28, 2009	
General and administrative	$	1,783,814		$	1,785,770	
Percentage of revenues		12.0	%		12.3	%

The decrease in general and administrative expense as a percentage of revenues from the first quarter of the prior fiscal year was due to the increased leveraging of these costs related to higher sales in the first quarter of 2010 compared to the first quarter of 2009.

Operating loss

Our operating loss for the first quarter of fiscal 2010 was $1,418,971, or 9.6% of revenues, as compared to an operating loss of $1,578,747, or 10.8% of revenues for the first quarter of the prior fiscal year.

Interest expense

Our interest expense in the first quarter of fiscal 2010 was $66,179, a decrease of $70,373 from the first quarter of the prior fiscal year. The decrease in the first quarter of fiscal 2010 as compared to the prior period was primarily due to the repayment of our Highbridge Note which was paid in full on September 15, 2009 and our Amscan Note which was paid in full on September 24, 2009. There were no principal payments on notes payable in the first quarter of 2010.

Income taxes

We have not provided for income taxes for the first quarter of fiscal 2010 or fiscal 2009 due to losses in the three month period ended March 27, 2010 and for fiscal 2009 and the availability of net operating loss (NOL) carryforwards to eliminate federal taxable income on an annual basis. No benefit has been recognized with respect to current losses or NOL carryforwards due to the uncertainty of future taxable income beyond 2010, the assessment of which depends largely on the Company's operating results during its fourth quarter. The Company continues to believe it will be able to realize deferred tax of $414,687 based on estimated 2010 taxable income.

At the end of 2009, we had estimated federal net operating loss carryforwards of approximately $17.9 million, which begin to expire in 2019. In accordance with Section 382 of the Internal Revenue Code, the use of these carryforwards may be subject to annual limitations based upon certain ownership changes of our stock that may have occurred or that may occur.

Net loss

Our net loss in the first quarter of fiscal 2010 was $1,485,134, or $0.07 per basic and diluted share, compared to a net loss of $1,715,271, or $0.08 per basic and diluted share, in the first quarter of the prior fiscal year.

Liquidity and Capital Resources

Our primary uses of cash are:

- purchases of inventory, including purchases under our Supply Agreement with Amscan, as described more fully below;
- occupancy expenses of our stores;
- employee salaries; and
- new store openings, including our temporary stores.

Our primary sources of cash are:

- cash from operating activities; and
- debt, including our line of credit and note payable.

Our prospective cash flows are subject to certain trends, events and uncertainties, including demands for capital to support growth, improve our infrastructure, respond to economic conditions, and meet contractual commitments. Based on our current operating plan, we believe that anticipated revenues from operations and borrowings available under our line of credit will be sufficient to fund our operations, working capital requirements, scheduled note payment as discussed below, and capital expenditures through the next twelve months. In the event that our operating plan changes due to changes in our strategic plans, lower-than-expected revenues, unanticipated expenses, increased competition, unfavorable economic conditions, declines in consumer confidence and spending, or other unforeseen circumstances, our liquidity may be negatively impacted. If so, we could be required to adjust our expenditures for 2010 to conserve working capital or raise additional capital, possibly including debt or equity financing and to fund operations and our business strategy. Given the current state of the debt and equity markets and our capital structure, this could be difficult and expensive, and we might not be able to do so on terms acceptable to us.

Notes Payable

At the beginning of our fiscal year 2009, we had three notes payable outstanding. We refer to these notes as the Highbridge Note, the Amscan Note and the Party City Note. For a more detailed description of these notes, we refer you to the section titled “Notes Payable” in the Notes to Consolidated Financial Statements for the year ended December 26, 2009 included in Item 8 of the Annual Report on Form 10-K for the fiscal year ended December 26, 2009, as filed with the SEC on March 23, 2010. In the third quarter of 2009, we paid in full the Highbridge Note and the Amscan Note. The Highbridge note was paid off through additional borrowings under our line of credit with Wells Fargo. The Amscan Note was payable in monthly installments, the last of which was paid in September, 2009. At March 27, 2010, only the Party City Note, with a principal balance of $600,000 remained outstanding. The full principal amount of this note is due at the note’s maturity on August 7, 2010.

