

ReoStar Energy CORP
Form 10KSB/A
July 23, 2008

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

FORM 10-KSB/A

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2008

Commission file number 000-26139

REOSTAR ENERGY CORPORATION
(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of incorporation or
organization)

20-8428738
(IRS Employer Identification Number)

3880 Hulen St., Ste 500, Fort Worth, TX
(Address of principal executive offices))

76107
(Zip Code)

Issuer's telephone number: 817-989-7367

Securities registered under Section 12(b) of the Exchange Act:
None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value
(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. o

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB o

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

Revenue for the fiscal year ended March 31, 2008 is \$5,490,331 and the aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing bid price of such stock as of March 31, 2008 amounted to \$15,487,172.

The number of shares outstanding of the registrant's common stock as of March 31, 2008 was 80,181,310 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2008 annual meeting of shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2008 are incorporated by reference in Part III of this Form 10-KSB.

Transitional Small Business Disclosure Format (check one): Yes No

EXPLANATORY NOTE: ReoStar Energy Corporation is amending its Annual Report on Form 10-KSB to provide the Report of Independent Registered Public Accounting Firm dated June 2, 2008 and to amend the Index to Financial Statements. The remaining Items contained within this Amendment No. 1 to Annual Report on Form 10-KSB/A consist of all other Items originally contained in our Annual Report on Form 10-KSB for the fiscal year ended March 31, 2008 originally filed with the Securities and Exchange Commission on July 15, 2008.

**REOSTAR ENERGY CORPORATION
FORM 10-KSB ANNUAL REPORT
FISCAL YEAR ENDED MARCH 31, 2008
TABLE OF CONTENTS**

	Page No.
PART I	
<u>Item 1. Description of Business</u>	1
<u>Item 2. Description of Properties</u>	13
<u>Item 3. Legal Proceedings</u>	16
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	16
PART II	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities</u>	16
<u>Item 6. Management's Discussion and Analysis or Plan of Operation</u>	17
<u>Item 7. Financial Statements</u>	F-1
<u>Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	24
<u>Item 8A(T). Controls and Procedures</u>	24
<u>Item 8B. Other Information</u>	24
PART III	
<u>Item 9. Directors, Executive Officers, Promoters, Control persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act</u>	24
<u>Item 10. Executive Compensation</u>	24
<u>Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	24
<u>Item 12. Certain Relationships and Related Transactions and Director Independence</u>	25
<u>Item 13. Exhibits</u>	25
<u>Item 14. Principal Accountant Fees and Services</u>	26
GLOSSARY	
<u>SIGNATURES</u>	27
Subsidiaries of Registrant	
Consent of Independent Registered Public Accounting Firm	
Consent of Forest Garb & Associates	
Certification by the President and CEO Pursuant to Section 302	
Certification by the CFO Pursuant to Section 302	
Certification by the President and CEO Pursuant to Section 906	
Certification by the CFO Pursuant to Section 906	

Disclosures Regarding Forward-Looking Statements

Certain information included in this report, other materials filed or to be filed with the Securities and Exchange Commission (the "SEC"), as well as information included in oral statements or other written statements made or to be made by us contain or incorporate by reference certain statements (other than statements of historical fact) that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used herein, the words "budget," "budgeted," "assumes," "should," "goal," "anticipates," "expects," "believes," "seeks," "plans," "estimates," "intends," "projects" or "targets" and similar expressions that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements. Where any forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that while we believe these assumptions or bases to be reasonable and to be made in good faith, assumed facts or bases almost always vary from actual results and the difference between assumed facts or bases and the actual results could be material, depending on the circumstances. It is important to note that our actual results could differ materially from those projected by such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable and such forward-looking statements are based upon the best data available at the date this report is filed with the SEC, we cannot assure you that such expectations will prove correct. Factors that could cause our results to differ materially from the results discussed in such forward-looking statements include, but are not limited to, the following: the factors described in Item 1 of this report under the heading "Risk Factors," production variance from expectations, volatility of oil and gas prices, hedging results, the need to develop and replace reserves, the substantial capital expenditures required to fund operations, exploration risks, environmental risks, uncertainties about estimates of reserves, competition, litigation, government regulation, political risks, our ability to implement our business strategy, costs and results of drilling new projects, mechanical and other inherent risks associated with oil and gas production, weather, availability of drilling equipment and changes in interest rates. All such forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph, we do not undertake, and specifically disclaim any obligation, to update or revise such statements to reflect new circumstances or unanticipated events as they occur, and we urge readers to review and consider disclosures we make in this and other reports that discuss factors germane to our business, including our reports on Forms 10-KSB, 10-QSB, and 8-K subsequently filed from time to time with the SEC.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

We are engaged in the exploration, development and acquisition of oil and gas properties, primarily located in the state of Texas. We seek to increase oil and gas reserves and production through internally generated drilling projects, coupled with complementary acquisitions.

At year-end 2008, a certified engineering firm valued our proven reserves at \$425,445,500, which reflects the present value of our future net cash flows from reserves before income taxes, discounted at 10 percent.

At year-end 2008, we owned approximately 20,000 gross (16,250 net) acres of leasehold, which includes 16,000 acres of exploratory and developmental prospects as well as 4,000 acres of enhanced oil recovery prospects. We have built a multi-year inventory of drilling projects and drilling locations and currently have enough acreage to sustain several years of drilling.

ReoStar was incorporated in Nevada on November 29, 2004 under the name Goldrange Resources, Inc. In February of 2007 we changed our name to ReoStar Energy Corporation.

Our corporate offices are located at 3880 Hulen Street, Suite 500, Fort Worth, Texas 76107. Our telephone number is (817) 989-7367.

Business Strategy

Our objective is to build shareholder value by establishing and consistently growing our production and reserves with a strong emphasis on cost control and risk mitigation. Our strategy is (1) to control operations of all our leases via our affiliated operating companies, (2) to acquire and develop leasehold in key regional resource development plays while utilizing existing infrastructure and engaging in long-term drilling and development programs, and (3) to acquire leasehold in mature fields and implement enhanced oil recovery programs.

Significant Accomplishments in Fiscal Year 2008

Leasehold Acquisition and Development:

Barnett Shale. Our main area of interest in the Barnett Shale play is located in the "oil window" of the Barnett in southwest Cooke County, Texas. We sold approximately 1,475 net acres outside our main area of interest and acquired bolt-on acreage of approximately 710 gross acres (approximately 533 net acres) contiguous to the acreage we hold in Cooke County.

We drilled, completed, and began production in twelve wells and drilled another seven wells that we anticipate will be completed in the first quarter of fiscal year 2009. Additionally, we repurchased working interests in 30 wells at a cost of approximately \$1.8 million.

We identified zones up-hole in most of our existing wells that show significant hydro-carbon producing potential in addition to the proven reserves located in the Barnett Shale interval. In February, we successfully moved up-hole from the Barnett and re-completed one well into the Forestburg limestone formation. The re-completed well had an IP of 40 barrels of oil and 50 mcf gas per day at a cost of approximately \$50,000.

Corsicana Enhanced Oil Recovery (EOR) Project. We began injecting surfactant polymer in our pilot project in mid-June 2007. The initial results have been positive. Average daily production in the pilot project increased by 50% for the fourth quarter when compared to pre-pilot production for the first quarter of the fiscal year. We have initiated the second phase of our polymer flood program and as of the date of this filing have drilled 12 new wells in an area immediately south to our injection facility adjacent to the pilot wells. To date, we have injected over 162,000 bbls of a polymer-surfactant solution into our pilot acreage and expanded the area to include an additional 100 acres. We have also drilled 1 of 4 planned and permitted deep exploration wells with our working interest partner and expect to drill the remaining three during the second quarter of fiscal year 2009.

Fayetteville Shale Mineral Interests. We have decided to sell our acreage in Fayetteville Shale as it lies outside of our geographic area of interest.

Tri-County Gas Gathering System. In June 2007, we sold our interest in the Tri-County Gas Gathering System for a gain of approximately \$2.2 million. The 8-k filed on June 7, 2007 is incorporated herein by reference.

Concentrate in Core Operating Areas. We currently focus in one region: the Southern Mid-continent region of the United States (which includes the Barnett Shale of North Central Texas, and our Corsicana Enhanced Oil Recovery prospect in East Central Texas). Concentrating our drilling and producing activities in these core areas allows us to develop the regional expertise needed to interpret specific geological and operating trends and develop economies of scale. Operating developmental projects (such as our Barnett Shale prospects) and Enhanced Oil Recovery prospects in the same core area allows us to achieve reserve growth, balance our portfolio between oil and natural gas, and minimize some of the operational risks inherent in our industry, while leveraging the benefits of the existing infrastructure.

Manage Our Risk Exposure. We continue to sell a portion of the working interests in the development wells we drill. Currently, we sell our working interests on a turnkey basis, which helps us to save costs. Due to our focus on controlling costs, we are able to extend economic considerations to not only our third-party working interest investors, but to ourselves in the form of a higher retained interest.

Plans for fiscal year 2009

Barnett Shale

Our drilling budget for the Barnett acreage is \$20.5 million for fiscal year 2009. The drilling budget will allow us to complete the seven wells that were in process at year-end and drill and complete 30 more wells in our main area of interest in Cooke County. We will retain up to 60% working interest in the new wells. We expect to fund the drilling with the proceeds of a debt facility, proceeds from the sale of up to 40% working interest in each well on a turnkey basis, and cash flow.

We expect to re-complete at least 20 wells in up-hole zones in fiscal year 2009 at an average cost for our working interest of approximately \$50,000 per well. We expect to fund the entire re-completions out of cash flow.

Corsicana

We began drilling the second stage of the surfactant-polymer project in the first quarter. A total of 13 new wells are in the process of being drilled, of which four wells will be injectors and nine will be producers. The expansion will continue the drilling pattern established whereby each injector has approximately four producers surrounding it (inverted five-spot drilling pattern). To date, 12 of the second stage wells have been drilled and the Company is in the process of adding pumps to facilitate the increase in volume of surfactant -polymer being injected. The Company also intends to add an alkali to its injection solution, which will help stabilize clays existent in the formation and improve the sweep efficiency of the flood.

We expect to begin drilling Phase III of the surfactant-polymer project in October and continue with additional development during the third quarter of the fiscal year. We expect to drill as many as 36 additional wells by the end of the fiscal year.

We have acquired deeper rights on several leases and plan to drill up to 4 exploratory wells in the area. We plan to drill three wells in the Pecan Gap formation and one well in the Glen Rose formation. We have mitigated the exploration risk associated with drilling these deeper wells by selling a 50% working interests in each of these wells to our industry partner.

All of the planned tertiary project wells are shallow (800 ft.), and cost approximately \$60,000 each to drill and complete. Total capital expenditure budget for fiscal 2009 for the Corsicana project is \$3.5 million. The budget will be funded primarily with proceeds from a debt facility.

Production, Revenues and Price History

The following table sets forth information regarding oil and gas production, and revenues.

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Years Ending	March 31, 2008	December 31, 2006	December 31, 2005
<u>Production</u>			
Oil (Bbl)	33,602	34,607	8,965
Gas (Mcf)	351,538	199,282	94,358
Total (BOE)	92,192	67,821	24,691
<u>Revenues</u>			
Crude Oil	\$ 2,704,468	\$ 1,772,649	\$ 555,097
Gas	2,197,604	1,101,642	554,102
Total	4,902,072	2,874,291	1,109,199
Average Sale Price (per BOE)	\$ 53.17	\$ 42.38	\$ 44.92

(a) Natural Gas was converted to BOE at the rate of 1 barrel equals 6 MCF.

Competition

We encounter substantial competition in developing and acquiring oil and gas properties, securing and retaining personnel, conducting drilling and field operations and marketing production. Competitors in exploration, development, acquisitions and production include the major oil companies as well as numerous independent oil companies, individual proprietors and others. Although our sizable acreage position and core-area concentration provide some competitive advantages, many competitors have financial and other resources substantially exceeding ours. Therefore, competitors may be able to pay more for desirable leases and to evaluate, bid for and purchase a greater number of properties or prospects than our financial or personnel resources allow. Our ability to replace and expand our reserve base depends on our ability to attract and retain quality personnel and identify and acquire suitable producing properties and prospects for future drilling.

Employees

Non-publicly traded affiliates operate our oil and gas properties. The affiliated operating companies are owned and managed by ReoStar shareholders that collectively own more than 50% of our stock. As of April 1, 2008, the aggregate number of employees and affiliated employees totaled 46.

All of ReoStar's full-time employees are eligible to receive equity awards approved by the Compensation Committee of the Board of Directors. No employees are covered by a labor union or other collective bargaining arrangement. We believe that the relationship with our employees is excellent. We regularly utilize independent consultants and contractors to perform various professional services, particularly in the areas of drilling, completion, field and on-site production operation services.

Available Information

We maintain an internet website under the name "www.reostarenergy.com." Information contained on or connected to our website is not incorporated by reference into this Form 10-KSB and should not be considered part of this report or any other filing that we make with the SEC. We make available, free of charge, on our website, the annual report on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after providing such reports to the SEC. Also, our Code of Ethics is available on our website and in print to any stockholder who provides a written request to Investor Relations at 3880 Hulen Street, Suite 500, Fort Worth, Texas 76107.

We file annual reports on Form 10-KSB, quarterly reports on Form 10-QSB and current reports on Form 8-K, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including REOSTAR, that file electronically with the SEC. The public can obtain any document we file with the SEC at "www.sec.gov."

Effective February 1, 2007 three entities contributed certain assets to Goldrange Resources, Inc. ("Goldrange") in exchange for stock. The contributing entities were under common control prior to the transaction, and immediately after the transactions, the former shareholders of the contributing entities owned 80.4% of the issued and outstanding stock of Goldrange. The contribution was accounted for as a reverse merger, therefore, all assets are carried on the balance sheet at historical cost. The predecessor entities kept accounting records based on a calendar year end. However, Goldrange's year end was March 31. Therefore, for prior years, all data presented reflects data using a calendar year end.

Marketing and Customers

We market nearly all of our oil and gas production from the properties we operate for both our interest and that of the other working interest owners and royalty owners. All of our gas produced from the Barnett Shale is sold pursuant to a gas contract with Copano Field Services/North Texas LLC. The contract expires May 31, 2017 and provides for two stages of gathering fees. For all wells in production through December 31, 2010, a gathering fee of \$0.55 per mcf is assessed against our revenue. Thereafter, for all wells in production as of December 31, 2010, no gathering fee will be assessed. Currently, none of our gas is sold under long-term fixed price contracts. Our Barnett oil is currently sold to Cimmarron Gathering, LP under a month to month contract until such time as either party cancels by providing thirty (30) days advance written notice to the other party of intent to cancel. The contract pays Platts plus minus \$1.00 based on Plains - North Texas Sweet posted price.

Oil and gas purchasers are selected on the basis of price, credit quality and service. For a summary of purchasers of our oil and gas production that accounted for 10% or more of consolidated revenue, see Note 10 to our financial statements. Because alternative purchasers of oil and gas are usually readily available, we believe that the loss of any of these purchasers would not have a material adverse effect on us.

In the third quarter we initiated a hedging program. We purchased oil put contracts of 1,000 barrels per month through September 2008. The hedging program was intended to protect downside price risk in the oil markets. Both oil and gas markets have recently experienced a significant increase in pricing. We expect to implement a more comprehensive hedging program during this fiscal year with unaffiliated third parties for portions of our production to achieve more predictable cash flows and to reduce our exposure to down-side price risk.

Proximity to local markets, availability of competitive fuels and overall supply and demand are factors affecting the prices for which our production can be sold. Market volatility due to international political developments, overall energy supply and demand, fluctuating weather conditions, economic growth rates and other factors in the United States and worldwide has had, and will continue to have, a significant effect on energy prices.

For additional information, see "Risk Factors".

Governmental Regulation

Federal, state and local laws and regulations substantially affect our operations. In particular, oil and gas production and related operations are, or have been, subject to price controls, taxes and numerous other

laws and regulations. All of the jurisdictions in which we own or operate producing crude oil and natural gas properties have statutory provisions regulating the exploration for and production of crude oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements in order to drill or operate wells, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, and the abandonment of wells. Our operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in an area, and the unitization or pooling of crude oil and natural gas wells, generally prohibit the venting or flaring of natural gas, and impose certain requirements regarding the ratable or fair apportionment of production from fields and individual wells.

In August 2005, Congress enacted the Energy Policy Act of 2005 ("EPAAct 2005"). Among other matters, the EPAAct 2005 amends the Natural Gas Act ("NGA"), to make it unlawful for "any entity", including otherwise non-jurisdictional producers such as ReoStar, to use any deceptive or manipulative device or contrivance in connection with the purchase or sale of natural gas or the purchase or sale of transportation services subject to regulation by the Federal Energy Regulatory Commission ("FERC"), in contravention of rules prescribed by the FERC. On January 20, 2006, the FERC issued rules implementing this provision. The rules make it unlawful in connection with the purchase or sale of natural gas subject to the jurisdiction of FERC, or the purchase or sale of transportation services subject to the jurisdiction of FERC, for any entity, directly or indirectly, to use or employ any device, scheme or artifice to defraud; to make any untrue statement of material fact or omit to make any such statement necessary to make the statements made not misleading; or to engage in any act or practice that operates as a fraud or deceit upon any person. EPAAct 2005 also gives the FERC authority to impose civil penalties for violations of the NGA up to \$1,000,000 per day per violation. The new anti-manipulation rule does not apply to activities that relate only to intrastate or other non-jurisdictional sale or gathering, but does apply to activities or otherwise non-jurisdictional entities to the extent the activities are conducted "in connection with" gas sales, purchases or transportation subject to FERC jurisdiction. It therefore reflects a significant expansion of FERC's enforcement authority. ReoStar does not anticipate it will be affected any differently than other producers of natural gas.

Failure to comply with applicable laws and regulations can result in substantial penalties. The regulatory burden on the industry increases the cost of doing business and affects profitability. Although we believe we are in substantial compliance with all applicable laws and regulations, such laws and regulations are frequently amended or reinterpreted. Therefore, we are unable to predict the future costs or impact of compliance. Congress, the states, the FERC, and the courts regularly consider additional proposals and proceedings that affect the oil and gas industry. We cannot predict when or whether any such proposals may become effective.

Environmental Matters

Our operations are subject to stringent federal, state and local laws governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments such as the Environmental Protection Agency ("EPA") issue regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial civil and criminal penalties for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling, production and transporting through pipelines, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands, frontier and other protected areas, require some form of remedial action to prevent pollution from former operations such as plugging abandoned wells, and impose substantial liabilities for pollution resulting from operations. In addition, these laws, rules and regulations may restrict the rate of production. The regulatory burden on the oil and gas industry increases the cost of doing business, affecting growth and profitability. Changes in environmental laws and regulations occur frequently, and changes that result in more stringent and costly waste handling, disposal or clean-up requirements could adversely affect our operations and financial position, as well as the industry in general. We believe we are in substantial compliance with current applicable environmental laws and regulations. Although we have not experienced any material adverse effect from compliance with environmental requirements, there is no assurance that this will continue. We did not have any material

capital or other non-recurring expenditures in connection with complying with environmental laws or environmental remediation matters during fiscal year ended 2008, nor do we anticipate that such expenditures will be material in fiscal year ended 2009.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. These persons include owners or operators of the disposal site or sites where the release occurred and companies that disposed of or arranged for the disposal of the hazardous substances at the site where the release occurred. Under CERCLA, such persons may be subject to joint and several liabilities for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. Furthermore, although petroleum, including crude oil and natural gas, is not a "hazardous substance" under CERCLA, at least two courts have ruled that certain wastes associated with the production of crude oil may be classified as "hazardous substances" under CERCLA and that such wastes may therefore give rise to liability under CERCLA. Beyond CERCLA, state laws regulate the disposal of oil and gas wastes, and periodically new state legislative initiatives are proposed that could have a significant impact on us. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damages allegedly caused by the release of hazardous substances or other pollutants into the environment pursuant to environmental statutes, common law or both.