In connection with the issuance of the Highbridge Note, we also issued a warrant, the Highbridge Warrant, exercisable for 2,083,334 shares of our common stock at an exercise price of $0.475 per share, or 125% of the closing price of our common stock on the day immediately prior to the closing of the transaction. The agreements entered into in connection with the financing granted Highbridge resale registration rights with respect to the shares of common stock underlying the Highbridge Warrant and provide for certain anti-dilution rights and other covenants with respect to the listing of our common stock. The issuance of the Highbridge Warrant triggered certain anti-dilution provisions of our Series B, C, and D convertible preferred stock.

Line of Credit

On July 1, 2009, we entered into a Second Amended and Restated Credit Agreement (the "new line") with Wells Fargo Retail Finance, LLC ("Wells Fargo"), which amended and restated the previous revolving credit facility with Wells Fargo. The new line continues the revolving line of credit in the amount of up to $12,500,000 and extends the maturity date for three years to July 2, 2012. As with the previous line with Wells Fargo, the new line includes an option whereby we may increase the revolving line of credit up to a maximum level of $15,000,000 at any time prior to July 2, 2011. The amount of credit that is available from time to time under the new line is determined as a percentage of the value of eligible inventory plus a percentage of the value of eligible credit card receivables, as reduced by certain reserve amounts that may be required by Wells Fargo.

Borrowings under the new line will generally accrue interest at a margin ranging from 3.00% to 3.50% (determined according to the average daily excess availability during the fiscal quarter immediately preceding the adjustment date) over, at our election, either the London Interbank Offered Rate ("LIBOR") or a base rate determined by Wells Fargo from time to time. The new line margins are an increase over the previous line, and may result in an increase in overall borrowing cost under the new line. The new line also provides for letters of credit for up to a sublimit of $2 million to be used in connection with inventory purchases and includes an unused line fee on the unused portion of the revolving credit line. The new line also provided for a closing fee of $125,000, which was paid to Wells Fargo at closing. Our obligations under the new line continue to be secured by a lien on substantially all of our personal property.

Our inventory consists of party supplies which are valued at the lower of moving weighted-average cost or market, which approximates FIFO (first-in, first-out) and are reduced by an allowance for obsolete and excess inventory and are further reduced or increased by other adjustments, including vendor rebates and discounts and freight costs. Our line of credit availability calculation allows us to borrow against "acceptable inventory at cost", which is based on our inventory at cost and applies adjustments that our lender has approved, which may be different than adjustments we use for valuing our inventory in our financial statements, such as the adjustment to reserve for inventory shortage. The amount of "acceptable inventory at cost" was approximately $13,951,381 at March 27, 2010.

Our accounts receivable consist primarily of credit card receivables and vendor rebates receivable. Our line of credit availability calculation allows us to borrow against "eligible credit card receivables", which are the credit card receivables for the previous two to three days of business. The amount of "eligible credit card receivables" was approximately $279,453 at March 27, 2010.

Our total borrowing base is determined by adding the "acceptable inventory at cost" times an agreed upon advance rate plus the "eligible credit card receivables" times an agreed upon advance rate but not to exceed our established credit limit, which was $12,500,000 at March 27, 2010. Under the terms of our line of credit, our $12,500,000 credit limit is reduced by (1) a minimum availability block, (2) customer deposits, (3) gift certificates, (4) merchandise credits and (5) outstanding letters of credit. The amounts outstanding under our line were $2,922,565 at March 27, 2010 and $2,681,782 at March 28, 2009 an increase of $240,783. Our additional availability was $3,920,328 at March 27, 2010 and $4,389,401 at March 28, 2009. The decrease in our additional availability is primarily due to the borrowing related to the payoff of the Highbridge Note in September 2009.