The Federal Water Pollution Control Act ("FWPCA") imposes restrictions and strict controls regarding the discharge of produced waters and other oil and gas wastes into waters of the United States. Permits must be obtained to discharge pollutants into state and federal waters. The FWPCA and analogous state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of oil and other hazardous substances in reportable quantities and may impose substantial potential liability for the costs of removal, remediation and damages. State water discharge regulations and Federal National Pollutant Discharge Elimination System permits applicable to the oil and gas industry generally prohibit the discharge of produced water, sand and some other substances into coastal waters. The cost to comply with zero discharges mandated under federal and state law has not had a material adverse impact on our financial condition and results of operations.

Some oil and gas exploration and production facilities are required to obtain permits for their storm water discharges. Costs may be incurred in connection with treatment of wastewater or developing and implementing storm water pollution prevention plans. The Resource Conservation and Recovery Act ("RCRA") as amended, generally does not regulate most wastes generated by the exploration and production of oil and gas. RCRA specifically excludes from the definition of hazardous waste "drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy." However, these wastes may be regulated by the EPA or state agencies as non-hazardous solid waste. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes and waste compressor oils, can be regulated as hazardous wastes. Although the costs of managing wastes classified as hazardous waste may be significant, we do not expect to experience more burdensome costs than similarly situated companies.

The Oil Pollution Act ("OPA") requires owners and operators of facilities that could be the source of an oil spill into "waters of the United States" (a term defined to include rivers, creeks, wetlands and coastal waters) to adopt and implement plans and procedures to prevent any spill of oil into any waters of the United States. OPA also requires affected facility owners and operators to demonstrate that they have sufficient financial resources to pay for the costs of cleaning up an oil spill and compensating any parties damaged by an oil spill. Substantial civil and criminal fines and penalties can be imposed for violations of OPA and other environmental statutes.

Stricter standards in environmental legislation may be imposed on the oil and gas industry in the future. For instance, legislation has been proposed in Congress from time-to-time that would alter the RCRA exemption by reclassifying certain oil and gas exploration and production wastes as "hazardous wastes" and make the

waste subject to more stringent handling, disposal and clean-up restrictions. If such legislation were enacted, it could have a significant impact on our operating costs, as well as the industry in general. Compliance with environmental requirements generally could have a material adverse effect on our capital expenditures, earnings or competitive position. Although we have not experienced any material adverse effect from compliance with environmental requirements, no assurance may be given that this will continue.

RISK FACTORS

We are subject to various risks and uncertainties in the course of our business. The following summarizes some, but not all, of the risks and uncertainties that may adversely affect our business, financial condition or results of operations.

Volatility of oil and natural gas prices significantly affects our cash flow and capital resources and could hamper our ability to produce oil and gas economically.

Oil and natural gas prices are volatile, and a decline in prices would adversely affect our profitability and financial condition. The oil and natural gas industry is typically cyclical, and prices for oil and natural gas have been highly volatile. Historically, the industry has experienced severe downturns characterized by oversupply and/or weak demand. In recent years, higher oil and natural gas prices have contributed to increased earnings industry wide. However, long-term supply and demand for oil and natural gas is uncertain and subject to a myriad of factors such as:

- the domestic and foreign supply of oil and gas;
- the price and availability of alternative fuels;
- weather conditions;
- the level of consumer demand;
- the price of foreign imports;
- world-wide economic conditions;
- political conditions in oil and gas producing regions; and
- domestic and foreign governmental regulations.

Decreases in oil and natural gas prices from current levels could adversely affect our revenues, net income, cash flow and proved reserves. Significant price decreases could have a material adverse effect on our operations and limit our ability to fund capital expenditures. Without the ability to fund capital expenditures, we would be unable to replace reserves and production.

Hedging transactions may limit our potential gains and involve other risks.

To manage our exposure to price risk, we may, from time to time, enter into hedging arrangements, utilizing commodity derivatives with respect to a significant portion of our future production. The goal of hedging is to lock in prices so as to limit volatility and increase the predictability of cash flow. These transactions may limit potential gains if oil and natural gas prices rise above the price established by the hedge. In addition, hedging transactions may cause risk of financial loss in certain circumstances.

Information concerning our reserves and future net reserve estimates is uncertain.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and their values, including many factors beyond our control. Estimates of proved reserves are by their nature uncertain. Although we believe these estimates are reasonable, actual production, revenues and costs to develop will likely vary from estimates, and these variances could be material.

The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment, assumptions used regarding quantities of oil and natural gas in place, recovery rates, and future commodity pricing.

Actual prices, production, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from those assumed in our estimates, and such variances may be material. Any variance in the assumptions could materially affect the estimated quantity and value of the reserves.

If oil and natural gas prices decrease or exploration efforts are unsuccessful, we may be required to take write-downs of our oil and natural gas properties.

This could occur when oil and natural gas prices are low, if we have downward adjustments to our estimated proved reserves, increases in our estimates of operating or development costs, deterioration in our exploration results, unsatisfactory results in our enhanced oil recovery projects, or mechanical problems with wells where the cost to re-drill or repair does not justify the expenditures required.

Accounting rules require that the carrying value of oil and natural gas properties be periodically reviewed for possible impairment. "Impairment" is recognized when the book value of a proven property is greater than the expected undiscounted future net cash flows from that property and on acreage when conditions indicate the carrying value is not recoverable. We may be required to write down the carrying value of a property based on oil and natural gas prices at the time of the impairment review, as well as a continuing evaluation of drilling results, production data, economics and other factors. While an impairment charge reflects our long-term ability to recover an investment, it does not impact cash or cash flow from operating activities, but it does reduce our reported earnings and increases our leverage ratios.

Our business is subject to operating hazards and environmental regulations that could result in substantial losses or liabilities.

Oil and natural gas operations are subject to many risks, including well blowouts, craterings, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pipeline ruptures or spills, pollution, releases of toxic natural gas and other environmental hazards and risks. If any of these hazards occur, we could sustain substantial losses as a result of:

- injury or loss of life;
- severe damage to or destruction of property, natural resources and equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigations and penalties; or
- suspension of operations

As we drill to deeper horizons and in more geologically complex areas, we could experience a greater increase in operating and financial risks due to inherent higher reservoir pressures and unknown downhole risk exposures. As we continue to drill deeper, the number of rigs capable of drilling to such depths will be fewer and we may experience greater competition from other operators.

Our operations are subject to numerous and increasingly strict federal, state and local laws, regulations and enforcement policies relating to the environment. We may incur significant costs and liabilities in complying with existing or future environmental laws, regulations and enforcement policies and may incur costs arising out of property damage or injuries to employees and other persons. These costs may result from our current and former operations and even may be caused by previous owners of property we own or lease. Any past, present or future failure by us to completely comply with environmental laws, regulations and enforcement policies could cause us to incur substantial fines, sanctions or liabilities from cleanup costs or other damages. Incurrence of those costs or damages could reduce or eliminate funds available for exploration, development or acquisitions or cause us to incur losses.

In accordance with our operating agreements, the operator maintains insurance against some, but not all, of these potential risks and losses. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. We do not maintain business interruption insurance.

In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs that is not fully covered by insurance, it could have a material adverse affect on our financial condition and results of operations.

We are subject to financing and interest rate exposure risks.

Our business and operating results can be harmed by factors such as the availability, terms of and cost of capital, increases in interest rates or a reduction in credit rating. These changes could cause our cost of doing business to increase, limit our ability to pursue acquisition opportunities and place us at a competitive disadvantage.

Many of our current and potential competitors have greater resources than we have and we may not be able to successfully compete in acquiring, exploring and developing new properties.

We face competition in every aspect of our business, including, but not limited to, acquiring reserves and leases, obtaining goods, services and employees needed to operate and manage our business and marketing oil and natural gas. Competitors include multinational oil companies, independent production companies and individual producers and operators. Many of our competitors have greater financial and other resources than we do.

The demand for field services and their ability to meet that demand may limit our ability to drill and produce our oil and natural gas properties.

Due to current industry demands, well service providers and related equipment and personnel are in short supply. This will result in escalating prices, the possibility of poor services coupled with potential damage to down-hole reservoirs and personnel injuries. Such pressures will likely increase the actual cost of services, extend the time to secure such services and add costs for damages due to accidents sustained from the over use of equipment and inexperienced personnel.

The oil and natural gas industry is subject to extensive regulation.

The oil and natural gas industry is subject to various types of regulations in the United States by local, state and federal agencies. Legislation affecting the industry is under constant review for amendment or expansion, frequently increasing our regulatory burden. Numerous departments and agencies, both state and federal, are authorized by statute to issue rules and regulations binding on participants in the oil and natural gas industry. Compliance with such rules and regulations often increases our cost of doing business and, in turn, decreases our profitability.

Acquisitions are subject to the risks and uncertainties of evaluating reserves and potential liabilities and may be disruptive and difficult to integrate into our business.

We could be subject to significant liabilities related to acquisitions. It generally is not feasible to review in detail every individual property included in an acquisition. Ordinarily, a review is focused on higher valued properties. However, even a detailed review of all properties and records may not reveal existing or potential problems in all of the properties, nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We do not always inspect every well we acquire, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is performed.

In addition, there is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our acquisition strategy is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Our ability to pursue our acquisition strategy may be hindered if we are not able to obtain financing on terms acceptable to regulatory approvals or us.

Acquisitions often pose integration risks and difficulties. In connection with future acquisitions, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Future acquisitions could result in our incurring additional debt, contingent liabilities, expenses and diversion of resources, all of which could have a material adverse effect on our financial condition and operating results.

Our success depends on key members of our management and our ability to attract and retain experienced technical and other professional personnel.

Our success is highly dependent on our management personnel. The loss of one or more of these individuals could have a material adverse effect on our business. Furthermore, competition for experienced technical and other professional personnel is intense. If we cannot retain our current personnel or attract additional experienced personnel, our ability to compete could be adversely affected.

Our future success depends on our ability to replace reserves that we produce.

Because the rate of production from oil and natural gas properties generally declines as reserves are depleted, our future success depends upon our ability to economically find or acquire and produce additional oil and natural gas reserves. Except to the extent that we acquire additional properties containing proved reserves, conduct successful exploration and development activities or, through engineering studies, identify additional behind-pipe zones or secondary recovery reserves, our proved reserves will decline as reserves are produced. Future oil and natural gas production, therefore, is highly dependent upon our level of success in acquiring or finding additional reserves that are economically recoverable. We cannot assure you that we will be able to find or acquire and develop additional reserves at an acceptable cost.

New technologies may cause our current exploration and drilling methods to become obsolete.

The oil and natural gas industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies. As competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. One or more of the technologies that we currently use or that we may implement in the future may become obsolete. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. If we are not able to maintain technological advancements consistent with industry standards, our operations and financial condition may be adversely affected.

Our business depends on oil and natural gas transportation facilities, most of which are owned by others.

The marketability of our oil and natural gas production depends in part on the availability, proximity and capacity of pipeline systems owned by third parties. The unavailability of or lack of available capacity on these systems and facilities could result in the shut-in of producing wells or the delay or discontinuance of development plans for properties. Although we have some contractual control over the transportation of our product, material changes in these business relationships could materially affect our operations. We generally do not purchase firm transportation on third party facilities and therefore, our production transportation can be interrupted by those having firm arrangements.

Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

The disruption of third-party facilities due to maintenance and/or weather could negatively impact our ability to market and deliver our products. We have no control over when or if such facilities are restored or what prices will be charged. A total shut-in of production could materially affect us due to a lack of cash flow, and if a substantial portion of the production is hedged at lower than market prices, those financial hedges would have to be paid from borrowings absent sufficient cash flow.

Indebtedness could limit our ability to successfully operate our business.

If we decide to pursue additional acquisitions, our capital expenditures will increase both to complete such acquisitions and to explore and develop any newly acquired properties. Our existing operations will also require ongoing capital expenditures. We may choose to increase debt in order to finance any of these potential capital expenditure requirements. The degree to which we are leveraged could have other important consequences, including the following:

- we may be required to dedicate a substantial portion of our cash flows from operations to the payment of our indebtedness, reducing the funds available for our operations;
- a portion of our borrowings are at variable rates of interest, making us vulnerable to increases in interest rates;
- we may be more highly leveraged than some of our competitors, which could place us at a competitive disadvantage;
- our degree of leverage may make us more vulnerable to a downturn in our business or the general economy;
- the terms of our credit arrangements could contain numerous financial and other restrictive covenants;
- our debt level could limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- we may have difficulties borrowing money in the future.

Any failure to meet our debt obligations could harm our business, financial condition and results of operations.

If our cash flow and capital resources are insufficient to fund our current or future debt obligations, we may be forced to sell assets, seek additional equity or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms. Our cash flow and capital resources may be insufficient for payment of interest on and principal of our debt in the future and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations and impair our liquidity.

We exist in a litigious environment.

Any constituent could bring suit or allege a violation of an existing contract. This action could delay when operations can actually commence or could cause a halt to production until the courts resolve such alleged violations. Not only could we incur significant legal and support expenses in defending our rights, planned operations could be delayed which would impact our future operations and financial condition. Such legal disputes could also distract management and other personnel from their primary responsibilities.

Common stockholders will be diluted if additional shares are issued.

We may incur debt that provides for a conversion to equity. Additionally, we may issue stock as consideration for additional property acquisitions. If we issue additional shares of our common stock in the future, it may have a dilutive effect on our current outstanding stockholders.

Dividend limitations.

Our ability to pay dividends may be limited by covenants imposed under future debt arrangements.

Our financial statements are complex.

Due to accounting rules, our financial statements continue to be complex, particularly with reference to hedging, asset retirement obligations, equity awards, and deferred taxes. We expect such complexity to continue and possibly increase.

Our stock price may be volatile and you may not be able to resell shares of our common stock at or above the price you paid.

The price of our common stock fluctuates significantly, which may result in losses for investors. To date our stock has been lightly traded, with the average daily volume being quite low. The low trading volume may prevent you from liquidating your position in our stock quickly. Additionally, the low trading volume may contribute significantly to price volatility. We expect our stock to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These include:

- changes in oil and natural gas prices;
- variations in quarterly drilling, re-completions, acquisitions and operating results;
- changes in financial estimates by securities analysts;
- changes in market valuations of comparable companies;
- additions or departures of key personnel; or
- future sales of our stock.

We may fail to meet expectations of our stockholders or of securities analysts at some time in the future, and our stock price could decline as a result.

ITEM 2. DESCRIPTION OF PROPERTIES

The information below summarizes certain data for our core operating areas for the year ended March 31, 2008. Segment reporting is not applicable to us as we have a single company-wide management team that administers all properties as a whole rather than by discrete operating segments. We track only basic operational data by area. We do not maintain complete separate financial statement information by area. We measure financial performance as a single enterprise and not on an area-by-area basis.

We conduct drilling, production and field operations in the Barnett Shale of North Central Texas, the Corsicana field of East Central Texas, and the Fayetteville Shale of Central Arkansas.

Barnett Shale

We have drilled and own interests in 59 completed wells, all of which are operated by Rife Energy Operating, Inc., a non-publicly traded affiliate. Our average working interest is 40%, and our average net revenue interest is 30 percent. We have approximately 6,500 gross (5,800 net) acres under lease, the majority of which is not classified as proven.

Proved developed producing reserves were 739 MBOE, and proved developed non-producing reserves were 698 MBOE. The majority of the proved developed non-producing reserves represented the reserves associated with the 7 wells that were drilled, but were not yet completed. Total proved developed reserves at March 31, 2008 were 1,437 MBOE. Total proven, undeveloped reserves were 2,642 MBOE.

At March 31, 2008, we had a Barnett Shale development inventory of more than 250 drilling locations and 17 proven re-completions. Development projects include re-completions and infill drilling (current field rules provide for 20 acre spacing).

Corsicana Field

We own interests in 67 producing well bores and 199 inactive wells. All of our properties in Corsicana are operated by Texas MOR, Inc, a non-publicly traded affiliate. Our average working interest is 95%, and our average net revenue interest is 76%. Currently, the active wells produce an average of 37 barrels of oil per day. We commenced flooding on our polymer pilot in June of 2007. Production in the polymer pilot wells during the fourth quarter increased by 50% when compared to production on those well before the polymer flood began.

The oil reserves in the field are fairly shallow with depths of less than 1,000 feet. While this field has been producing for more than one hundred years, several engineering studies have estimated that more than 80% of the original reserves still remain in place or approximately 100 MMBO. We believe the Polymer flood will allow us to achieve a marked increase in production volumes and give us the ability to prove larger reserves estimates.

There are many alternative reservoirs between 1000 and 7000 feet, which are being evaluated for optimal exploitation. The company feels that there are tremendous opportunities in the multiple zones within this range and it plans on attempting to produce from each one. Currently, the Company has scheduled four exploration wells into two of these zones, the Pecan Gap and the Glen Rose formations. The Company has secured co-financing for these wells from an industry partner who has purchased a 50% working interest in each of these deep wells.

In addition to the Polymer flood, we are evaluating optional EOR techniques including the use of steam and fire floods. Working in conjunction with New Mexico State University and funded from a federal grant program, we will jointly study the reservoir dynamics of the field to determine which enhanced oil recovery technique will optimize the recoverable reserves.

As of March 31, 2008, total proved developed reserves were 430 MBOE and proved undeveloped reserves totaled 10,393 MBOE.

East Texas Properties

We own interest in 4 leases in eastern Texas and western Louisiana. Our average working interest is 50% and our average net revenue interest is 40%.

As of March 31, 2008, total proved developed reserves were 9 MBOE and proved undeveloped reserves totaled 9 MBOE.

Fayetteville Shale

We own 6,450 net acres in the Fayetteville Shale located in Arkansas. The leasehold interests are not contiguous and we expect to sell the acreage during fiscal year 2009. No wells have been drilled on this acreage and no reserve values have been assigned to the leasehold interests.

Proven Reserves

At year-end 2008, the independent petroleum-consulting firm of Forrest Garb and Associates reviewed our reserves. These engineers were selected for their geographic expertise and their history in engineering enhanced oil recovery prospects similar to our Corsicana properties. At March 31, 2008, these consultants reviewed 100% of our proved reserves.

All estimates of oil and gas reserves are subject to uncertainty. The following table sets forth the estimated proven reserves in barrel of oil equivalents, estimated future net revenues from proved reserves, the present value of those net revenues and the expected benchmark prices used in projecting them (in thousands except prices):

<i>Reserves</i>	<i>Barnett Shale</i>	<i>Corsicana Field</i>	<i>E. Texas Field</i>	<i>Total</i>
Proved Developed (MBOE)	1,437	430	9	1,876
Proved Undeveloped (MBOE)	2,642	10,393	9	13,044
Total Proven Reserves at March 31, 2008	4,079	10,823	18	14,920
Estimated Future Net Revenues (M\$)	175,177	754,202	669	930,048
Present Value of Future Net Revenues (M\$)	89,447	335,509	489	425,445
Benchmark Pricing				
Natural Gas per mcf	\$9.86			
Crude Oil per barrel	\$101.54			

Future net revenues represent projected revenues from the sale of proved reserves net of production and development costs (including operating expenses and production taxes). Such calculations, prepared in accordance with Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities," are based on costs and prices in effect at March 31, 2008. There can be no assurance that the proved reserves will be produced within the periods indicated and prices and costs will not remain constant. There are numerous uncertainties inherent in estimating reserves and related information and different reservoir engineers often arrive at different estimates for the same properties. No estimates of our reserves have been filed with or included in reports to another federal authority or agency since year-end.

Wells are classified as crude oil or natural gas according to their predominant production stream.

The day-to-day operations of oil and gas properties are the responsibility of the operator designated under pooling or operating agreements. The operator supervises production, maintains production records, employs or contracts for field personnel and performs other functions. An operator receives reimbursement for direct expenses incurred in the performance of its duties as well as monthly per-well producing and drilling overhead reimbursement at rates customarily charged by unaffiliated third parties. The charges customarily vary with the depth and location of the well being operated. Our operators are affiliated with ReoStar and are owned by shareholders who own more than 15% of our issued and outstanding common stock.

Undeveloped Acreage Expirations

A significant amount of our Barnett Shale acreage is not yet held by production. However, due to our planned drilling schedules and lease renewal provisions, we do not anticipate significant leasehold expirations during the next two years.

Our Corsicana properties and east Texas properties are held by production. Our Fayetteville acreage has an initial five-year term with an option for an additional five years. We have not drilled any wells in the Fayetteville Shale.

Title to Properties

We believe that we have satisfactory title to all of our producing properties in accordance with generally accepted industry standards. As is customary in the industry, in the case of undeveloped properties, often minimal investigation of record title is made at the time of lease acquisition. Investigations are made prior to the consummation of an acquisition of producing properties and before commencement of drilling operations on undeveloped properties. Individual properties may be subject to burdens that we believe do not materially interfere with the use or affect the value of the properties. Burdens on properties may include:

customary royalty interests;
 liens incident to operating agreements and for current taxes;
 obligations or duties under applicable laws;
 development obligations under oil and gas leases; or
 burdens such as net profit interests.

Our headquarters are located at 3880 Hulen St, Suite 500, Fort Worth, Texas. We lease approximately one-half of the 12,000 square feet of office space under a sublease with the remaining half occupied by our affiliated operating entities, each of which contribute to the costs of leasing and maintenance of the leasehold, pro-rata to their respective usage. The term of the sub-lease is three years, and we pay rent at a rate of \$1 per square foot, per month. Our administrative and office facilities are suitable for their respective uses.

ITEM 3. LEGAL PROCEEDINGS

We do not know of any material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of our security holders during the fourth quarter of 2008.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is currently quoted for trading on Over-the-Counter Bulletin Board (OTCBB) maintained by the Financial Industry Regulatory Authority (FINRA) under the symbol "REOS". There was no active market or any trading volume with respect to the shares of our common stock in the periods prior to the quarter ended December 31, 2006.

The following table sets forth the high and low closing sale price of our common stock, as reported by the National Association of Securities Dealers Composite for each quarter during the past two fiscal years.

<u>Fiscal 2008</u>	<u>High</u>	<u>Low</u>
June 30, 2007	\$1.28	\$1.05
September 30, 2007	\$1.30	\$1.02
December 31, 2007	\$1.42	\$0.80
March 31, 2008	\$1.04	\$0.62

<u>Fiscal 2007</u>	<u>High</u>	<u>Low</u>
June 30, 2006	\$Nil	\$Nil
September 30, 2006	\$Nil	\$Nil
December 31, 2006	\$1.26	\$0.05
March 31, 2007	\$1.33	\$0.95

Holders of Record

On March 31, 2008, there were approximately 80 holders of record of our common stock.

Dividends

We have not paid any cash dividends on our Common Stock, and do not anticipate paying cash dividends on our Common Stock in the next year. We anticipate that any income generated in the foreseeable future will be retained for the development and expansion of our business. Future dividend policy is subject to the discretion of the Board of Directors and will depend upon a number of factors, including future earnings, debt service, capital requirements, business conditions, the financial condition of the Company and other factors that the Board of Directors may deem relevant.

Recent Sales of Unregistered Securities

In April 2007, we issued 350,000 shares of restricted common stock pursuant to employment agreements with certain of the Company's officers. The shares were issued pursuant to Section 4(2) of the Securities Act.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion is intended to assist you in understanding our business and results of operations together with our present financial condition. This section should be read in conjunction with Item 6, "Selected Financial Data", the financial statements and the accompanying notes included elsewhere in this Form 10-KSB.

Statements in our discussion may be forward-looking. These forward-looking statements involve risks and uncertainties. We caution that a number of factors could cause future production, revenues and expenses to differ materially from our expectations. See "Disclosures Regarding Forward-Looking Statements" at the beginning of this Annual Report and "Risk Factors" in Item 1 for additional discussion of some of these factors and risks.

Overview of Our Business

We are an independent natural gas and oil company engaged in the acquisition, development, and exploration of oil and gas properties, primarily in Texas. Our objective is to build a balanced portfolio consisting of oil and gas producing properties and reserves in both resource (developmental) and enhanced oil recovery (redevelopment) plays. We will expand reserves through internally generated drilling projects coupled with complementary acquisitions.

Our revenues, profitability and future growth depend substantially on prevailing prices for oil and gas and on our ability to find, develop and acquire oil and gas reserves that are economically recoverable. Our profitability depends upon our ability to control operations of our oil and gas assets.

We have a single company-wide management team that administers all properties as a whole rather than by independent operating segments. We track only basic operational data by area and we do not maintain complete separate financial statement information by area. We measure financial performance as a single enterprise and not on an area-by-area basis.

Successful Efforts Method of Accounting

We account for our exploration and development activities utilizing the successful efforts method of accounting. Under this method, costs of productive exploratory wells, development dry holes and productive wells and undeveloped leases are capitalized. Oil and natural gas lease acquisition costs are also capitalized. Exploration costs, including personnel costs, certain geological and geophysical expenses and delay rentals for oil and natural gas leases, are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but charged to expense if and when the well is determined not to have found reserves in commercial quantities. The sale of a partial interest in a proved property is accounted for as a cost recovery

and no gain or loss is recognized as long as this treatment does not significantly affect the unit-of-production amortization rate. A gain or loss is recognized for all other sales of producing properties.

The application of the successful efforts method of accounting requires managerial judgment to determine the proper classification of wells designated as developmental or exploratory which will ultimately determine the proper accounting treatment of the costs incurred. The results from a drilling operation can take considerable time to analyze and the determination that commercial reserves have been discovered requires both judgment and industry experience. Wells may be completed that are assumed to be productive and actually deliver oil and natural gas in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. The evaluation of oil and natural gas leasehold acquisition costs requires managerial judgment to estimate the fair value of these costs with reference to drilling activity in a given area.

The successful efforts method of accounting can have a significant impact on the operational results reported when we enter a new exploratory area in hopes of finding an oil and natural gas field that will be the focus of future developmental drilling activity. The initial exploratory wells may be unsuccessful and will be expensed. Seismic costs can be substantial which will result in additional exploration expenses when incurred.

Industry Environment

We operate entirely within the United States, a mature region for the exploration and production of oil and gas. As a mature region, while new discoveries of oil and gas occur in the United States, the size and frequency of these discoveries is declining, while finding and development costs are increasing.

We believe that there remain certain areas in the southern Mid-continent region which are under-explored or have not been fully explored and developed with the benefit of newly available exploration, production and reserve enhancement technology. Examples of such technology include advanced 3-D seismic processing, hydraulic reservoir fracture stimulation, advances in well logging and analysis, and enhanced oil recovery practices.

Another characteristic of a mature region is the historical exit of larger independent producers and major oil companies from such regions. These companies, searching larger new discoveries, have ventured increasingly overseas and offshore, de-emphasizing their onshore United States assets. This movement out of mature basins by larger companies has provided acquisition opportunities for companies like ours that are capable of quickly analyzing opportunities, well positioned financially to quickly close an acquisition, and have the technical expertise to generate additional value from these assets.

In other situations, larger independent producers and major integrated oil companies have allowed smaller companies the opportunity to explore and develop reserves on their undeveloped acreage through joint ventures and farm-in arrangements.

We believe the acquisition market for natural gas properties has become extremely competitive as producers vie for additional production and expanded drilling opportunities. Acquisition values have reached historic highs and we expect these values to remain high in the near future. We expect drilling and service costs pressures to increase, resulting in higher finding and development costs. In addition, we expect lease-operating expenses to continue to rise as producers are forced to make operational enhancements to maintain production in aging fields.

Crude oil and natural gas are commodities. The price that we receive for the crude oil and natural gas we produce is largely a function of market supply and demand. Demand for natural gas in the United States has increased dramatically over the last ten years. Demand is impacted by general economic conditions, estimates of gas in storage, weather and other seasonal conditions, including hurricanes and tropical storms. Demand for crude oil has also increased over the last ten years while the increase in supply has not increased proportionately resulting in a tight market. Market conditions involving over or under supply of crude oil and natural gas can result in substantial price volatility. Historically, commodity prices have been volatile and we

expect the volatility to continue in the future. A substantial or extended decline in oil and gas prices or poor drilling results could have a material adverse effect on our financial position, results of operations, cash flows, quantities of oil and gas reserves that may be economically produced and our ability to access capital markets.

We derive our revenues from the sale of crude oil and natural gas that is produced from our properties. Revenues are a function of the volume produced and the prevailing market price at the time of sale. The price of oil and natural gas is the primary factor affecting our revenues.

Principal Components of Our Cost Structure

Direct Operating Expenses. These are day-to-day costs incurred to bring hydrocarbons out of the ground and to the market together with the daily costs incurred to maintain our producing properties. Such costs also include work-over repairs to our oil and gas properties not covered by insurance. To minimize and help control our costs, we acquired a work-over drilling rig and a swab rig in June of 2007.

Production and Ad Valorem Taxes. These costs are primarily paid based on a percentage of market prices or at fixed rates established by federal, state or local taxing authorities.

Exploration Expense. The costs include geological and geophysical costs, seismic costs, delay rentals and the costs of unsuccessful wells or dry holes. While our current asset mix requires a minimum of geological and geophysical costs and seismic costs, it is possible this component of our cost structure could sharply increase depending upon future property acquisitions.

Plugging Costs. The Corsicana field is over one hundred years old and has hundreds of abandoned well bores scattered throughout the properties. In order to properly execute our enhanced oil recovery projects, we need to plug these abandoned, worn out well bores. Since the wells are fairly shallow, we are able to cement in the entire well bore at a cost of less than \$1,500 per well.

General and Administrative Expenses. Overhead, including payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of finding our working interest partners, costs of managing our production and development operations, audit and other professional fees and legal compliance are included in general and administrative expense. General and administrative expense includes stock-based compensation expense (non-cash) associated with the adoption of SFAS No. 123(R), amortization of restricted stock grants as part of employee compensation.

Interest. We carry minimum levels of debt, but in the future, we may finance a portion of our working capital requirements and acquisitions with borrowings under a credit facility or with longer-term public traded debt securities. As a result, interest expense could become a much more prevalent component of our cost structure.

Depreciation, Depletion and Amortization. As a successful efforts company, we capitalize all costs associated with our acquisition and all successful development and exploration efforts, and apportion these costs to each unit of production through depreciation, depletion and amortization expense. This also includes the systematic, monthly depreciation of our oilfield equipment assets.

Income Taxes. We are subject to state and federal income taxes but are currently not in a minimal tax paying position for regular federal income taxes, primarily due to the current deductibility of intangible drilling costs ("IDC"). We are also subject to some state income taxes. Currently, virtually all of our Federal taxes are deferred; however, at some point, we will utilize all of our net operating loss carry-forwards and we will recognize current income tax expense and continue to recognize current tax expense as long as we are generating taxable income.

Results and Analysis of Financial Condition, Cash Flows and Liquidity

During the fiscal year ended March 31, 2008, we drilled and completed 12 wells in our Barnett Shale project. At year-end, there were seven wells drilled and awaiting completion. ReoStar retained an average working interest in these wells of 44.5% at a total net investment of \$7.1 million. The following chart summarizes pertinent reserve information for our Barnett Shale properties at March 31, 2008 and March 31, 2007:

	Discounted Cash Flows @ 10%			Net Reserves (MBOE)		
	2008	2007	% Change	2008	2007	% Change
Proved Developed	\$ 37,209,260	\$ 7,781,890	478.2%	1,437	426	337.0%
Proved Undeveloped	52,238,110	2,323,380	2248.4%	2,642	409	646.4%
	\$ 89,447,370	\$ 10,105,270	885.2%	4,079	835	488.4%

We began injecting surfactant polymer in the pilot project in June 2007. Production responded positively with monthly production for the fourth quarter on the pilot increasing by 50% when compared to the pre-injection production. We began the permitting process for the second stage of the pilot and expect to complete the pilot expansion and to begin injection during the second quarter of the next fiscal year. The following chart summarizes pertinent reserve information for our Corsicana properties at March 31, 2008 and March 31, 2007.

	Discounted Cash Flows @ 10%			Net Reserves (MBOE)		
	2008	2007	% Change	2008	2007	% Change
Proved Developed	\$ 14,799,080	\$ 1,104,080	1340.4%	430	106	406.4%
Proved Undeveloped	320,710,090	169,758,910	188.9%	10,394	11,302	-8.0%
	\$ 335,509,170	\$ 170,862,990	196.4%	10,823	11,408	-5.1%

The average price per barrel of oil during the fiscal year was \$80.48 compared with \$52.10 for the twelve months ended December 31, 2006. The average price realized per thousand cubic feet (MCF) of gas produced during the fiscal year was \$6.25 compared with \$6.19 for the twelve months ended December 31, 2006.

Oil and gas production for the year increased 36% to a total of 92,193 BOE compared with 67,821 for the twelve months ended December 31, 2006. Oil and gas revenue for the year increased 70% to a total of \$4.9 million compared to \$2.9 million for the twelve months ended December 31, 2006. Net income for the fiscal year was \$796,000 compared to \$193,000 for the twelve months ended December 31, 2006.

During fiscal year ended March 31, 2008, our cash provided from operations was \$300 thousand, and we invested \$11 million on capital expenditures. Financing activities provided net cash of \$4.7 million. The offering closed on April 30, 2007. The Company randise necessary to operate our business, and our merchandising strategy depends upon our

Table of Contents

ability to maintain good relations with significant vendors. Certain brand name watch manufacturers, including Rolex, have distribution agreements with our subsidiary Mayors that, among other things, provide for specific sales locations, yearly renewal terms and early termination provisions at the manufacturer's discretion. In fiscal 2010, merchandise supplied by Rolex and sold through our stores operating under the Mayors and Brinkhaus brands accounted for approximately 22% of our total net sales. Our relationships with primary suppliers, like Rolex, are generally not pursuant to long-term agreements.

We obtain materials and manufactured items from third-party suppliers. Any delay or interruption in our suppliers' abilities to provide us with necessary materials and components may affect our manufacturing capabilities or may require us to seek alternative supply sources. Any delay or interruption in receiving supplies could impair our ability to supply products to our stores and, accordingly, could have a material adverse effect on our business, results of operations and financial condition. The abrupt loss of any of our third-party suppliers, especially Rolex, or a decline in the quality or quantity of materials supplied by any third-party suppliers could cause significant disruption in our business.

Fluctuations in the availability and prices of our raw materials and finished goods may adversely affect our results of operations.

We offer a large selection of distinctive high quality merchandise, including diamond, gemstone and precious metal jewelry, rings, wedding bands, earrings, bracelets, necklaces, charms, timepieces and gifts. Accordingly, significant changes in the availability or prices of diamonds, gemstones, and precious metals we require for our products could adversely affect our earnings. Further, both the supply and price of diamonds are significantly influenced by a single entity, the Diamond Trading Corporation. We do not maintain long-term inventories or otherwise hedge a material portion of the price of raw materials. A significant increase in the price of these materials could adversely affect our net sales and gross margins.

We are controlled by a single shareholder whose interests may be different from yours.

The Goldfish Trust beneficially owns or controls 67.8% of all classes of our outstanding voting shares, which are directly owned by Montrovest B.V. (Montrovest), the former parent company of Iniziativa S.A. (Iniziativa) and Montrolux S.A. (Montrolux). Until May 2007, 63.4% of our outstanding voting shares were directly owned by Iniziativa. As of June 2007, 31.2% was directly owned by Montrolux. The trustee of the Goldfish Trust is Rohan Private Trust Company Limited (the Trustee). Dr. Lorenzo Rossi di Montelera, who is the Company's Chairman of the Board, is a director of the Trustee, and a beneficiary of the Goldfish Trust. Under our amended charter, Montrovest, as holder of the Class B multiple voting shares, has the ability to control most actions requiring shareholder approval, including electing the members of our Board of Directors and the issuance of new equity. Dr. Rossi, in certain circumstances, may be delegated the authority from the Trustee to vote on shares held by Montrovest.

The Trustee and Montrovest may have different interests than you have and may make decisions that do not correspond to your interests. In addition, the fact that we are controlled by one shareholder may have the effect of delaying or preventing a change in our management or voting control.

We may not be able to retain key personnel or replace them if they leave.

Our success is largely dependent on the personal efforts of Thomas A. Andruskevich, our President and Chief Executive Officer, and other key members of the senior management team. Although we have entered into employment agreements with Mr. Andruskevich and other key members of our senior management team, the loss of any of their services could cause our business to suffer. Our success is also dependent upon our ability to continue to hire and retain qualified financial, operations, development and other personnel. Competition for qualified personnel in the retail industry is intense, and we may not be able to hire or retain the personnel necessary for our planned operations.

Table of Contents

Our business could be adversely affected if we are unable to successfully negotiate favorable lease terms.

As of March 27, 2010, we had 64 leased retail stores, which includes the capital lease of our Canadian headquarters and Montreal flagship store. The leases are generally for a term of five to ten years, with rent being a fixed minimum base plus, for a majority of the stores, a percentage of the store's sale volume (subject to some adjustments) over a specified threshold. We have generally been successful in negotiating leases for new stores and lease renewals as our current leases near expiration. However, our business, financial condition, and operating results could be adversely affected if we are unable to continue to negotiate favorable lease and renewal terms.

Hurricanes and other severe weather conditions could cause a disruption in our operations, which could have an adverse impact on our results of operations.

Our U.S. operations are located in Georgia and Florida, regions that are susceptible to hurricanes. In the past, hurricanes have forced the closure of some of our stores, resulting in a reduction in net sales during such periods. Future hurricanes could significantly disrupt our U.S. operations and could have a material adverse effect on our overall results of operations. In addition, severe weather such as ice storms, snow storms and blizzards in Canada can cause conditions whereby peak holiday shopping could be materially affected.

Terrorist acts or other catastrophic events could have a material adverse effect on Birks & Mayors.

Terrorist acts, acts of war or hostility, natural disasters or other catastrophic events could have an immediate disproportionate impact on discretionary spending on luxury goods upon which our operations are dependent. For example, in the aftermath of the terrorist attacks carried out on September 11, 2001, tourism and business travel was significantly reduced in all of our markets, which had an adverse impact on our net sales. Similarly, the SARS epidemic in Toronto, Ontario in the spring of 2003 had an adverse impact on net sales in our stores in that region. Tourism and business travel may decrease considerably in Florida due to the current oil spill in the Gulf of Mexico, which may have an adverse impact on our net sales. Similar future events could have a material adverse impact on our business and results of operations.

We may not be able to adequately protect our intellectual property and may be required to engage in costly litigation as a protective measure.

To establish and protect our intellectual property rights, we rely upon a combination of trademark and trade secret laws, together with licenses, exclusivity agreements and other contractual covenants. In particular, the Birks and Mayors trademarks are of significant value to our retail operations. The measures we take to protect our intellectual property rights may prove inadequate to prevent misappropriation of our intellectual property. Monitoring the unauthorized use of our intellectual property is difficult. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations.

Risks Related to Class A Voting Shares

Our share price could be adversely affected if a large number of Class A voting shares are offered for sale or sold.

Future issuances or sales of a substantial number of our Class A voting shares by us, Montrovest, or another significant shareholder in the public market could adversely affect the price of our Class A voting shares, which may impair our ability to raise capital through future issuances of equity securities. As of May 31, 2010, we had 3,672,407 Class A voting shares issued and outstanding. Sales of restricted securities in the public market, or the availability of these Class A voting shares for sale, could adversely affect the market price of Class A voting shares.