The outstanding balances under our line are classified as current liabilities in the accompanying consolidated balance sheets because we are required to apply daily lock-box receipts to reduce the amount outstanding.

As with the previous line, the new line has financial covenants that are limited to minimum availability and capital expenditures and contains various restrictive covenants, such as incurrence, payment or entry into certain indebtedness, liens, investments, acquisitions, mergers, dispositions and dividends. Under the new line, we are required to maintain a minimum availability of 7.5% of the credit limit, which is an increase from the previous requirement of 5% and, consistent with the previous line, to limit our capital expenditures to within 110% of those amounts included in our business plan, which may be updated from time to time. At March 27, 2010, we were in compliance with these financial covenants.

The new line contains events of default customary for credit facilities of this type. Upon an event of default that is not cured or waived within any applicable cure periods, in addition to other remedies that may be available to Wells Fargo, the obligations under the new line may be accelerated, outstanding letters of credit may be required to be cash collateralized and the lenders may exercise remedies to collect the balance due, including to foreclose on the collateral. Should the new line be prepaid or the maturity accelerated for any reason, we would be responsible for an early termination fee in the amount of (i) 1.50% of the revolving credit facility ceiling then in effect within the first year of the term of the facility, (ii) 1.00% of the revolving credit facility ceiling then in effect within the second year of the term of the facility and (iii) 0.50% thereafter.

Supply Agreement with Amscan

Our Supply Agreement with Amscan gave us the right to receive certain additional rebates and more favorable pricing terms over the term of the agreement than generally were available to us under our previous terms with Amscan. The right to receive additional rebates, and the amount of such rebates, are subject to our achievement of increased levels of purchases and other factors provided for in the Supply Agreement. In exchange, the Supply Agreement obligates us to purchase certain levels of merchandise from Amscan until 2012. Beginning with calendar year 2008, the Supply Agreement requires us to purchase on an annual basis merchandise equal to the total number of our stores open during such calendar year, multiplied by $180,000. The Supply Agreement provides for penalties in the event we fail to attain the annual purchase commitment that would require us to pay Amscan the difference between the purchases for that year and the annual purchase commitment for that year. Under the terms of the Supply Agreement, the annual purchase commitment for any individual year can be reduced for orders placed by us but not filled by the supplier. Our purchases for 2009 fell short of the annual commitment by approximately $368,000. The supplier has agreed to allow us to roll over the shortfall amount for the year 2009 into future years' requirements, without penalty. We are not aware of any reason that would prevent us from meeting the minimum purchase requirements, including the 2009 shortfall amount, for the remainder of the term of the Supply Agreement. Although we do not expect to incur any penalties under this Supply Agreement, if they were to occur, there could be a material adverse effect on our uses and sources of cash.

Operating, Investing and Financing Activities

Our operating activities used $837,881 during the first quarter of 2010 compared to $724,586 during the first quarter of 2009, an increase of $113,295. The increase in cash used by operating activities was primarily due to the payment of incentive compensation and increased inventory levels, including inventory for our new Boston, Massachusetts store, partially offset by an increase in accounts payable .

We used $131,651 in investing activities during the first quarter of 2010 compared to $200,881 during the first quarter of 2009, a decrease of $69,230. The cash invested in 2010 was primarily due to the new store opening in Boston, Massachusetts, point of sale register updates in our retail stores and other store improvements. The cash invested in 2009 was primarily due to the modification of our internal systems to improve our compliance with payment card industry data security standards and the relocation of our Walpole store to a new, larger location.

We provided $969,432 from financing activities during the first quarter of 2010 compared to $924,967 during the first quarter of 2009, an increase of $44,465. The increase was primarily related to the repayment of the Amscan note payable in the third quarter of 2009. As a result of that repayment, we had no principal payments on notes payable during the first quarter of 2010, compared to $110,528 principal payments during the first quarter of 2009.