Table of Contents

As a retail jeweler with a limited public float, the price of our Class A voting shares may fluctuate substantially, which could negatively affect the value of our Class A voting shares and could result in securities class action claims against us.

The price of our Class A voting shares may fluctuate substantially due to, among other things, the following factors: (1) fluctuations in the price of the shares of the small number of public companies in the retail jewelry business; (2) additions or departures of key personnel; (3) announcements of legal proceedings or regulatory matters; and (4) general volatility in the stock market. The market price of our Class A voting shares could also fluctuate substantially if we fail to meet or exceed expectations for our financial results or if there is a change in financial estimates or securities analysts' recommendations.

Significant price and value fluctuations have occurred in the past with respect to the securities of retail jewelry and related companies. In addition, because the public float of our Class A voting shares is relatively small, the market price of our Class A voting shares is likely to be volatile. There is limited trading volume in our Class A voting shares, rendering them subject to significant price volatility. In addition, the stock market has experienced volatility that has affected the market prices of equity securities of many companies, and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond our control, could also cause the market price of our Class A voting shares to fluctuate substantially. In the past, following periods of downward volatility in the market price of a company's securities, class action litigation has often been pursued. If our Class A voting shares were similarly volatile and litigation were pursued against us, it could result in substantial costs and a diversion of our management's attention and resources.

We are governed by the laws of Canada, and, as a result, it may not be possible for shareholders to enforce civil liability provisions of the securities laws of the U.S.

We are governed by the laws of Canada. A substantial portion of our assets are located outside the U.S. and some of our directors and officers are residents outside of the U.S. As a result, it may be difficult for investors to effect service within the U.S. upon us or our directors and officers, or to realize in the U.S. upon judgments of courts of the U.S. predicated upon civil liability of Birks & Mayors and such directors or officers under U.S. federal securities laws. There is doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of U.S. courts, of the civil liabilities predicated upon U.S. federal securities laws.

We expect to maintain our status as a foreign private issuer under the rules and regulations of the SEC and, thus, are exempt from a number of rules under the Exchange Act of 1934 and are permitted to file less information with the SEC than a company incorporated in the U.S.

As a foreign private issuer, we are exempt from rules under the Exchange Act of 1934, as amended (the Exchange Act) that impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our Class A voting shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we required to comply with Regulation FD, which restricts the selective disclosure of material information. Accordingly, there may be less publicly available information concerning us than there is for U.S. public companies.

If we were treated as a passive foreign investment company, or a PFIC, some holders of our Class A voting shares would be subject to additional taxation, which could cause the price of our Class A voting shares to decline.

We believe that our Class A voting shares should not be treated as stock of a PFIC for U.S. federal income tax purposes, and we expect to continue operations in such a manner that we will not be a PFIC. If, however, we

Table of Contents

are or become a PFIC, some holders of our Class A voting shares could be subject to additional U.S. federal income taxes on gains recognized with respect to our Class A voting shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules.

Our assessment of our internal control over financial reporting may identify material weaknesses in the future and may result in an attestation with an adverse or qualified opinion from our independent auditors, which could reduce confidence in our financial statements and negatively affect the price of our securities.

We are subject to reporting obligations under U.S. securities laws. Beginning with our Annual Report on Form 20-F for fiscal 2008, Section 404 of the Sarbanes-Oxley Act requires us to prepare a management report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over our financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, beginning with our Annual Report for fiscal 2011, our Annual Report must also contain a statement that our independent auditors have issued an attestation report on their assessment of such internal control. Our independent registered public accounting firm may issue an adverse report on the effectiveness of our internal control over financial reporting or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. If at any time in the future, we or our independent auditors are unable to assert that our internal control over financial reporting is effective, market perception of our financial condition and the trading price of our stock may be adversely affected and customer perception of our business may suffer, all of which could have a material adverse effect on our operations.

Item 4. Information on the Company

THE COMPANY

Corporate History and Overview

Birks & Mayors is a leading North American luxury jewelry brand which designs, develops, makes and retails fine jewelry, time pieces, sterling silver and gifts. As of May 31, 2010, Birks & Mayors operated 64 luxury jewelry stores, 33 stores under the Birks brand, located in all major cities across Canada, two retail locations in Calgary and Vancouver under the Brinkhaus brand, and 29 stores under the Mayors brand, located in Florida and Georgia. As a luxury jeweler, most of our jewelry products are constructed of 18 karat gold, platinum or sterling silver, with or without precious gemstones, with significant emphasis on quality craftsmanship and distinctive design. For fiscal 2010, we had net sales of \$255.1 million.

Birks' predecessor company was founded in Montreal in 1879 and developed over the years into Canada's premier designer, manufacturer and retailer of fine jewelry, timepieces, sterling and plated silverware and gifts. In addition to being a nationwide retailer with a strong brand identity, we are also highly regarded in Canada as a designer and maker of jewelry and a provider of recognition programs, service awards and business gifts. We believe that operating our stores under the Birks and Mayors brands distinguishes us from many competitors because of our longstanding reputation and heritage of being trustworthy, offering only the highest standard of quality and craftsmanship and products, our ability to offer distinctively designed, exclusive products, a large selection of distinctive high quality merchandise at many different price points, and by placing a strong emphasis on providing a superior shopping experience to our clients.

From 1950 through 1990, Birks aggressively expanded its retail business and by the early 1990s it had approximately 220 stores in Canada and the U.S. After a period of rapid expansion in the 1980s, followed in the early 1990s by a period of declining margins and significant erosion in consumer spending coupled with significantly higher indebtedness resulting from a family buy-out, Birks experienced significant financial losses. These financial difficulties ultimately led to the purchase of Birks by Borgosesia Acquisitions Corporation in

Table of Contents

1993, a predecessor company of Regaluxe Investment S.á.r.l., which is referred to in this Annual Report as Regaluxe. Effective March 28, 2006, Regaluxe was acquired through a merger with Iniziativa. As of May 31, 2007 and June 4, 2007, respectively, following a reorganization, Iniziativa and Montrolux transferred all of the shares they respectively held in the Company to their parent company, Montrovest. Following the 1993 acquisition of Birks, Birks' operations were evaluated and a program of returning Birks to its historic core strength as the leading Canadian luxury jeweler was initiated.

In August 2002, Birks invested \$15.05 million to acquire approximately 72% of the voting control in Mayors, which was experiencing an unsuccessful expansion beyond its core markets and was incurring significant losses.

Between August 2002 and November 2005, it became apparent to both Mayors and Birks management that it was in the best interests of the shareholders to combine the two companies. Management believed that such combination would create a stronger capital base, improve operating efficiencies, reduce the impact of regional issues, simplify the corporate ownership of Mayors, eliminate management and board of directors inefficiencies with managing intercompany issues, and possibly increase shareholder liquidity. Upon the consummation of the merger on November 14, 2005, each outstanding share of Mayors common stock not then owned by Birks was converted into 0.08695 Class A voting shares of Birks. As a result of the merger, Mayors common stock ceased trading on the American Stock Exchange (AMEX) and Birks & Mayors began trading on the AMEX, which is now known as the NYSE Amex LLC (NYSE Amex), under the trading symbol BMJ. Since the merger, Birks & Mayors has worked very diligently to fully integrate the Birks business with Mayors and believes the integration process is complete. As a result of the merger, we believe the combined company has improved operational efficiencies and diversity and depth of its products and distribution capabilities.

Since the beginning of fiscal 2008, we invested approximately \$15.4 million of capital expenditures primarily associated with leasehold improvements, fixturing, and the opening of new stores. We expect to invest an additional \$3 million of capital expenditures in fiscal 2011 of which approximately half will be in the U.S. and half will be in Canada. We expect to finance these expenditures mainly from draws against our senior secured revolving credit facility.

During fiscal 2010, we closed two of our Mayors stores located in Palm Beach, Florida and Miami, Florida, and four of our Birks stores located in Victoria, British Columbia, St. Catherines, Ontario, Edmonton, Alberta and Surrey, British Columbia. We opened one new Mayors store located in Palm Beach Gardens, Florida operating under the name Mayors by Birks. Also, in May 2009, we discontinued production at our Rhode Island manufacturing facility in order to reduce operating expenses and operate more efficiently by consolidating more of our production activities into our Montreal facility and by purchasing finished goods from third parties. The Rhode Island facility is currently held for sale. During fiscal 2009, we closed one of our Mayors stores located in Atlanta, Georgia.

Our sales are divided into two principal product categories: jewelry and timepieces. Jewelry also includes sales of other product offerings we sell such as giftware, as well as repair and custom design services.

The following table compares our sales of each product category for the last three fiscal years (dollars in thousands):

	Fiscal Year-Ended					
	March 27, 2010		March 28, 2009		March 29, 2008	
Jewelry and other	\$ 151,438	59.4%	\$ 158,109	58.4%	\$ 187,517	59.6%
Timepieces	103,619	40.6%	112,787	41.6%	127,228	40.4%
Total	\$ 255,057	100.0%	\$ 270,896	100.0%	\$ 314,745	100.0%

Table of Contents

The following table sets forth our operations in geographic markets in which we operate (dollars in thousands):

	March 27, 2010	Fiscal Year Ended March 28, 2009	March 29, 2008
Net sales			
Canada	\$ 135,402	\$ 131,948	\$ 146,557
U.S.	119,655	138,948	168,188
Total revenues	\$ 255,057	\$ 270,896	\$ 314,745
Long-lived assets			
Canada	\$ 22,204	\$ 21,701	\$ 32,983
U.S.	8,520	12,345	38,889
Total long-lived assets	\$ 30,724	\$ 34,046	\$ 71,872

Birks & Mayors is a Canadian corporation. Our corporate headquarters are located at 1240 Phillips Square, Montreal, Québec, Canada H3B 3H4. Our telephone number is (514) 397-2501. Our website is www.birksandmayors.com.

Products

We offer distinctively designed, exclusive products and a large selection of distinctive high quality merchandise at many different price points. This merchandise includes designer jewelry, diamond, gemstone, and precious metal jewelry, timepieces and giftware. Part of our strategy is to increase our exclusive offering of internally designed and/or produced goods sold to our customers, consisting primarily of bridal, diamond and other fine jewelry, as well as gold and sterling silver jewelry and timepieces, all of which leverage the Birks and Mayors brands' loyalty in their respective markets and in order to differentiate our products with unique and exclusive designs.

Our Canadian stores, operating under the Birks and Brinkhaus brands, carry a large selection of brand name timepieces, including our own proprietary watch line as well as timepieces made by Baume & Mercier, Cartier, Concord, Gucci, Jaeger Le Coultre, Longines, Omega, Rado, Tag Heuer, and Tissot. We also carry an exclusive collection of high quality jewelry and timepieces that we manufacture. We emphasize our own jewelry offerings and particularly our signature designers, Esty and Toni Cavelti, but also include designer jewelry made by Damiani, Di Modolo, Kwiat, Ladyheart, Marco Bicego, Roberto Coin, and Van Cleef & Arpels, which are exclusive to our stores in Canada. Our two Brinkhaus retail locations also offer Ebel, Panerai, Patek Phillip, IWC, Omega, and Rolex timepieces. We also offer a variety of high quality giftware, including writing instruments and giftware made by Cartier and Montblanc.

Our U.S. stores, operating under the Mayors brand, carry a large selection of prestigious brand name timepieces, including Baume & Mercier, Breitling, Cartier, Jaeger Le Coultre, Omega, Patek Philippe, Panerai, Rado, Rolex and Tag Heuer. Designer jewelry offerings in our stores operating under the Mayors brand include jewelry made by Aaron Basha, Charriol, Damiani, DiModolo, Kwiat, Lady Heart, Mikimoto, Roberto Coin, Toni Cavelti, Van Cleef & Arpels and a variety of high quality giftware, including writing instruments and giftware made by Cartier and Montblanc. In addition, stores operating under the Mayors brand carry Birks brand timepieces and jewelry products on an exclusive basis in their markets.

We have one primary channel of distribution: the retail division, which accounts for approximately 95% of net sales, as well as three other channels of distribution, including our corporate sales, internet and wholesale division, which combined account for approximately 5% of net sales.

Table of Contents

Product Design, Development, Sourcing and Manufacturing

We established a product development process that supports our strategy to further develop and enhance our product offering in support of the Birks brand development. The centerpiece of this process is our Design Review Committee, which ultimately approves all new product designs and introductions. During fiscal 2010, fiscal 2009, and fiscal 2008, approximately 23%, 34%, and 29%, respectively, of our jewelry product acquired for sale were internally designed, sourced or manufactured. Products that are not designed and internally manufactured are sourced from suppliers worldwide, enabling us to sell an assortment of fine quality merchandise often not available from other jewelers in our markets. Our staff of buyers procure distinctive high quality merchandise directly from manufacturers, diamond cutters, and other suppliers worldwide. Our gemstone acquisition team, product sourcing team and category managers specialize in sourcing merchandise in categories such as diamonds, precious gemstones, pearls, timepieces, gold jewelry, and giftware. Retail and merchandising personnel frequently visit our stores and those of competitors to compare value, selection, and service, as well as to observe client reaction to merchandise selection and determine future needs and trends.

We have manufacturing facilities in Montreal and Florida that enable us to offer unique, exclusive and high-quality products through an efficient supply chain. Our manufacturing capabilities provide quality control; image enhancement by enabling us to promote our craftsmanship and exclusive design and manufacturing capabilities; improved economics by retaining the margin that would otherwise be paid to a third party provider; and capability to provide customized and/or special design jewelry for customers.

The Montreal facility is the largest in volume of our manufacturing facilities and is involved in all aspects of manufacturing fine jewelry with the exception of the cutting of rough diamonds and other precious stones. The facility focuses on manufacturing stone set jewelry. The Florida facility focuses on specific types of stone set jewelry and hand-made one of a kind jewelry pieces. During fiscal 2009 and 2008, we had a Rhode Island factory that was involved in the production of silver and gold jewelry, as well as stone set jewelry, however, production was discontinued at this facility in May 2009 with much of the production transferred to our Montreal facility, or outsourced to third parties.

Availability of Products

Although purchases of several critical raw materials, notably platinum, gold, silver, diamonds, pearls and gemstones, are made from a relatively limited number of sources, we believe that there are numerous alternative sources for all raw materials used in the manufacture of our finished jewelry, and that the failure of any principal supplier would not have a material adverse effect on our operations. Any material changes in foreign or domestic laws and policies affecting international trade may have a material adverse effect on the availability of the diamonds, other gemstones, precious metals and non-jewelry products we purchase.

In fiscal 2010, we purchased jewelry, timepieces and giftware for sale in our stores from over 200 suppliers. Many of these suppliers have long-standing relationships with us. We compete with other jewelry retailers for access to vendors that will provide us with the quality and quantity of merchandise necessary to operate our business. Our relationships with primary suppliers, like Rolex, are generally not pursuant to long-term agreements. Although we believe that alternative sources of supply are available, the abrupt loss of any of our key vendors, especially Rolex, or a decline in the quality or quantity of merchandise supplied by our vendors could cause significant disruption in our business. In fiscal 2010, merchandise supplied by Rolex and sold through our stores operating under the Mayors and Brinkhaus brands accounted for approximately 22% of our total net sales. If Rolex terminated its distribution agreement with us, such termination would have a material adverse effect on our business, financial condition and operating results. We believe that current relationships with our key vendors are good.

Seasonality

Our sales are highly seasonal, with the third fiscal quarter (which includes the holiday shopping season) historically contributing significantly higher sales than any other quarter during the year. Sales in the first,

Table of Contents

second, third and fourth quarters in fiscal 2010 were 21%, 19%, 35% and 25%, respectively. Sales by quarter in fiscal 2009 were 27%, 23%, 32%, and 18%, respectively.

Retail Operations, Merchandising and Marketing

General

We believe we are distinguished from most of our competitors because we offer distinctively designed, exclusive products and a selection of distinctive high quality merchandise at a wide range of price points. We keep the majority of our inventory on display in our stores rather than at our distribution facility. Although each store stocks a representative selection of jewelry, timepieces, giftware and other accessories, certain inventory is tailored to meet local tastes and historical merchandise sales patterns of specific stores.

We believe that our stores' elegant surroundings and distinctive merchandise displays play an important role in providing an atmosphere that encourages sales. We pay careful attention to detail in the design and layout of each store, particularly lighting, colors, choice of materials and placement of display cases. We also use window displays as a means of attracting walk-in traffic and reinforcing our distinctive image. Our Visual Display department designs and creates window and store merchandise case displays for all of our stores. Window displays are frequently changed to provide variety and to reflect seasonal events such as Christmas, Valentine's Day, Mother's Day and Father's Day.

Personnel and Training

We place substantial emphasis on the professionalism of our sales force to maintain our position as a leading luxury jeweler. We strive to hire only highly motivated, professional and customer-oriented individuals. All new sales professionals attend an intensive training program where they are trained in technical areas of the jewelry business, specific sales and service techniques and our commitment to client service. Management believes that attentive personal service and knowledgeable sales professionals are key components to our success.

As part of our commitment to continuous, on-the-job training, we have established Birks University and Mayors University, a formalized system of in-house training with a primary focus on client service, selling skills and product knowledge that involves extensive classroom training, the use of detailed operational manuals, in-store mentorship programs and a leading edge product knowledge program which includes on-line testing. In addition, we conduct in-house training seminars on a periodic basis and administer training modules with audits to (i) enhance the quality and professionalism of all sales professionals, (ii) measure the level of knowledge of each sales professional, and (iii) identify needs for additional training. We also provide all management team members with more extensive training that emphasizes leadership skills, general management skills, on-the-job coaching and training instruction techniques.

Advertising and Promotion

One of our key marketing goals is to build on our reputation in our core markets as a leading luxury jewelry brand offering high quality merchandise in an elegant, sophisticated environment. For example, we frequently run advertisements that associate the Birks and Mayors brands with internationally recognized brand names such as Cartier, Patek Philippe, Rolex, and Van Cleef and Arpels, among others. Advertising and promotions for all stores are developed by our personnel in conjunction with outside creative professionals.

Our advertising reinforces our role as a world class luxury brand that aims to deliver a total shopping experience that is as memorable as our merchandise. Our marketing efforts consist of advertising campaigns on television, billboards, print, catalog mailings, special events, media and public relations, distinctive store design, elegant displays, partnerships with key suppliers and associations with prestige institutions. The key goals of our

Table of Contents

marketing initiatives are to enhance customer awareness and appreciation of our two retail brands, Birks and Mayors, as well as the Birks product brand, and to increase customer traffic, client acquisition and retention and net sales.

Credit Operations

We have two private label credit cards, one for each of our Birks and Mayors retail brands which are administered by third-party banks that own the credit card receivable balances. In addition, stores operating under the Mayors brand also have a Mayors proprietary credit card which we administer.

Our credit programs are intended to complement our overall merchandising and sales strategy by encouraging larger and more frequent sales to a loyal customer base. Sales under the Birks private label credit card accounted for approximately 13% of our net sales during fiscal 2010 while sales under the Mayors private label credit card and Mayors proprietary credit card represented approximately 12% of our net sales during fiscal 2010. Sales under the Birks and Mayors private label credit cards are generally made without credit recourse to us. However, we are permitted to ask the bank to approve credit purchases under these private label credit cards, for which the bank holds credit recourse if the customer does not pay. These recourse credits are limited to 25% and 20% of the nonrecourse credit issued by the banks for the private label Birks credit card and Mayors credit card, respectively. Receivables generated on sales under the Mayors proprietary credit card are recorded on our balance sheet and we maintain the full credit risk.

Distribution

Our retail locations receive the majority of their merchandise directly from our distribution warehouses located in Tamarac, Florida, Montreal, Québec, and Dorval, Québec. Merchandise is shipped from the distribution warehouse utilizing various air and ground carriers. We also transfer merchandise between retail locations to balance inventory levels and to fulfill client requests, and a very small portion of merchandise is delivered directly to the retail locations from suppliers.

Competition

Our research indicates that the North American retail jewelry industry is approximately a \$62 billion industry and is highly competitive and fragmented, with a few very large national and international competitors and many medium and small regional and local competitors. The market is also fragmented by price and quality. Although Birks and Mayors are luxury jewelry brands, we compete with companies within and outside of this segment. Our competitors include national and international jewelry chains as well as independent regional and local jewelry retailers. We also compete with other types of retailers such as department stores and specialty stores and, to a lesser extent, catalog showrooms, discounters, direct mail suppliers, televised home shopping networks, and Internet sites. Many of these competitors have greater financial resources than we do. We believe that competition in our markets is based primarily on the total brand experience including trust, quality craftsmanship, product design and exclusivity, product selection, service excellence, including after sales service, and, to a certain extent, price. With the current consolidation of the retail industry, we believe that competition with other general and specialty retailers and discounters will continue to increase. Our success will depend on various factors, including general economic and business conditions affecting consumer spending, the performance of national and international retail operations, the acceptance by consumers of our merchandising and marketing programs, store locations and our ability to properly staff and manage our stores.

Regulation

Our operations are affected by numerous federal, provincial and state laws that impose disclosure and other requirements upon the origination, servicing and enforcement of credit accounts and limitations on the maximum amount of finance charges that may be charged by a credit provider. In addition to our proprietary and private

Table of Contents

label credit cards, credit to our clients is primarily available through third-party credit cards such as American Express®, Visa®, MasterCard® and Discover®, without recourse to us in the case of a client's failure to pay. Any change in the regulation of credit that would materially limit the availability of credit to our traditional customer base could adversely affect our results of operations and financial condition.

We generally utilize the services of independent customs agents to comply with U.S. and Canadian customs laws in connection with our purchases of gold, diamond and other jewelry merchandise from foreign sources.

Trademarks and Copyrights

The designations Birks and Mayors, and the Birks and Mayors logos, are our principal trademarks and are essential to our ability to maintain our competitive position in the luxury jewelry segment. We maintain a program to protect our trademarks and will institute legal action where necessary to prevent others from either registering or using marks that are considered to create a likelihood of confusion with our trademarks. We are also the owner of the original jewelry designs created by our in-house designers and have entered into agreements with several outside designers pursuant to which these designers have assigned to us the rights to use copyrights of designs and products created for us.

Properties

Our head office is in Montreal, Québec. On December 12, 2000, we sold our head office building for Cdn\$14,250,000 to Anglo Canadian Investments, L.P. As a condition of the transaction, we agreed that we would lease, on a net basis, the entire property from the purchaser, acting as landlord. We entered into a lease agreement pursuant to which we lease the office building, including the Montreal flagship store, for a term of 20 years ending December 11, 2020. The current net annual rental rate is Cdn\$1,830,125 (approximately \$1.7 million U.S. dollars) for the period terminating on December 11, 2010, and increases on a compounded basis by 10% on each third annual anniversary date thereafter (except for the last two years when no increase will take place). The lease is an absolute triple net lease to the landlord, and we are responsible for any and all additional expenses, including, without limitation, taxes and structural expenses. Subject to specific terms and conditions, we have four options to renew and extend the term of the lease for four further terms of five years each, except for the last option which is five years less eleven days, terminating on November 30, 2040. Subject to specific terms and conditions, we also have two options to purchase the premises, which may be exercised no later than six months prior to the end of the fifteenth year of the term of the lease and the end of the twentieth year of the term of the lease, respectively.

Our U.S. operations are managed through a local headquarters located in Tamarac, Florida. We entered into a lease agreement for this location for a term of 15 years terminating on November 30, 2020. The current net annual rental rate is \$622,063 for the period ending November 30, 2010. We have two options to renew for five years each.

We lease all of our other store locations. We believe that all of our facilities are well maintained and in good condition and are adequate for our current needs. We are actively reviewing all leases that expire in the next 12 months to determine whether to renew the leases.

Table of Contents

Following is a listing of all our properties as of March 27, 2010:

Operating Stores	Size (Square Feet)	Expiration of Lease	Location
<i>Canada:</i>			
Bayshore Centre	2,544	September 2013	Ottawa, ON
Bloor	15,620	September 2014	Toronto, ON
Brinkhaus	2,919	October 2012	Calgary, AB
Brinkhaus	750	February 2014	Vancouver, BC
Carrefour Laval	3,391	August 2012	Laval, QC
Chinook Shopping Centre	2,342	March 2015	Calgary, AB
Cornwall Centre	2,349	April 2015	Regina, SK
Willowdale Fairview Mall	2,351	August 2013	North York, ON
Fairview Pointe-Claire	4,210	January 2012	Pointe-Claire, QC
First Canadian Place	2,243	May 2016	Toronto, ON
Halifax	3,316	January 2014	Halifax, NS
Lime Ridge Mall	2,450	September 2011	Hamilton, ON
Edmonton Manulife Centre	4,196	November 2014	Edmonton, AB
Montreal Flagship Store	19,785	December 2020	Montreal, QC
Oakridge Shopping Centre	2,176	May 2013	Vancouver, BC
Oakville Place	2,801	March 2014	Oakville, ON
Park Royal	3,537	September 2012	West Vancouver, BC
Place Ste-Foy	2,366	June 2017	Ste-Foy, QC
Promenades St-Bruno	2,346	February 2013	St-Bruno, QC
Rideau Centre	7,233	April 2014	Ottawa, ON
Richmond Centre	1,562	April 2012	Richmond, BC
Rockland Centre	3,019	August 2013	Mount Royal, QC
Saskatoon	3,486	October 2013	Saskatoon, SK
Scarborough Town Centre	3,709	December 2010	Scarborough, ON
Sherway Gardens	4,611	February 2017	Etobicoke, ON
Southcentre Shopping Centre	3,029	August 2014	Calgary, AB
Southgate Shopping Centre	2,915	September 2013	Edmonton, AB
Square One	3,360	April 2012	Mississauga, ON
St-John	2,038	August 2015	St-John, NB
Toronto Dominion Square	7,895	October 2011	Calgary, AB
Toronto Eaton Centre	4,552	April 2012	Toronto, ON
Vancouver	20,221	January 2015	Vancouver, BC
Victoria	2,460	December 2010	Victoria, BC
Winnipeg	3,187	February 2023	Winnipeg, MB
Yorkdale	2,530	April 2015	Toronto, ON

Table of Contents

	Size (Square Feet)	Expiration of Lease	Location
Operating Stores			
<i>United States:</i>			
Altamonte Mall	5,782	January 2012	Altamonte Springs, FL
Aventura Mall	3,447	January 2017	N. Miami Beach, FL
Bell Tower Shops	4,578	January 2012	Fort Myers, FL
Town Center at Boca Raton	5,878	January 2017	Boca Raton, FL
Westfield Brandon	4,110	June 2015	Brandon, FL
Broward Mall	2,236	January 2011	Plantation, FL
Westfield Citrus Park	3,953	January 2011	Tampa, FL
Coconut Point	3,522	November 2016	Esterro, FL
Dadeland Mall	5,700	January 2017	Miami, FL
The Falls	1,643	January 2012	Miami, FL
Florida Mall	5,070	July 2011	Orlando, FL
The Galleria at Fort Lauderdale	5,954	July 2016	Ft. Lauderdale, FL
The Gardens Mall	5,099	January 2020	Palm Beach Gardens, FL
International Plaza	5,583	January 2012	Tampa, FL
Lenox Square Mall	2,991	September 2018	Atlanta, GA
Lincoln Road	4,250	May 2014	Miami Beach, FL
Mall of Georgia	3,486	January 2012	Buford, GA
Mall at Millenia	4,532	January 2013	Orlando, FL
Mall at Wellington Green	4,001	January 2012	Wellington, FL
Miami International Mall	3,246	January 2016	Miami, FL
North Point Mall	4,752	January 2012	Alpharetta, GA
PGA Commons	5,197	April 2014	Palm Beach Gardens, FL
Seminole Towne Center	3,461	January 2016	Sanford, FL
Two Buckhead Plaza(1)	4,090	April 2010	Atlanta, GA
Westfield Southgate	4,605	March 2012	Sarasota, FL
Treasure Coast Square	2,607	November 2016	Jensen Beach, FL
Village of Merrick Park	4,894	January 2013	Coral Gables, FL
Weston Commons	4,000	July 2017	Weston, FL
St-John s Town Center	3,458	October 2017	Jacksonville, FL
Other Properties			
Tamarac Corporate office	47,851	November 2020	Tamarac, FL
Montreal Corporate office	58,444	December 2020	Montreal, QC
New York Buying office	1,950	December 2010	New York, NY
Rhode Island Manufacturing Facility(2)	19,200	December 2024	Woonsocket, RI
Dorval Distribution Center Montreal	7,667	March 2011	Dorval, QC

(1) In May 2010, this store was relocated to Phipps Plaza in Atlanta, GA, a 2,182 square foot store, under a newly signed lease expiring January 31, 2013.

(2) Production at this facility was discontinued in May 2009 and the Company has the facility on the market to sell.

Total annual base rent for these locations for fiscal 2010 was approximately \$16 million.

Item 4A. Unresolved Staff Comments

Not applicable.

Table of Contents

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Annual Report. The following discussion includes certain forward-looking statements. For a discussion of important factors, including the continuing development of our business, actions of regulatory authorities and competitors and other factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see Item 3., Key Information under the heading Risk Factors and the discussion under the heading Forward-Looking Information at the beginning of this Annual Report.

Throughout this Annual Report, we refer to our fiscal years ended March 27, 2010, March 28, 2009, and March 29, 2008, as fiscal 2010, fiscal 2009 and fiscal 2008, respectively. Our fiscal year ends on the last Saturday in March of each year. Financial reporting periods referred to as fiscal 2010, fiscal 2009 and fiscal 2008 consisted of 52 weeks and were reported in four thirteen-week periods.

Overview

Birks & Mayors is a leading designer, maker and purveyor of luxury jewelry, timepieces and giftware in the U.S. and Canada. As of March 27, 2010, our retail operation's total square footage was approximately 283,200. The average square footage of our three Birks flagship stores in Canada was approximately 18,500, while the average square footage for all other Birks retail stores in Canada was approximately 3,200. The average square footage of our two Brinkhaus locations was 1,800, while the average square footage of our Mayors retail stores was approximately 4,200.

We operate our business in two geographic areas, Canada and the Southeastern U.S. We have two reportable segments, Retail and Other. Retail is comprised of all our retail operations in the U.S. and Canada on a combined basis. In Canada, we operate stores under the Birks brand and two stores under the Brinkhaus brand. In the Southeastern U.S., we operate stores under the Mayors brand. Other consists primarily of our corporate sales division, which services business customers by providing them unique items for recognition programs, service awards and business gifts. Also included in Other is manufacturing, which manufactures unique products primarily for the retail segment of our business, wholesale and internet sales.

Our net sales are comprised of revenues, net of discounts, in each case, excluding sales tax. Sales are recognized at the point of sale when merchandise is taken or shipped. Sales of consignment merchandise are recognized on a full retail basis at such time that the merchandise is sold. Revenues for gift certificates and store credits are recognized upon redemption. Customers use cash, checks, debit cards, third-party credit cards, private label and proprietary credit cards and house accounts (primarily for corporate sales customers) to make purchases. The level of our sales is impacted by the number of transactions we generate and the size of our average retail sale. For fiscal 2010, fiscal 2009, and fiscal 2008, our total average retail sale was \$1,358, \$1,172 and \$1,200, respectively, which excludes service and repair transactions.

Our operating costs and expenses are primarily comprised of cost of sales and selling, general and administrative expenses. Cost of sales includes cost of merchandise, direct inbound freight, direct labor related to repair services, the costs of our design and creative departments, manufacturing costs, inventory shrink, damage and obsolescence, jewelry, watch and giftware boxes, as well as depreciation and amortization of production facilities and production tools, dies and molds and, in addition, product development costs. Selling, general and administrative expenses (SG&A) include, but are not limited to, all non-production payroll and benefits (including non-cash compensation expense), store and head office occupancy costs, overhead, credit card fees, information systems, professional services, consulting fees, repairs and maintenance, travel and entertainment, insurance, legal, human resources and training expenses. Occupancy, overhead and depreciation are generally less variable relative to net sales than other components of SG&A such as credit card fees and certain elements of payroll, such as commissions. Another significant item in SG&A is marketing expenses, which include marketing, public relations and advertising costs (net of amounts received from vendors for cooperative

Table of Contents

advertising) incurred to increase customer awareness of both our retail brands and the Birks product brand. Marketing has historically represented a significant portion of our SG&A. As a percentage of sales, marketing expenses represented 3.7%, 3.9% and 4.8% of sales for fiscal 2010, 2009 and 2008, respectively. Additionally, SG&A includes indirect costs such as freight, including inter-store transfers, receiving costs, distribution costs, and warehousing costs. The amount of these indirect costs in SG&A was approximately \$3.4 million, \$3.9 million and \$4.6 million for fiscal 2010, 2009 and 2008, respectively. Depreciation includes depreciation and amortization of our stores and head office, including buildings, leasehold improvements, furniture and fixtures, computer hardware and software and automobiles.

Over the short-term, we may focus our efforts on those strategies and key drivers of our performance that are necessary in the current business climate, which include our ability to:

maintain flexible and cost effective sources of borrowings to finance our operations and strategies;

manage expenses and assets efficiently in order to optimize profitability and cash flow; and

grow sales, gross margin and gross profits.

Over the long-term, we believe that the key drivers of our performance will be our ability to:

execute our merchandising strategy to increase net sales and maintain and eventually expand gross margin by developing and marketing higher margin exclusive and unique products, and further developing our internal capability to design, develop, manufacture or source products;

execute our marketing strategy to enhance customer awareness and appreciation of our two retail brands, Birks and Mayors, as well as the Birks product brand, and to maintain and eventually increase customer traffic, client acquisition and retention and net sales through regional and national advertising campaigns on television, billboards, print, catalog mailings, in-store events, community relations, media and public relations, partnerships with key suppliers, such as Mayors' relationship with Rolex, and associations with prestige institutions;

provide a superior client experience through consistent outstanding customer service that will ensure customer satisfaction and promote frequent customer visits, customer loyalty, and strong customer relationships; and

increase our retail stores' average retail transaction, conversion rate, productivity of our store professionals and inventory and four-wall profitability.

Foreign Currency

Because we have operations in the U.S. and Canada, our results are affected by foreign exchange rate changes. Revenue and expenses incurred in Canadian dollars are translated into U.S. dollars for reporting purposes. Changes in the value of the Canadian dollar compared to the U.S. dollar between periods may materially impact our results and may materially affect period over period comparisons. Over the past several years, the value of the Canadian dollar has varied significantly compared to the U.S. dollar which, for reporting purposes, in some instances, has resulted in material fluctuations in our net sales, expenses and our profits from our Canadian operations, when expressed in U.S. dollars.

Acquisition

In November 2007, we acquired the assets of Brinkhaus, a privately-owned jewelry company that operated two stores in Western Canada for cash and notes of approximately \$13.0 million. Therefore, results for fiscal 2008 include the operations of Brinkhaus for only a partial year.

Table of Contents**Comparable Store Sales**

We use comparable store sales as a key performance measure for our business. We do not include our non-retail store sales in comparable store calculations. Stores enter the comparable store calculation in their thirteenth full month of operation under our ownership. Stores that have been resized and stores that are relocated are evaluated on a case-by-case basis to determine if they are functionally the same store or a new store and then are included or excluded from comparable store sales, accordingly. Comparable store sales is calculated in local currency terms and measures the percentage change in net sales for comparable stores in a period compared to the corresponding period in the previous year. If a comparable store is not open for the entirety of both periods, comparable store sales measures the change in net sales for the portion of time that such store was open in both periods.

The percentage decrease in comparable stores sales for the periods presented below is as follows:

	March 27, 2010	Fiscal Year Ended March 28, 2009	March 29, 2008
Canada	(1)%	(7)%	0%
U.S.	(12)%	(19)%	0%
Total	(6)%	(14)%	0%

The decrease in comparable store sales during fiscal 2010 continued to reflect the difficult retail environment, which reduced demand for luxury retail products, especially in our Florida market. Store traffic continued to decline, but was partially offset by an increase in our average sale transaction in both Canada and the U.S.

The decrease in comparable store sales during fiscal 2009 primarily reflects the difficulties associated with decreased consumer confidence and spending in an extremely challenging economic environment, especially for luxury jewelry retailers and most apparent through a decrease in store traffic in both our Canadian and U.S. markets and a decline in the average sale transaction in the U.S.

During fiscal 2008, comparable store sales remained flat with sales from the prior year reflecting difficulties associated with operating in a challenging economic environment in the latter half of fiscal 2008 and the resulting decrease in customer traffic in our Canadian and U.S. stores. Additionally, we believe the decrease in store traffic in many of our Canadian markets was partly due to the strengthening of the Canadian dollar, which in turn, resulted in a significant number of Canadians travelling and shopping outside of Canada. The decrease in customer traffic was partially offset by an increase in our average sale transaction both in Canada and the U.S.

Results of Operations

The following is a discussion of factors affecting our results of operations for fiscal 2010 and fiscal 2009. This discussion should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Annual Report.

Table of Contents**Fiscal 2010 Compared to Fiscal 2009**

The following table sets forth, for fiscal 2010 and for fiscal 2009, the amounts in our consolidated statements of operations:

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Net sales	\$ 255,057	\$ 270,896
Cost of sales	150,606	155,297
Gross profit	104,451	115,599
Selling, general and administrative expenses	106,252	113,990
Impairment of goodwill and long-lived assets	1,353	13,555
Depreciation and amortization	5,192	6,212
Total operating expenses	112,797	133,757
Operating loss	(8,346)	(18,158)
Interest and other financial costs	11,127	9,967
Loss before income taxes	(19,473)	(28,125)
Income tax (benefit) expense	(2)	32,854
Net loss	\$ (19,471)	\$ (60,979)

Net Sales

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Net sales Retail	\$ 241,819	\$ 258,026
Net sales Other	13,238	12,870
Total Net Sales	\$ 255,057	\$ 270,896

Net Sales. Net sales for fiscal 2010 were \$255.1 million, a decrease of \$15.8 million, or 5.8% as compared to fiscal 2009. The decrease in net sales was primarily driven by a 6% decline in comparable store sales as well as the impact of closing six stores during the fiscal year, partially offset by \$5.3 million of higher sales related to translating the sales of our Canadian operations into U.S. dollars due to the stronger Canadian dollar.

Gross Profit

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Gross Profit Retail	\$ 102,752	\$ 116,389
Gross Profit Other	1,699	(790)

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Total Gross Profit	\$ 104,451	\$ 115,599
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Gross Profit. Gross profit was \$104.5 million for fiscal 2010 compared to \$115.6 million for fiscal 2009. The gross profit margin as a percentage of net sales was 41.0% for fiscal 2010 compared to 42.7% for fiscal 2009. The 170 basis point decline in gross profit margin was primarily attributable to retail pricing pressures associated with generating sales in the extremely difficult economic environment in both the U.S. and Canada. The increase in Gross Profit Other reflects higher gross profit from corporate sales.

Table of Contents

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$106.3 million, or 41.7% of net sales, for fiscal 2010 compared to \$114.0 million, or 42.1% of net sales, for fiscal 2009. The \$7.7 million decrease in SG&A during fiscal 2010, as compared to fiscal 2009, was primarily driven by a \$1.5 million reduction in marketing expenses, \$5.8 million of lower compensation expenses primarily related to savings associated with our strategic staff downsizing and pay reductions and lower sales commissions due to reduced sales and \$2.1 million of lower general operating expenses resulting from our continued efforts to reduce general corporate overhead costs, partially offset by an increase of \$1.7 million of higher expenses related to foreign currency translation.