Contractual Obligations

Contractual obligations at March 27, 2010 were as follows:

	Payments Due By Period				
	Within 1 Year	Within 2 - 3 Years	Within 4 - 5 Years	After 5 Years	Total
Line of credit	$2,927,338	$-	$-	$-	$2,927,338
Capital lease obligations	11,400	2,850	-	-	14,250
Notes payable	644,100	-	-	-	644,100
Supply agreement	9,558,631	12,240,000	-	-	21,798,631
Operating leases (including retail space leases)	9,429,186	15,893,229	10,351,728	9,082,685	44,756,828
Total contractual obligations	$22,570,655	$28,136,079	$10,351,728	$9,082,685	$70,141,147

In addition, at March 27, 2010, we had outstanding purchase orders totaling approximately $7,862,764 for the acquisition of inventory and non-inventory items that were scheduled for delivery after March 27, 2010.

Seasonality

Due to the seasonality of our business, sales and operating income are typically higher in the second and fourth quarters. Our business is highly dependent upon sales of Easter, graduation and summer merchandise in the second quarter and sales of Halloween and Christmas merchandise in the fourth quarter. We have typically operated at a loss during the first and third quarters.

Geographic Concentration

As of March 27, 2010, we operated a total of 51 stores, 46 of which are located in New England and 5 of which are located in Florida. As a result, a severe or prolonged regional recession or regional changes in demographics, employment levels, population, weather patterns, real estate market conditions, consumer confidence and spending patterns or other factors specific to the New England region or in Florida may adversely affect us more than a company that is more geographically diverse.

Effects of Inflation

While we do not view the effects of inflation as having a direct material effect upon our business, we believe that volatility in oil and gasoline prices impacts the cost of producing petroleum-based/plastic products, which are a key raw material in much of our merchandise, and also impacts prices of shipping products made overseas in foreign countries, such as China, which includes much of our merchandise. Volatile oil and gasoline prices also impact our freight costs, consumer confidence and spending patterns. These and other issues directly or indirectly affecting our vendors and us could adversely affect our business and financial performance.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangement that has or is reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Factors That May Affect Future Results

Our business is subject to certain risks that could materially affect our financial condition, results of operations, and the value of our common stock. These risks include, but are not limited to, the ones described under Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 26, 2009, and Part II, Item 1A, "Risk Factors" contained in our Quarterly Reports on Form 10-Q, including this one, and in our periodic reports filed with the Commission. Additional risks and uncertainties that we are unaware of, or that we may currently deem immaterial, may become important factors that harm our business, financial condition, results of operations, or the value of our common stock.

Critical Accounting Policies

Our financial statements are based on the application of significant accounting policies, many of which require our management to make significant estimates and assumptions (see Note 2 to our consolidated financial statements for the fiscal year ended December 26, 2009 included in Item 8 of our Annual Report on Form 10-K for that fiscal year, as filed with the SEC on March 23, 2010). We believe the following accounting policies to be those most important to the portrayal of our financial condition and operating results and those that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements.

Inventory and Related Allowance for Obsolete and Excess Inventory

Our inventory consists of party supplies and is valued at the lower of moving weighted-average cost or market which approximates FIFO (first-in, first-out). We record vendor rebates, discounts and certain other adjustments to inventory, including freight costs, and we recognize these amounts in the income statement as the related goods are sold.

During each interim reporting period, we estimate the impact on cost of products sold associated with inventory shortage. The actual inventory shortage is determined upon reconciliation of the annual physical inventory, which occurs shortly before and after our year end, and an adjustment to cost of products sold is recorded at the end of the fourth quarter to recognize the difference between the estimated and actual inventory shortage for the full year. The adjustment in the fourth quarter of 2009 included an estimated reduction of $142,010 to the cost of goods sold during the previous three quarters. The adjustment in the fourth quarter of 2008 included an estimated reduction of $261,915 to the cost of products sold during the previous three quarters.