Impairment of Goodwill and Other Assets. During fiscal 2010, we recognized non-cash impairment losses of \$1.4 million related to underperforming retail stores and assets held for sale. During fiscal 2009, we recorded an \$11.2 million non-cash goodwill impairment charge and \$2.3 million of non-cash charges associated with the impairment of long-lived assets at certain of our U.S. retail locations and our manufacturing facility in Rhode Island. For further discussion, see Note 3 Significant Accounting Policies to our consolidated financial statements.

Depreciation and Amortization. Depreciation and amortization expense during fiscal 2010 was \$5.2 million compared to \$6.2 million during fiscal 2009. The \$1.0 million decrease was primarily due to the lower levels of capital expenditures in the last two years.

Interest and Other Financial Costs. Interest and other financial costs were \$11.1 million for fiscal 2010 compared to \$10.0 million for fiscal 2009. The \$1.2 million increase was primarily associated with higher rates being paid on long-term borrowings we entered into within the last 15 months, partially offset by the impact of a lower level of average total debt.

Income Tax (Benefit) Expense. Income tax benefit was \$2,000 for fiscal 2010, as compared to an income tax expense of \$32.9 million for fiscal 2009. The \$32.9 million of income tax expense recorded during fiscal 2009 was due to the recognition of a non-cash valuation allowance against the full value of our net deferred tax assets in the U.S. and Canada resulting from management's determination that it is more likely than not that the deferred tax assets will not be realized in the future. The \$2,000 tax benefit in fiscal 2010 reflects a cash refund received related to income taxes. During fiscal 2010, we continued to maintain a valuation allowance on the total value of deferred tax assets generated by our U.S. and Canadian operations.

Table of Contents**Fiscal 2009 Compared to Fiscal 2008**

The following table sets forth, for fiscal 2009 and for fiscal 2008, the amounts for certain items in our consolidated statements of operations.

	Fiscal Year Ended	
	March 28, 2009	March 29, 2008
	(In thousands)	
Net sales	\$ 270,896	\$ 314,745
Cost of sales	155,297	168,270
Gross profit	115,599	146,475
Selling, general and administrative expenses	113,990	128,306
Impairment of goodwill and long-lived assets	13,555	
Depreciation and amortization	6,212	6,876
Total operating expenses	133,757	135,182
Operating (loss) income	(18,158)	11,293
Interest and other financial costs	9,967	10,655
(Loss) income before income taxes	(28,125)	638
Income tax expense (benefit)	32,854	(9,795)
Net (loss) income	\$ (60,979)	\$ 10,433

Net Sales

	Fiscal Year Ended	
	March 28, 2009	March 29, 2008
	(In thousands)	
Net sales Retail	\$ 258,026	\$ 302,576
Net sales Other	12,870	12,169
Total Net Sales	\$ 270,896	\$ 314,745

Net Sales. Net sales for fiscal 2009 were \$270.9 million, a decrease of \$43.8 million, or 13.9%, as compared to fiscal 2008. The decrease in net sales was primarily driven by a 14% decline in comparable store sales and \$11.7 million of lower net sales due to the impact of translating the sales of our Canadian operations to U.S. dollars with a weaker Canadian dollar, partially offset by \$10.4 million of additional sales generated by two Mayors stores opened during the prior fiscal year and the two Brinkhaus stores acquired in November 2007.

Gross Profit

	Fiscal Year Ended	
	March 28, 2009	March 29, 2008
	(In thousands)	
Gross Profit Retail	\$ 116,389	\$ 145,617
Gross Profit Other	(790)	858

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Total Gross Profit	\$ 115,599	\$ 146,475
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Gross Profit. Gross profit was \$115.6 million for fiscal 2009 compared to \$146.5 million for fiscal 2008. The gross profit margin as a percentage of net sales was 42.7% for fiscal 2009 compared to 46.5% for fiscal 2008. The 380 basis point decline was primarily attributable to our decision in November 2007 to lower the retail prices of certain products sold in Canada to reduce price disparity with the U.S. market and certain sales

Table of Contents

initiatives in the U.S. and Canada, which resulted in a lower margin on the sale of selected products. The decrease in Gross Profit Other reflects reduced production and under utilization of manufacturing resources due to the lower production demand related to slower retail sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$114.0 million, or 42.1% of net sales, for fiscal 2009 compared to \$128.3 million, or 40.8% of net sales, for fiscal 2008. The \$14.3 million decrease in SG&A during fiscal 2009, as compared to fiscal 2008, was primarily driven by a \$4.0 million reduction in marketing expenses, \$6.1 million of lower compensation expenses associated with lower sales commissions due to reduced sales and savings related to our strategic downsizing initiated in January 2009, \$2.3 million of lower general operating expenses resulting from our continued efforts to reduce general corporate overhead costs, as well decreased variable costs associated with a lower net sales volume, and \$4.8 million of lower expenses related to foreign currency translation, partially offset by an increase in operating costs due to the opening of two new Mayors stores and acquisition of the two Brinkhaus stores in November 2007.

Impairment of Goodwill and Long-Lived Assets. During fiscal 2009, we recorded an \$11.2 million non-cash goodwill impairment charge and \$2.3 million of non-cash charges associated with the impairment of long-lived assets at certain of our U.S. retail locations and our manufacturing facility in Rhode Island. For further discussion, see Note 3 Significant Accounting Policies to our consolidated financial statements.

Depreciation and Amortization. Depreciation and amortization expense during fiscal 2009 was \$6.2 million compared to \$6.9 million during fiscal 2008. This \$0.7 million decrease is primarily attributable to \$0.3 million of lower expenses related to the translation of Canadian dollar expenses to U.S. dollars at a lower foreign exchange rate than in the comparable period last year and a reduction in capital spending.

Interest and Other Financial Costs. Interest and other financial costs were \$10.0 million for fiscal 2009 compared to \$10.7 million for fiscal 2008. This \$0.7 million decrease is primarily explained by a \$0.6 million reduction in financing costs resulting from lower interest rates during fiscal 2009, as compared to fiscal 2008, and a decrease in expenses associated with the translation of interest costs of our Canadian operations to U.S. dollars at a lower exchange rate than in the prior year due to a weaker Canadian dollar.

Income Tax Expense. Income tax expense was \$32.9 million for fiscal 2009, as compared to an income tax benefit of \$9.8 million for fiscal 2008. The \$32.9 million of income tax expense recorded during fiscal 2009 was due to the recognition of a non-cash valuation allowance against the full value of our net deferred tax assets in the U.S. and Canada. The \$9.8 million of income tax benefits recognized during fiscal 2008 is primarily the result of our reduction of a valuation allowance on deferred tax assets related to our U.S. operations.

Liquidity and Capital Resources

Our ability to fund our operations and meet our cash flow requirements in order to fund our operations is dependant upon our ability to maintain positive excess availability under our senior credit facilities. During fiscal 2009, we negotiated an amendment and extension of our senior secured revolving credit facility. Our \$160 million senior secured revolving credit facility, which was set to expire on January 19, 2009, was amended and extended for a total of \$133 million and bears interest at a floating rate of LIBOR plus 2.5% to LIBOR plus 3.0% (based on excess availability thresholds) for up to a \$124 million tranche of the facility and in the range of LIBOR plus 4.5% to LIBOR plus 5.0% (based on excess availability thresholds) for an \$8 million tranche of the facility. In addition, we obtained a \$13 million secured term loan that is subordinated in lien priority to our senior secured revolving credit facility and bears interest at a rate of the greater of 16% per annum or one-month LIBOR based rate plus 12%. These two credit facilities have a three-year term expiring in December 2011 and are primarily used to finance working capital, capital expenditures and provide liquidity to fund our day-to-day operations and for other general corporate purposes. The terms of the senior secured credit facility provide that no financial covenants are required to be met other than maintaining positive excess availability at all times. Our excess borrowing capacity was \$17.9 million as of March 27, 2010 and \$9.2 million at March 28, 2009.

Table of Contents

Both our senior secured revolving credit facility lender and our senior secured term loan lender may impose, at any time, discretionary reserves, which would lower the level of borrowing availability under our senior secured revolving credit facility (customary for asset based loans), at their reasonable discretion, to: i) ensure that we maintain adequate liquidity for the operation of our business, ii) cover any deterioration in the amount or value of the collateral and iii) reflect impediments to the lenders to realize upon the collateral. There is no limit to the amount of discretionary reserves that our senior secured revolving credit facility lender may impose at its reasonable discretion, however, our senior secured term loan lender's ability to impose discretionary reserves at its reasonable discretion is limited to 5% of the senior secured credit facility availability. While no such reserve was imposed during fiscal 2010, in fiscal 2009, from February 11, 2009 to February 23, 2009, the senior secured term loan lender imposed a discretionary reserve of \$4 million. While our senior secured revolving credit facility lender has not historically imposed such a restriction, it is uncertain whether conditions could change and cause such a reserve to be imposed in the future. In addition, the value of our inventory is periodically assessed by our lenders and based upon these reviews our borrowing capacity could be significantly increased or decreased. Another factor impacting our excess availability includes, among others, changes in the U.S. and Canadian dollar exchange rate, which could increase or decrease our borrowing availability. Furthermore, a \$15 million, a \$7.5 million and a \$2.5 million seasonal availability block is imposed by the senior secured revolving credit facility lender and the senior secured term loan lender each year from December 20th to January 20th, from January 21st to February 10th and from February 11th to February 20th, respectively, and both our senior secured revolving credit facility and our senior secured term loan are subject to cross default provisions with all other loans by which if we are in default with any other loan the default will immediately apply to both the senior secured revolving credit facility and the senior secured term loan.

The senior secured revolving credit facility and secured term loan contain limitations on our ability to pay dividends, more specifically, among other limitations, we can pay dividends only at certain excess borrowing capacity thresholds and the aggregate dividend payment for the twelve-month period ended as of any fiscal quarter cannot exceed 33% of the consolidated net income for such twelve-month period. Additionally, we are required to maintain a fixed charge coverage ratio of at least 1.30 to 1.00 and a minimum excess availability of \$20 million in order to qualify for payment of dividends.

In May 2009, we received a \$3.0 million cash advance from our controlling shareholder, Montrovest, to finance our working capital needs and for general corporate purposes. This advance along with a \$2.0 million cash advance in February 2009 and any interest thereon, is subordinated to the indebtedness of our existing senior credit facilities and are convertible into a convertible debenture or Class A voting shares in the event of a private placement or, are repayable upon demand by Montrovest once conditions stipulated in our senior credit facilities permit such a payment. These cash advances bear interest at an annual rate of 16%, net of any withholding taxes, representing an effective interest rate of approximately 17.8%. If converted into convertible debentures or Class A voting shares, a fee of 7% of the outstanding principal amount of the cash advance shall be paid to Montrovest.

In February 2009, we finalized a secured term loan agreement with Investissement Québec to finance up to Cdn\$2.9 million of certain expenses and inventory costs related to our sponsorship as the official supplier of jewelry for the 2010 Olympic and Paralympic Winter Games. Draw downs related to this agreement bear interest at a rate of prime plus 3.5% per annum (which equated to 6% at March 27, 2010) and are repayable in twenty monthly installments of Cdn\$35,000 and forty monthly installments of Cdn\$55,000 which commenced in April 2009. As of March 27, 2010, we had received the full Cdn\$2.9 million in financing from this loan.

Table of Contents

Borrowings under our senior secured revolving credit facility for the periods indicated in the table below were as follows:

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Senior secured revolving credit facility availability	\$ 82,414	\$ 94,991
Borrowing at period end	64,520	85,777
Excess borrowing capacity at period end	\$ 17,894	\$ 9,214
Average outstanding balance during the period	\$ 83,112	\$ 114,115
Weighted average interest rate for period	3.7%	4.7%

In addition to the previously mentioned financing arrangements, we had other outstanding loans as of March 27, 2010, which primarily consisted of a Cdn\$10.0 million seven year secured term loan from Investissement Québec that bears interest at a rate of prime plus 5.5% per annum, which equated to 8% at March 27, 2010 and is repayable in 60 equal payments of Cdn\$167,000 beginning in March 2011; \$0.1 million loan payable to the Small Business Loan Fund Corporation, bearing interest at 6.0% per annum repayable in monthly installments, which matured in April 2010 and a Cdn\$3.4 million non-interest bearing note payable associated with our acquisition of two Brinkhaus stores in November 2007 which is to be paid in two installment payments of Cdn\$1.7 million, one of which was paid in April 2010 and the remaining payment is scheduled to be paid in April 2011.

Net cash provided by (used in) operating activities was \$29.2 million during fiscal 2010 as compared to \$(31,000) during fiscal 2009. The increase in cash flows generated from operations during fiscal 2010 was primarily the result of a reduction in the level of inventories and accounts receivable and a higher level of accounts payable, partially offset by the loss from operations. The decrease in inventory reflected our aggressive management of inventory levels in our retail stores evidenced by a 13% decrease in comparable store inventory levels. Also impacting the decrease in inventory was the closure of six stores during the fiscal year. The increase in the level of accounts payable was associated with a five-year distribution agreement with Damiani International B.V. (Damiani) in which we purchased \$10.6 million of jewelry products. The agreement provides that we must pay for the products on an annual basis beginning in February 2010 based on the greater of the cost value of the products sold during the previous year or a minimum annual payment, totaling \$5.6 million during the term of the agreement. We also have the right to return up to \$5.0 million of any unsold Damiani products to Damiani at the end of the term of the agreement.

Net cash (used in) provided by operating activities was \$(31,000) during fiscal 2009 as compared to \$11.2 million during fiscal 2008. The reduction in net cash provided by operating activities during fiscal 2009 is primarily attributable to a decrease in cash earnings of approximately \$15.5 million from fiscal 2008, offset by a decrease in the level of inventory net of a corresponding decrease in accounts payable associated with management's efforts to reduce the level of inventory and increase the productivity of inventory on hand in response to the expected weakness in sales associated with the current economic downturn.

During fiscal 2010, net cash used in investing activities was \$1.6 million, as compared to \$5.0 million during fiscal 2009. This \$3.4 million decrease was primarily related to a decrease in store renovations and related capital expenditures during fiscal 2010 as a result of the economic slowdown in the U.S. and Canada. In fiscal 2009, we used \$5.0 million in investing activities compared to \$16.5 million used during fiscal 2008. This \$11.5 million decrease was primarily related to the acquisition of the two Brinkhaus stores and the opening of two new Mayors stores during fiscal 2008, as well as a decrease in store renovations and related capital expenditures during fiscal 2009 as a result of the economic slowdown in the U.S. and Canada. Net cash used in investing activities was \$16.5 million in fiscal 2008 and was primarily related to the acquisition of the two Brinkhaus stores and the opening of two new Mayors stores.

Table of Contents

Net cash (used in) provided by financing activities was (\$26.4) million in fiscal 2010, as compared to \$4.1 million during fiscal 2009. The \$30.5 million difference was primarily due to a reduction in the level of funding under our senior secured revolving credit facility used to finance day-to-day operations as a result of a higher level of cash flows generated from operating activities. In fiscal 2009, financing activities provided \$4.1 million compared to \$5.3 million in fiscal 2008. The \$1.2 million decrease was primarily due to the reduction in the level of capital expenditures in fiscal 2009 as compared to the prior year.

The following table details capital expenditures in fiscal 2010, 2009 and 2008:

	March 27, 2010	Fiscal Year Ended March 28, 2009 (In thousands)	March 29, 2008
New stores and renovations	\$ 803	\$ 2,937	\$ 5,843
Electronic equipment, computer hardware and software	725	1,058	1,469
Furniture and fixtures	126	235	1,005
Manufacturing equipment	87	280	104
Other	147	153	431
Total capital expenditures(1)	\$ 1,888	\$ 4,663	\$ 8,852

(1) Includes capital expenditures financed by capital leases of \$75,000 in fiscal 2010, \$1.4 million in fiscal 2009, and \$4.9 million in fiscal 2008. Capital expenditures for fiscal 2011 are projected to be approximately \$3 million.

Maintenance of sufficient availability of funding through an adequate amount of committed financing is necessary for us to fund our day-to-day operations. Our ability to make scheduled payments of principal, or to pay the interest or additional interest, if any, or to fund planned capital expenditures and store operations will depend on our ability to maintain adequate levels of available borrowing and our future performance, which to a certain extent, is subject to general economic, financial, competitive, legislative and regulatory factors, as well as other events that are beyond our control. We believe that we currently have sufficient liquidity to fund our operations. This belief is based on certain assumptions about the state of the economy, the availability of borrowings to fund our operations and estimates of projected operating performance. To the extent that the economy and other conditions affecting our business are significantly worse than we anticipate, we may not achieve our projected level of financial performance and we may determine that we do not have sufficient capital to fund our operations.

Research and development, patents and licenses, etc

None.

Trend information

The extensive weakening of the U.S. and global economies that began in fiscal 2009 continued in fiscal 2010. This time period mostly experienced weak macroeconomic conditions, which then improved in the latter part of fiscal 2010; however, these conditions continue to have a significant negative impact on consumer confidence and spending, including the sale of luxury retail products such as fine jewelry, timepieces and giftware. In the U.S., especially in our Florida market, the contraction in luxury retail product capacity that started in fiscal 2009 continued in fiscal 2010. The difficult retail environment which reduced demand for luxury retail products affected the luxury retail products industry as a whole, including store traffic in both our Canadian and U.S. markets.

Table of Contents**Off-balances sheet arrangements**

From time to time, we guarantee a portion of our private label credit card sales to our credit card vendor. As of March 27, 2010 and March 28, 2009, the amount guaranteed under such arrangements was approximately \$5.1 million and \$2.0 million, respectively. The bad debt experienced under these guarantees has not been material. See Note 13 (b) to the consolidated financial statements included in this Form 20-F for additional discussion.

Commitments and Contractual Obligations

The following table discloses aggregate information about our contractual cash obligations as of March 27, 2010 and the periods in which payments are due:

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt maturities	\$ 97,803	\$ 2,150	\$ 82,232	\$ 4,532	\$ 8,889
Operating lease obligations(1)	86,110	17,214	30,181	20,210	18,505
Capital lease obligations	20,442	2,702	4,132	1,118	12,490
Fixed rate interest expenses(2)	13,890	1,786	1,674	4,354	6,076
Employment agreements(3)	1,324	1,324			
Inventory purchase obligations	404	404			
Management consulting agreement(4)	550	550			
Total	\$ 220,523	\$ 26,130	\$ 118,219	\$ 30,214	\$ 45,960

- (1) The operating lease obligations do not include insurance, taxes and common area maintenance (CAM) charges to which we are obligated. CAM charges were \$4,326 in fiscal 2010, \$4,390 in fiscal 2009, and \$4,361 in fiscal 2008.
- (2) The fixed rate interest expenses are associated with the capital lease obligations disclosed above and do not include floating rate interest payable on \$89.7 million of floating rate debt.
- (3) This amount represents the contractual base salary and benefit obligations payable to our President and Chief Executive Officer for the remainder of the related employment agreements which expire March 31, 2011. The total maximum payout for the remainder of these agreements, including bonuses and potential severance payments is approximately \$4.0 million.
- (4) This obligation represents costs associated with a management consulting agreement entered into with Brinkhaus.
- (5) In addition to the above and as of March 27, 2010, we had \$1.3 million of outstanding letters of credit.

Leases

We lease all of our retail locations under operating leases with the exception of our Montreal store, which is under a capital lease. Additionally, we have operating leases for certain equipment. During fiscal 2009, we financed \$2.9 million of capital leases under the terms of our Master Lease Agreement which was used to fund capital asset purchases and leasehold improvements. No additional borrowings will be made under this agreement.

Operating leases for store locations are expensed over the term of the initial lease period. While lease renewal periods are available on most leases, renewal periods are not included in the accounting lease term because we believe there are no punitive terms or circumstances associated with non-renewal that would reasonably assure renewal. The accounting lease term typically includes a fixturing period and the rental payments are expensed on a straight-line basis over the lease term. All reasonably assured rent escalations, rent holidays, and rent concessions are included when considering the straight-line rent to be expensed. Lease incentives are recorded as deferred rent and amortized as reductions to lease expense over the lease term. Contingent rent payments are expensed as incurred, vary by lease and are based on a percentage of revenue above a predetermined sales level. This level is different for each location and includes and excludes various types of sales.