We also make adjustments to reduce the value of our inventory for an allowance for obsolete and excess inventory, which is based on our review of inventories on hand compared to estimated future sales. We conduct reviews periodically throughout the year on each stock keeping unit ("SKU"). As we identify obsolete and excess inventory, we take immediate measures to reduce our inventory risk on these items and we adjust our allowance accordingly. Thus, actual results could differ from our estimates.

Revenue Recognition

Revenues include the selling price of party goods sold, net of returns and discounts, and are recognized at the point of sale. We estimate returns based upon historical return rates and such amounts have not been significant to date.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred.

Intangible Assets

Intangible assets consist primarily of the values of two non-compete agreements acquired in conjunction with the purchase of retail stores in 2006 and 2008, and the values of retail store leases acquired in those transactions.

The first non-compete agreement, from Party City Corporation and its affiliates, covers Massachusetts, Maine, New Hampshire, Vermont, Rhode Island, and Windsor and New London counties in Connecticut, and expires in August

2011. The second non-compete agreement was acquired in connection with our purchase in January 2008 of two franchised party supply stores in Lincoln and Warwick, Rhode Island. The acquired Rhode Island stores had been operated as Party City franchise stores, and were converted to iParty stores immediately following the closing. The second non-compete agreement covers Rhode Island for five years from the date of closing and within a certain distance from our stores in the rest of New England for three years. Both non-compete agreements have an estimated life of 60 months and are subject to certain terms and conditions in their respective acquisition agreements.

The occupancy valuations related to acquired retail store leases are for stores in Peabody, Massachusetts (estimated life of 90 months), Lincoln, Rhode Island (estimated life of 79 months) and Warwick, Rhode Island (estimated life of 96 months). Intangible assets also include legal and other transaction costs incurred related to the purchase of the Peabody, Lincoln and Warwick stores.

Non-compete agreements are amortized based on the pattern of their expected cash flow benefits. Occupancy valuations are amortized on a straight line basis over the terms of the related leases.

Impairment of Long-Lived Assets

In connection with our ongoing long-lived asset assessment, we perform a review of each store for impairment indicators whenever events and changes in circumstances suggest that the carrying amounts may not be recoverable from estimated future store cash flows. Our review considers store operating results, future sales growth and cash flows. The conclusion regarding impairment may differ from current estimates if underlying assumptions or business strategies change. We closed two stores in early January 2008, at the end of their lease terms. No impairment charges were required for these stores, as the assets related to them have been fully amortized, except for immaterial amounts, and no liability existed for future lease costs.

We are not aware of any impairment indicators for any of our remaining stores at March 27, 2010.

Income Taxes

Until 2009, we have not historically recognized an income tax benefit for our losses. Accordingly, we record a valuation allowance against our deferred tax assets because of the uncertainty of future taxable income and the realizability of the deferred tax assets. In determining if a valuation allowance against our deferred tax asset is appropriate, we consider both positive and negative evidence. The positive evidence that we considered included: (1) we were profitable in 2009, 2007 and 2006, (2) we have achieved positive comparable store sales growth for six out of the last eight years, (3) we were able to significantly reduce store and headquarters operating expenses in 2009, and (4) we were able to use federal net operating loss deductions in each tax year from 2002 through 2008, and expect to do so for tax year 2009. The negative evidence that we considered included: (1) we realized a net loss in 2005 and 2008, (2) our merchandise margins decreased in 2009, 2008, 2006 and 2005, (3) our future profitability is vulnerable to certain risks, including (a) the risk that we may not be able to generate significant taxable income to fully utilize our net operating loss carryforwards of approximately $17.9 million at December 26, 2009, (b) the risk of unseasonable weather and other factors in a single geographic region, New England, where our stores are concentrated, (c) the risk of being so dependent upon a single season, Halloween, for a significant amount of annual sales and profitability and (d) the risk of fluctuating prices for petroleum products, which are a key raw material for much of our merchandise and which affect our freight costs and those of our suppliers and affect our customers' spending levels and patterns, (4) the costs that opening or acquiring new stores will put pressure on our profit margins until these stores reach maturity, (5) the expected costs of increased regulatory compliance, including, without limitation, those associated with Section 404 of the Sarbanes-Oxley Act, which will likely have a negative impact on our profitability and (6) the risk that a continued, general or perceived slowdown in the U.S economy, or uncertainty as to the economic outlook, which the U.S. and world economies have recently experienced, could continue to reduce discretionary spending or cause a shift in consumer discretionary spending to other products.

The positive evidence is strong enough for us to conclude that we will realize sufficient levels of taxable income in 2010 to support the release of a portion of the related reserves resulting in a deferred tax asset of $414,687 as of March 27, 2010 and December 26, 2009 which we continue to believe is fully realizable based on estimated 2010 taxable income. However, we believe that it is prudent for us to maintain a valuation allowance against our remaining deferred tax assets until we have a longer track record of profitability and we can reduce our exposure to the risks described above. Should we determine that we will be able to realize our deferred tax assets in the future, an adjustment to our deferred tax assets would increase income in the period we made such a determination.

Stock Option Compensation Expense

We use the Black-Scholes option pricing model to determine the fair value of stock based compensation. The Black-Scholes model requires us to make several subjective assumptions, including the estimated length of time employees will retain their vested stock options before exercising them ("expected term"), and the estimated volatility of our common stock price over the expected term, which is based on historical volatility of our common stock over a time period equal to the expected term. The Black-Scholes model also requires a risk-free interest rate, which is based on the U.S. Treasury yield curve in effect at the time of the grant, and the dividend yield on our common stock, which is assumed to be zero since we do not pay dividends and have no current plans to do so in the future. Changes in these assumptions can materially affect the estimate of fair value of stock based compensation and consequently, the related expense recognized in the Consolidated Statements of Operations. We recognize stock based compensation expense on a straight-line basis over the vesting period of each grant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our actual results could differ from our estimates.

New Accounting Pronouncements

No new accounting pronouncements were issued during the quarter ended March 27, 2010, other than the ones disclosed in our Annual Report on Form 10-K for the period ended December 26, 2009, which was filed with the SEC on March 23, 2010, that are expected to have a material impact on our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no material change in our market risk exposure since the filing of our Annual Report on Form 10-K for the period ended December 26, 2009, which was filed with the SEC on March 23, 2010.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Chief Executive Officer and the Chief Financial Officer of iParty (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of March 27, 2010, the end of the fiscal quarter to which this report relates, that iParty's disclosure controls and procedures: are effective to ensure that information required to be disclosed by iParty in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and include controls and procedures designed to ensure that information required to be disclosed by iParty in such reports is accumulated and communicated to iParty's management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. iParty's disclosure controls and procedures were designed to provide a reasonable level of assurance of reaching iParty's disclosure requirements and are effective in reaching that level of assurance.

(b) Changes in Internal Controls. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the fiscal quarter ended March 27, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material pending legal proceedings, other than ordinary routine matters incidental to our business, which we do not expect, individually or in the aggregate, to have a material effect on our financial position or results of operations.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 26, 2009, as filed with the SEC on March 23, 2010, and in our subsequent periodic reports filed with the SEC.

Item 2. Unregistered Sales of Equity and Securities and Use of Proceeds

Not applicable

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. (Removed and Reserved)

Item 5. Other Information

Not applicable

Item 6. Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Quarterly Report on Form 10-Q and are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

iPARTY CORP.

By:	/s/ SAL PERISANO Sal Perisano Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
By:	/s/ DAVID ROBERTSON David Robertson Chief Financial Officer (Principal Financial and Accounting Officer)

Dated: May 10, 2010

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
Ex. 10.1	Written Summary of Executive Incentive Compensation Plan for Named Executive Officers*
Ex. 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
Ex. 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
Ex. 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
Ex. 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

* Filed herewith