Leasehold improvements are capitalized and typically include fixturing and store renovations. Amortization of leasehold improvements begins on the date the asset was placed in service and extends to the lesser of the

Table of Contents

economic life of the leasehold improvement and the initial lease term. Our lease of our Montreal headquarters land and building is accounted for as a capital lease. We entered into a sale-leaseback transaction on the building which resulted in gross proceeds of \$9,474,000 based on the foreign exchange rate on the day of the transaction (Cdn\$14,250,000). The lease is for a 20-year period from the date of inception, December 12, 2000. The lease allows for several additional term extensions of the lease; however, management has only committed for the initial 20-year period. The implicit interest rate of the long-term debt associated with the capital lease is 10.74%.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results may differ from those estimates. These estimates and assumptions are evaluated on an on-going basis and are based on historical experience and on various factors that are believed to be reasonable. We have identified certain critical accounting policies as noted below.

Revenue recognition

Sales are recognized at the point of sale when merchandise is picked up by the customer or shipped. Shipping and handling fees billed to customers are included in net sales. Revenues for gift certificate sales and store credits are recognized upon redemption. Prior to recognition as a sale, gift certificates are recorded as accrued liabilities on the balance sheet. Certificates outstanding for more than 24 months and not subject to unclaimed property laws are recorded as income. Certificates outstanding for more than 24 months and subject to unclaimed property laws are maintained as accrued liabilities until remitted in accordance with local ordinance. Sales of consignment merchandise are recognized at such time as the merchandise is sold and are recorded on a gross basis because we are the primary obligor of the transaction, have general latitude on setting the price, have discretion as to the suppliers, are involved in the selection of the product and have inventory loss risk. Sales are reported net of returns and sales taxes. We generally give our customers the right to return merchandise purchased by them within 10 to 90 days, depending on the products sold and record a provision at the time of sale for the effect of the estimated returns. Repair sales are recorded at the time the service is rendered.

Allowance for inventory shrink and slow moving inventory

The allowance for inventory shrink is estimated for the period from the last physical inventory date to the end of the reporting period on a store by store basis and at our factories and distribution centers. Such estimates are based on experience and the shrink results from the last physical inventory. The shrink rate from the most recent physical inventory, in combination with historical experience, is the basis for providing a shrink allowance.

We write down inventory for estimated slow moving inventory equal to the difference between the cost of inventory and the estimated market value based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Allowance for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Table of Contents

Asset impairment

We periodically review the estimated useful lives of our depreciable assets and changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment write-down is necessary. We review our long-lived assets for impairment once events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Measurement of an impairment loss for such long-lived assets is based on the difference between the carrying value and the fair value of the asset. Assets held for sale are reported at the lower of the carrying amount or fair value less cost to sell. We recorded impairment charges of \$1.4 million and \$2.3 million during fiscal 2010 and 2009, respectively (see Note 3 to our consolidated financial statements). During fiscal 2008, we did not recognize any long-lived asset impairment charges in our consolidated financial statements.

Income tax assets

Management judgment is required in determining the valuation allowance recorded against deferred tax assets and we record valuation allowances when we determine that it is more-likely-than-not that such deferred tax assets will not be realized in the future. Due to continued and expected future losses, we maintained a \$55.5 million valuation allowance against the full value of net deferred tax assets as of March 27, 2010 (see Note 10(a) to the consolidated financial statements in this Form 20-F). This valuation allowance could be reduced in the future based on sufficient evidence indicating that it is more likely than not that a portion of our deferred tax assets will be realized. Additionally, foreign and domestic tax authorities periodically audit our income tax returns. These audits often examine and test the factual and legal basis for positions we have taken in our tax filings with respect to our tax liabilities, including the timing and amount of deductions and the allocation of income among various tax jurisdictions (tax filing positions). We believe that our tax filing positions are reasonable and legally supportable. However, in specific cases, various tax authorities may take a contrary position. In evaluating the exposures associated with our various tax filing positions, we record reserves using a more-likely-than-not recognition threshold for income tax positions taken or expected to be taken. Earnings could be affected to the extent we prevail in matters for which reserves have been established or we are required to pay amounts in excess of established reserves.

Recent accounting pronouncements

See Note 3 to the consolidated financial statements included in this Form 20-F.

Inflation

The impact of inflation on our operations has not been significant to date.

Safe harbour

See section entitled *Forward-Looking Information* at the beginning of this Annual Report on Form 20-F.

Table of Contents**Item 6. Directors, Senior Management and Employees****EXECUTIVE OFFICERS AND DIRECTORS**

The following table sets forth information about our executive officers and directors, and their respective ages and positions as of May 31, 2010:

Name	Age	Position
Dr. Lorenzo Rossi di Montelera	69	Chairman of the Board & Director
Thomas A. Andruskevich	59	President, Chief Executive Officer & Director
Gérald Berclaz	61	Director
Emily Berlin	63	Director
Shirley A. Dawe	63	Director
Elizabeth Eveillard	63	Director
Ann Spector Lieff	58	Director
Peter R. O'Brien	64	Director
Louis L. Roquet	67	Director
Joseph A. Keifer III	58	Executive Vice President & Chief Operating Officer
Aida Alvarez	47	Senior Vice President, Merchandising
Hélène Messier	50	Senior Vice President, Human Resources
John C. Orrico	53	Senior Vice President & Chief Supply Chain Officer
Michael Rabinovitch	40	Senior Vice President & Chief Financial Officer
Albert J. Rahm, II	56	Senior Vice President, Retail Store Operations
Miranda Melfi	46	Group Vice President, Legal Affairs & Corporate Secretary

Directors

Dr. Lorenzo Rossi di Montelera, age 69, has served as Chairman of our Board of Directors since 1993, and prior to the merger, Dr. Rossi served on the board of directors of Mayors. Dr. Rossi's term as a director of Birks & Mayors expires in 2010. He is also on the Board of Directors of Azimut S.p.A. and the Advisory Board of the Global Leadership Institute of New York. Dr. Rossi is also a director and Chairman of Gestofi S.A. and a director of Rohan Private Trust Company Limited who is the trustee of the Goldfish Trust which beneficially owns or controls all of the shares of the Company held by Montrovest. Dr. Rossi is the father-in-law of Mr. Carlo Coda-Nunzianta who is our Group Vice President, Strategy & Business Development. Dr. Rossi is also the father of Mr. Niccolò Rossi who, as an employee of Gestofi S.A., provides consulting services to the Company.

Thomas A. Andruskevich, age 59, has been our President and Chief Executive Officer since June 1996 and joined the Board of Directors of Birks in 1999. Mr. Andruskevich's term as director of Birks & Mayors expires in 2010. Since August 2002, he has been the President, Chief Executive Officer, and Chairman of the board of directors of Mayors. From 1994 to 1996, he was President and Chief Executive Officer of the clothing retailer Mondri of America. From 1989 to 1994, he was Executive Vice President of International Trade & Fragrance of Tiffany & Co., and from 1982 to 1989, Mr. Andruskevich served as Senior Vice President and Chief Financial Officer of Tiffany & Co. He is also a member of the Advisory Board and of the Marketing Committee of Brazilian Emeralds, Inc. and a director of Cole Credit Priority Trust III, Inc.

Gérald Berclaz, age 61, was appointed to our Board of Directors in December 2009. Mr. Berclaz's term as a director of Birks & Mayors expires in 2010. He has been a member of the board of directors of Mayors since November 2005. He has 35 years of experience in project management and industrial projects financing worldwide and held several executive positions for international Geneva-based companies. He served on boards of public and private companies both in Europe and in the U.S. He is Chairman of the Supervisory Board of Directors of Montrovest B.V. and a Director of Gestofi S.A.

Table of Contents

Emily Berlin, age 63, has been a member of our Board of Directors since November 2005. Ms. Berlin's term as a director of Birks & Mayors expires in 2010. She was a member of the board of directors of Mayors from October 2002 until November 14, 2005. She has also been a Senior Managing Director of Helm Holdings International since 2001, which is a member of a diversified privately owned group of companies operating principally in Central and South America where she focuses principally on the banking and energy sectors. She also currently serves on the boards of directors of a number of the Helm group of companies as well as on the board of the International Women's Forum Florida. From 1974 to 2000, she was a member of the law firm Shearman & Sterling, becoming a partner in 1981.

Shirley A. Dawe, age 63, has been a member of our Board of Directors since 1999. Ms. Dawe's term as a director of Birks & Mayors expires in 2010. She is also a Corporate Director and has been President of Shirley Dawe Associates Inc., a Toronto-based management consulting company specializing in the retail sector since 1986. From 1969 to 1985, she held progressively senior executive positions with Hudson's Bay Company. Her expertise in the retail sector led to her appointment on industry-specific public task forces and to academic and not-for-profit boards of directors. Her wide management and consumer marketing experience brought Ms. Dawe to the boards of directors of numerous public and private companies in Canada and the U.S. She currently serves on the boards of directors of National Bank of Canada, The Bon-Ton Stores, Inc. and the International Women's Forum Canada.

Elizabeth M. Eveillard, age 63, has been a member of our Board of Directors since November 2005. Ms. Eveillard's term as a director of Birks & Mayors expires in 2010. She was a member of the board of directors of Mayors from August 2002 until November 14, 2005 and is an independent consultant with over 30 years of experience in the investment banking industry. From 2000 to 2003, she was a consultant and Senior Managing Director, Retailing and Apparel Group, Bear, Stearns & Co., Inc. From 1988 to 2000, she served as Managing Director and Head of the Retailing Group, PaineWebber Incorporated. From 1972 to 1988 she held various positions at Lehman Brothers, including Managing Director in the Merchandising Group. She serves on the board of Retail Ventures, Inc. and is also a member of its compensation and audit committees.

Ann Spector Loeff, age 58, has been a member of our Board of Directors since November 2005. Ms. Loeff's term as a director of Birks & Mayors expires in 2010. She was a member of the board of directors of Mayors from October 2002 until November 14, 2005 and is the founder of The Loeff Company, established in 1998, which is a Miami-based consulting group specializing in Chief Executive Officer mentoring, leadership development, corporate strategies to assist and expand organizations in the management of their business practices, and advisory services to corporate boards. She was Chief Executive Officer of SPEC's Music from 1980 until 1998. Ms. Loeff currently serves on the board of directors of Herzfeld Caribbean Basin Fund, Hastings Entertainment, Inc and Furniture Brands International, Inc and is also a member of the audit committee of Furniture Brands International, Inc.

Peter R. O'Brien, age 64, has been a director of Birks & Mayors since 1993. Mr. O'Brien's term as a director of Birks & Mayors expires in 2010. He is a self-employed corporate and commercial lawyer and a corporate director. He is Director-in-Residence at the John Molson School of Business at Concordia University in Montréal, Canada. Mr. O'Brien is a Director and Chairman of the MAB-Mackay Foundation and Director and Honorary Secretary of the Canadian Guild of Crafts, a director of Technoparc Montreal and a director of the Institute for Governance of Private & Public Organizations. He was the founding Chairman of the Canadian Irish Studies Foundation, is a past-Chairman of the Montréal General Hospital Foundation and past-Chairman of the McGill University Health Centre Foundation.

Louis L. Roquet, age 67, has been a director of Birks & Mayors since August 8, 2007. Mr. Roquet's term as a director of Birks & Mayors expires in 2010. Mr. Roquet has served as General Manager of the City of Montréal since January 2010. From April 2004 to October 2009, Mr. Roquet served as President and Chief Operating Officer of Desjardins Venture Capital and was responsible for managing Desjardins' venture capital funds together with those of *Capital Regional and Cooperatif Desjardins*, a publicly-traded company established in

Table of Contents

2001 with an authorized capitalization of \$1.0 billion. From 2002 to 2004, Mr. Roquet served as President and General Manager of *Societe des alcools du Quebec* (SAQ), Quebec s Liquor Board. Prior to 2002, he held the title of President and Chief Executive Officer of Investissement Quebec, Secretary General of the City of Montréal and General Manager of Montréal Urban Community. He also serves as a director of numerous non-profit organizations.

Other Executive Officers

Joseph A. Keifer, III, age 58, is our Executive Vice President & Chief Operating Officer having previously held such position at Mayors. Prior to joining Mayors, Mr. Keifer held the position of Vice President, Merchandising for Birks from 1998 to 2002. From 1993 to 1997, Mr. Keifer was the Senior Vice President of Fine Jewelry Merchandise for Montgomery Ward. Prior to that, Mr. Keifer spent 21 years with Zale Corporation during which he held various positions, including Senior Vice President of Company Operations and President of the Bailey Banks & Biddle division.

Michael Rabinovitch, age 40, is our Senior Vice President & Chief Financial Officer and has been with Birks & Mayors since August 2005. Prior to joining Birks & Mayors, Mr. Rabinovitch had been Vice President of Finance of Claire s Stores, Inc. since 1999. Before joining Claire s Stores, Inc., Mr. Rabinovitch was Vice President of Accounting & Corporate Controller at an equipment leasing company. Mr. Rabinovitch spent five years with Price Waterhouse LLP, most recently as Senior Auditor. Mr. Rabinovitch is a licensed CPA and a member of the American Institute of Certified Public Accountants.

Aida Alvarez, age 47, is our Senior Vice President, Merchandising and held the position of Vice President Merchandising at Mayors since February 2001. From August 1989 to February 2001, Ms. Alvarez served as General Merchandise Manager, Divisional Merchandise Manager and Head Watch Buyer for Mayors. Prior to joining Mayors in August 1989, Ms. Alvarez worked for Zale Corporation as a Group Store Manager from 1987 to 1989.

John C. Orrico, age 53, is our Senior Vice President & Chief Supply Chain Officer and has been with Birks & Mayors since September 2003. Mr. Orrico is responsible for Manufacturing, Diamond Procurement, Product Development and Distribution, as well as the Wholesale and E-Commerce channels, Corporate Sales and Gold Exchange. Before joining Birks & Mayors and Mayors, Mr. Orrico was Group Vice President, Merchandising Supply Chain Operations at Tiffany & Co. Mr. Orrico spent 14 years at Tiffany & Co. where he developed its manufacturing and supply chain strategies and oversaw its operations.

Albert J. Rahm, II, age 56, has been our Senior Vice President, Retail Store Operations since April 2007. Prior to joining us, Mr. Rahm was the President of C.D. Peacock, a jewelry retail in Chicago from March 2006 until April 2007 and prior to that was Vice President, Retail Store Operations for Mayors since 1991 and for Birks since 2005 until March 2006. Prior to joining Mayors in 1991, Mr. Rahm owned and operated three retail jewelry stores for a fourteen-year period in Shreveport, Louisiana.

Hélène Messier, age 50, has been our Senior Vice President, Human Resources since November 2007 and prior thereto was our Vice-President, Human Resources since November 2000 when she joined Birks. Prior to joining Birks, she was Assistant General Manager of the *Federation des Producteurs de Lait du Québec* from November 1997 to November 2000. From 1982 to 1997, she held various management positions both in operations and human resources with Bell Canada.

Miranda Melfi, age, 46, has been our Group Vice President, Legal Affairs and Corporate Secretary since April 2006. Prior to joining us, Ms. Melfi was with Cascades Inc., a publicly-traded pulp and paper company for eight years and held the position of Vice President, Legal Affairs, Boxboard Group. From 1994 to 1998, Ms. Melfi was Vice President, Legal Affairs and Corporate Secretary at Stella-Jones Inc., a publicly-traded wood products company, and from 1991 to 1994, practiced corporate, commercial and securities law with Fasken Martineau DuMoulin LLP.

Table of Contents

COMPENSATION OF DIRECTORS AND OFFICERS

Director Compensation

During fiscal 2010, each director who was not an employee of the Company received an annual fee of \$22,500 for serving on our Board of Directors and \$1,350 for each Board meeting attended in person. The chairperson of each of the audit committee, compensation committee and corporate governance committee received an additional annual fee of \$9,000, \$7,200 and \$4,500, respectively. The chairperson of any special independent committee of directors that may be established from time to time is entitled to receive \$9,000 for his or her service and the other members of the committee are each entitled to receive \$4,500 for their service on such committee. The aforementioned fees reflect a 10% decrease in accordance with the Company's salary reduction program. Each director who is not an employee of the Company is entitled to receive a grant of 1,000 stock appreciation rights on April 1 of each year. The 1,000 stock appreciation rights to directors have not been granted for the past two years. All directors were reimbursed for reasonable travel expenses incurred in connection with the performance of their duties as directors.

Executive Compensation

We are a foreign private issuer under U.S. securities laws and not a reporting issuer under Canadian securities laws and are therefore not required to publicly disclose detailed individual information about executive compensation in our home jurisdiction. However, the executive compensation of our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers are detailed in our Management Proxy Circular as such document is referred to below. Under the *Canada Business Corporations Act*, being the statute under which we were incorporated, we are only required to provide certain information on aggregate executive compensation. The aggregate compensation paid by us to our eight executive officers in fiscal 2010 was approximately \$3,020,367 (annual salary) which reflects a 10% decrease in annual salary in accordance with the Company's salary reduction program.

The summary compensation table regarding our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers and the option/SAR grants and exercise of options tables in our Management Proxy Circular will be filed on Form 6-K with the SEC in connection with our 2010 Annual Meeting of Shareholders.

Birks & Mayors Incentive Plans

Long-Term Incentive Plan

In 2006, Birks & Mayors adopted a Long-Term Incentive Plan to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and consultants and to promote the success of Birks & Mayors' business. As of May 31, 2010, there were 28,310 cash-based stock appreciation rights that were granted to members of the Company's Board of Directors under the Long-Term Incentive Plan. The stock appreciation rights outstanding under the Long-Term Incentive Plan have a weighted average exercise price of \$6.61.

In general, the Long-Term Incentive Plan is administered by Birks & Mayors' Board of Directors or a committee designated by the Board of Directors. Any employee or consultant selected by the administrator is eligible for any type of award provided for under the Long-Term Incentive Plan, except that incentive stock options may not be granted to consultants. The selection of the grantees and the nature and size of grants and awards are wholly within the discretion of the administrator. The Long-Term Incentive Plan provides for the grant of incentive stock options that qualify under Section 422 of the Code and non-statutory options, stock appreciation rights, restricted stock awards, restricted stock units and performance unit or share awards, as such terms are defined in the Long-Term Incentive Plan.

Table of Contents

The Long-Term Incentive Plan authorizes the issuance of 900,000 Class A voting shares, which consists of authorized but unissued Class A voting shares. In the event of a stock dividend, stock split, reverse stock split, combination or reclassification or similar transaction or other change in corporate structure affecting Class A voting shares, adjustments will be made to the Long-Term Incentive Plan.

We cannot issue Class A voting shares or awards under the Long-Term Incentive Plan if such issuance, when combined with the Class A voting shares issuable under any of our other equity incentive award plans and all other Class A voting shares issuable under the Long-Term Incentive Plan would exceed 1,304,025 Class A voting shares, unless the issuance of such shares or awards in excess of this limit is approved by the shareholders of the Company. However, this limit shall not restrict the Company to issue awards under the Long-Term Incentive Plan that are payable other than in shares, including cash-settled stock appreciation rights.

In the event of a change in control of Birks & Mayors, the administrator, at its sole discretion, may determine that all outstanding awards shall become fully and immediately exercisable and vested. In the event of dissolution or liquidation of Birks & Mayors, the administrator may, at its sole discretion, declare that any stock option or stock appreciation right shall terminate as of a date fixed by the administrator and give the grantee the right to exercise such option or stock option right.

In the event of a merger or asset sale or other change in control, as defined by the Long-Term Incentive Plan, the administrator may, in its sole discretion, take any of the following actions or any other action the administrator deems to be fair to the holders of the awards:

Provide that all outstanding awards upon the consummation of such a merger or sale shall be assumed by, or an equivalent option or right shall be substituted by, the successor corporation or parent or subsidiary of such successor corporation;

Prior to the occurrence of the change in control, provide that all outstanding awards to the extent they are exercisable and vested shall be terminated in exchange for a cash payment equal to the change in control price; or

Prior to the occurrence of the change in control, provide for the grantee to have the right to exercise the award as to all or a portion of the covered stock, including, if so determined by the administrator, in its sole discretion, shares as to which it would not otherwise be exercisable.

Employee Stock Purchase Plan

In 2006, Birks & Mayors adopted an Employee Stock Purchase Plan (ESPP), which was approved in February 2006. The ESPP permits eligible employees, which do not include executives of Birks & Mayors Inc., to purchase our Class A voting shares from Birks & Mayors at 85% of their fair market value through regular payroll deductions. A total of 100,000 shares of our Class A voting shares are reserved for issuance under the ESPP. As of May 31, 2010, 99,995 shares have been issued under the ESPP and no additional shares will be issued under this plan.

Birks Employee Stock Option Plan

Effective May 1, 1997, Birks adopted an Employee Stock Option Plan (the Birks ESOP) designed to attract and retain the services of selected employees or non-employee directors of Birks or its affiliates who are in a position to make a material contribution to the successful operation of our business. The Birks ESOP was amended as of June 20, 2000. Effective as of November 15, 2005, no awards will be granted under the Birks ESOP. However, the Birks ESOP will remain in effect until the outstanding awards thereunder terminate or expire by their terms. As of May 31, 2010, there were 11,734 Class A voting shares underlying options granted under the Birks ESOP following the Offer to Amend (as described below). The options outstanding under the Birks ESOP have a weighted average exercise price of \$2.22.

Table of Contents***Mayors Equity-Incentive Plans*****1991 Stock Option Plan and Long-Term Incentive Plan**

The Company has outstanding employee stock options and SARs issued to employees and members of the Board of Directors of Mayors under the 1991 Stock Option Plan (the 1991 Plan) and the Long-Term Incentive Plan (the Mayor's LTIP) approved by the former Board of Directors of Mayors. Under these plans, the option price was required to equal the market price of the stock on the date of the grant or in the case of an individual who owned 10% or more of the common stock of Mayors, the minimum price was to be set at 110% of the market price at the time of issuance. Options granted under these programs generally became exercisable from six months to three years after the date of grant, provided that the individual was continuously employed by Mayors, or in the case of directors, remained on the Board of Directors. All options generally expired no more than ten years after the date of grant. No further awards will be granted under these plans. However, these plans will remain effective until the outstanding awards issued under the plans terminate or expire by their terms. As of May 31, 2010, there were 21,737 and 229,405 voting shares underlying awards granted under the Mayor's LTIP and the 1991 Plan, respectively following the Offer to Amend (as described below). The awards outstanding under the Mayor's LTIP and the 1991 Plan have a weighted average exercise price of \$1.00 and \$7.95, respectively.

Stock Option Amendments

The Company has entered into an Amendment to Employment Agreement with Mr. Thomas Andruskevich, the Company's Chief Executive Officer, dated March 16, 2010, to cancel the outstanding options to purchase 509,121 Class A voting shares referenced in his employment agreement, dated April 16, 2008, including the anti-dilutive feature thereunder. In addition, the Company entered into an Amendment to Employment Agreement with Mr. Andruskevich dated March 16, 2010 (the Amendment), granting a new stock option providing Mr. Andruskevich the right to purchase 242,944 Class A voting shares at an exercise price equal to US\$1.00. The Amendment also provides that in the event of a going-private transaction, the new option will remain outstanding and will be exercisable for a cash payment instead of Class A voting shares.

The Company also entered into an Amendment to the Stock Appreciation Rights Agreement with Mr. Andruskevich dated March 16, 2010 and an Amendment to the Stock Appreciation Rights Agreement with Mr. Michael Rabinovitch, the Company's Chief Financial Officer, dated March 16, 2010, relating to the amendment of certain outstanding stock appreciation rights held by such individuals. The amended stock appreciation rights have the same terms as the existing stock appreciation rights except that there has been a reduction in the exercise price, a reduction in the number of Class A voting shares that are subject to the amended stock appreciation rights, a new ten year term and certain new provisions relating to a change in control, a liquidation or dissolution and a going-private transaction of the Company.

On March 18, 2010, the Company filed with the SEC a Tender Offer Statement on Schedule TO which included therein an Offer to Amend Certain Outstanding Options (the Offer to Amend), the whole relating to an offer by the Company to its current employees and subsidiaries employees to amend certain of their outstanding options to purchase the Company's Class A voting shares. Only options granted under the Henry Birks & Sons Inc. Employee Stock Option Plan effective as of May 1, 1997 and amended as of June 20, 2000 and Mayor's Jewelers, Inc. 1991 Amended Stock Option Plan, with an exercise price per share greater than \$4.00 (in the currency in which such option was granted) that remained outstanding as of the expiration of the offer on April 16, 2010, were eligible to be amended in the offer. Pursuant to the Offer to Amend, the Company received, as of April 16, 2010, tendered eligible stock options covering 85,786 shares of its Class A voting shares and provided amended options to purchase up to 12,077 shares of the Company's Class A voting shares, thereby reducing the number of shares issuable upon exercise of outstanding options by 73,709 shares. The amended stock options have exactly the same terms as the eligible stock options, but they are exercisable for a lesser number of Class A voting shares, they have a new exercise price of \$1.05 per share, a new ten-year term, and different terms in the event of a change in control, going-private transaction, or a liquidation or dissolution of the Company, as described in the Offer to Amend.

Table of Contents

BOARD PRACTICES

Our bylaws state that the Board of Directors will meet immediately following the election of directors at any annual or special meeting of the shareholders and as the directors may from time to time determine. See Item 10. Additional Information Articles of Incorporation and By-laws.

Under our Articles of Incorporation, our directors serve one-year terms although they will continue in office until successors are appointed. None of the members of our Board has service agreements providing for benefits upon termination of employment, except for Mr. Andruskevich. See Item 10 Additional Information Material Contracts Employment Agreements.

During fiscal 2010, our Board of Directors held a total of nine board of directors meetings and twenty-two committee meetings. During such period, five out of the current nine directors attended 100% of the meetings of the Board of Directors, three directors attended 89% of the Board meetings and one director attended 67% of the Board meetings.

Our Board of Directors is supported by committees, which are working groups that analyze issues and provide recommendations to the Board of Directors regarding their respective areas of focus. The executive officers interact periodically with the committees to address management issues. During fiscal 2010, our Board of Directors was composed of the following four main committees. The Board of Directors may from time to time also create special committees of the Board as needed.

1. *Audit Committee.* We have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The audit committee operates under a written charter adopted by the Board of Directors. The audit committee reviews the scope and results of the annual audit of our consolidated financial statements conducted by our independent auditors, the scope of other services provided by our independent auditors, proposed changes in our financial accounting standards and principles, and our policies and procedures with respect to its internal accounting, auditing and financial controls. The audit committee also examines and considers other matters relating to our financial affairs and accounting methods, including selection and retention of our independent auditors. During fiscal 2010, the audit committee held four meetings and all members of the audit committee attended these meetings during such period except for one member who attended 75% of the meetings. During fiscal 2010, the audit committee was comprised of Louis Roquet (Chair), Emily Berlin and Ann Spector Lief, each of whom was financially literate and an independent, non-employee director of Birks & Mayors. Effective May 31, 2009, Alain Benedetti resigned from the Board of Directors and as a member and Chair of the audit committee. On June 3, 2009, the Board of Directors appointed Louis Roquet as member and the Chair of the audit committee. We have determined that Louis Roquet is financially sophisticated and have waived the requirement for the present time under the audit committee's charter that at least one member of the audit committee be designated as an audit committee financial expert as this term is defined under SEC rules. Neither the SEC nor the NYSE Amex require us to designate an audit committee financial expert and we have not determined that any of our current directors would qualify as such.

2. *Compensation Committee.* We have a standing compensation committee. The compensation committee operates under a written charter adopted by the Board of Directors. The purpose of the compensation committee is to recommend to the Board of Directors executive compensation, including base salaries, bonuses and long-term incentive awards for the Chief Executive Officer and certain other executive officers of Birks & Mayors. Certain decisions regarding compensation of certain other executive officers are reviewed by the compensation committee. During fiscal 2010, the compensation committee held seven meetings and all of the members attended these meetings during such period. During fiscal 2010, the compensation committee was comprised of Shirley Dawe (Chair), Peter O'Brien, and Ann Spector Lief, each of whom was an independent, non-employee director of Birks & Mayors. Effective May 31, 2009, Alain Benedetti resigned from our Board of Directors and from our compensation committee.

Table of Contents

3. *Corporate Governance Committee.* We have a standing corporate governance committee which has also assumed the functions of a nominating committee in accordance with the SEC rules and NYSE Amex listing requirements on nominating committees. The corporate governance committee is responsible for overseeing all aspects of our corporate governance policies. The corporate governance committee is also responsible for the oversight and review of all related party transactions and for nominating potential nominees to the Board of Directors. Our policy with regard to the consideration of any director candidates recommended by a shareholder is that we will consider such candidates and evaluate such candidates by the same process as candidates identified by the corporate governance committee. During fiscal 2010, the corporate governance committee held three meetings and all members of the corporate governance committee attended these meetings during such period except for one member who attended 67% of the committee meetings. Our corporate governance committee is comprised of three directors and operates under a written charter adopted by the Board of Directors. Emily Berlin (Chair), Peter O'Brien, and Louis Roquet, each of whom is an independent, non-employee director of Birks & Mayors, currently constitute the corporate governance committee.

4. *Executive Committee.* We have a standing executive committee. The executive committee operates under a written charter adopted by the Board of Directors. The purpose of the executive committee is to provide a simplified review and approval process in between meetings of the Board of Directors for certain corporate actions. The intent of the executive committee is to facilitate our efficient operation with guidance and direction from the Board of Directors. The goal is to provide a mechanism that can assist in our operations, including but not limited to, the monitoring of the implementation of policies, strategies and programs. In addition, the executive committee's mandate is to assist the Board with respect to the development, continuing assessment and execution of the Company's strategic plan. The executive committee is comprised of at least three members of the Board of Directors. Vacancies on the committee are filled by majority vote of the Board of Directors at the next meeting of the Board of Directors following the occurrence of the vacancy. The current members of the executive committee are: Dr. Lorenzo Rossi di Montelera (Chair), Thomas A. Andruskevich, Elizabeth Eveillard and Gérald Berclaz. During fiscal 2010, the executive committee held eight meetings. All of the members of the executive committee attended these meetings during such period.

Table of Contents**EMPLOYEES**

As of March 27, 2010, we employed approximately 873 persons. None of our employees are governed by a collective bargaining agreement with a labor union. We believe our relations with our employees are good and we intend to continue to place an emphasis on recruiting, training, retraining and developing the best people in our industry.

Retail employees include only those employees within our retail selling locations, while administration includes all other activities including corporate office, merchandising, supply chain operations and corporate sales. The table below sets forth headcount by category and geographic location for the periods indicated:

	Canada	U.S.	Total
As of March 27, 2010:			
Administration	206	114	320
Retail	330	223	553
Total	536	337	873
As of March 28, 2009:			
Administration	211	131	342
Retail	332	261	593
Total	543	392	935
As of March 29, 2008:			
Administration	229	153	382
Retail	382	282	664
Total	611	435	1,046

SHARE OWNERSHIP

The following table sets forth information regarding the beneficial ownership of our Class A voting shares as of May 31, 2010 by each executive officer and each director:

Name of Beneficial Owner	Number of Class A Voting Shares Beneficially Owned	Percentage of Beneficially Owned
Dr. Lorenzo Rossi di Montelera(1)	9,346	*
Thomas A. Andruskevich(2)	562,434	13.4%
Gérald Berclaz	16,667	*
Shirley A. Dawe(3)	870	*
Peter R. O'Brien(4)	7,529	*
Emily Berlin(5)	47,821	1.3%
Elizabeth Eveillard(6)	91,296	2.5%
Ann Spector Lieff(7)	8,693	*
Louis L. Roquet		
Joseph A. Keifer, III(8)	102,782	2.7%
Michael Rabinovitch(9)	4,347	*
John Orrico(10)	1,869	*

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* Less than 1%.

- (1) Includes (a) options to purchase 4,346 Class A voting shares which are currently exercisable or exercisable within 60 days at exercise prices ranging from \$3.23 to \$8.98 per share and expire over a period from October 1, 2012 to January 1, 2015, and (b) an option for 5,000 Class A voting shares at an exercise price Cdn\$7.73 per share and expires on April 23, 2014. Dr. Rossi is a beneficiary of the Goldfish Trust. The Goldfish Trust beneficially owns or controls 7,717,970 Class A voting shares to which Montrovest would be entitled

Table of Contents

upon conversion of the Class B multiple voting shares held by Montrovest. Dr. Rossi is also a director of Rohan Private Trust Company Limited, the trustee of the Goldfish Trust. In certain circumstances, Dr. Rossi may be delegated the authority from the Trustee of the Goldfish Trust to vote the shares held by Montrovest. Holders of Class B multiple voting shares are entitled to ten votes for each Class B multiple voting share held, whereas holders of Class A voting shares are entitled to one vote per Class A voting share held. Dr. Rossi expressly disclaims beneficial ownership over the shares held by Montrovest.

- (2) Includes (a) an option to purchase 242,944 Class A voting shares which is exercisable at a price of \$1.00 per share and expires either two years after termination of employment for any reason or ten years after retirement, (b) an option to purchase 130,425 Class A voting shares exercisable at a price of \$3.23 per share and expires either two years after termination of employment or ten years after retirement, (c) warrants to purchase 131,209 Class A voting shares exercisable at a price of \$3.34 per share and expire on August 20, 2022, (d) 17,390 SARs that are exercisable at an exercise price of \$1.00 per share and expire on March 16, 2020, and (e) 40,466 Class A voting shares.
- (3) Includes 870 Class A voting shares.
- (4) Includes (a) an option to purchase 5,000 Class A voting shares which is exercisable at a price of Cdn\$7.73 per share which expires on April 23, 2014, and (b) 2,529 Class A voting shares.
- (5) Includes (a) an option to purchase 869 Class A voting shares exercisable at a price of \$8.98 per share, which expires January 1, 2015, and (b) 46,952 Class A voting shares.
- (6) Includes (a) options to purchase 1,738 Class A voting shares exercisable at prices ranging from \$7.14 to \$8.98 which expire over a period from January 1, 2014 to January 1, 2015, (b) 2,608 Class A voting shares held directly, and (c) 86,950 Class A voting shares owned by her husband.
- (7) Includes (a) options to purchase 1,738 Class A voting shares exercisable at prices ranging from \$7.14 to \$8.98, which expire over a period from October 1, 2012 to January 1, 2015, and (b) 6,955 Class A voting shares.
- (8) Includes (a) options to purchase 44,555 Class A voting shares of which 43,475 are exercisable at a price of Cdn\$3.23 and 1,080 are exercisable at a price of \$1.05 and expire on October 1, 2012 and April 16, 2020, respectively, (b) warrants to purchase 48,110 Class A voting shares exercisable at prices ranging from \$3.34 to \$6.21 and expire on August 20, 2022 and (c) 10,117 Class A voting shares.
- (9) Includes stock appreciation rights to purchase 4,347 Class A voting shares which are exercisable at an exercise price of \$1.00 per share and expire on March 16, 2020.
- (10) Includes options to purchase 1,869 Class A voting shares which are exercisable at a price of \$1.05 per share and expire on April 16, 2020.

For arrangements involving the issuance or grant of options or shares of the Company to such named executive officers, see above under heading Executive Compensation and Item 10. Additional Information Material Agreements Employment Agreements.

Item 7. Major Shareholders and Related Party Transactions**MAJOR SHAREHOLDERS**

The following table sets forth information regarding the beneficial ownership of our Class A voting shares as of May 31, 2010 by each person or entity who beneficially owns 5% or more of outstanding voting securities, including the Class A voting shares and Class B multiple voting shares. The major shareholders listed with Class B multiple voting shares are entitled to ten votes for each Class B multiple voting share held, whereas holders of Class A voting shares are entitled to one vote per Class A voting share held. Unless otherwise indicated in the table, each of the individuals named below has sole voting and investment power with respect to the voting shares beneficially owned by them. The calculation of the percentage of outstanding shares is based on 3,672,407 Class A voting shares and 7,717,970 Class B multiple voting shares outstanding on May 31, 2010, adjusted where appropriate, for shares of stock beneficially owned but not yet issued.

Beneficial ownership is determined under rules issued by the SEC. Under these rules, beneficial ownership includes any of the Class A voting shares or Class B multiple voting shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days through the exercise of any warrant, stock option or other right. The inclusion in this Annual Report of such voting shares, however, does not constitute an admission that the named individual is a direct or indirect beneficial owner of such voting shares. The voting shares that a person has the right to acquire within 60 days of May 31, 2010 are deemed outstanding for the purpose of calculating the percentage ownership of such person, but are not deemed outstanding for the purpose of calculating the percentage owned by any other person listed. For information regarding entities or persons that directly or indirectly control us, see Item 3. Key Information Risk Factors Risks Related to the Company.

Table of Contents

Name of Beneficial Owner(1)	Number of Class A Voting Shares Beneficially Owned	Percentage of Beneficially Owned
Goldfish Trust(2)	7,717,970	67.8%
Rohan Private Trust Company Limited(3)	7,717,970	67.8%
Thomas A. Andruskevich(4)	562,434	13.4%
Montrovest BV(5)	7,717,970	67.8%
Prime Investments S.A.(6)	1,536,047	41.8%

- (1) Unless otherwise noted, each person has sole voting and investment power over the shares listed opposite his or her name.
- (2) Includes 7,717,970 Class A voting shares to which Montrovest would be entitled upon conversion of the Class B multiple voting shares held by Montrovest. The shares held by Montrovest are beneficially owned by the Goldfish Trust. Dr. Rossi who is the Company's Chairman of the Board of Directors is a director of Rohan Private Trust Company, the trustee of the Goldfish Trust, and a beneficiary of the Goldfish Trust. In certain circumstances, Dr. Rossi may be delegated the authority from the Trustee of the Goldfish Trust to vote the shares held by Montrovest.
- (3) Trustee of the Goldfish Trust. Includes (a) 7,717,970 Class A voting shares to which Montrovest would be entitled upon conversion of the Class B multiple voting shares held by Montrovest.
- (4) Includes (a) options and SARs to purchase 390,759 Class A voting shares, (b) warrants to purchase 131,209 Class A voting shares, and (c) 40,466 Class A voting shares.
- (5) Comprised of 7,717,970 Class A voting shares to which Montrovest would be entitled upon conversion of the Class B multiple voting shares held by Montrovest.
- (6) The Company has been advised that Deutsche Bank International Trust Co. Limited, as Trustee of Pine Trust and The Beech Settlement, exercises voting and investment control over the securities held of record by Prime Investments S.A.

RELATED PARTY TRANSACTIONS**Diamond Supply Agreements**

On August 15, 2002, Birks entered into a Diamond Inventory Supply Agreement with Prime Investments S.A. and a series of conditional sale agreements with companies affiliated with Prime Investments S.A. pursuant to which Prime Investments S.A., a related party, is entitled to supply Birks and its subsidiaries or affiliates with at least 45%, on an annualized cost basis, of such company's aggregate loose diamond requirements, conditional upon the prices remaining competitive relative to market and needs in terms of quality, cut standards and specifications being satisfied. During fiscal 2010, Birks purchased approximately \$2.1 million of diamonds and finished goods from Prime Investments S.A. and related parties. Prime Investments S.A. beneficially owns 41.8% of the outstanding Class A voting shares of Birks & Mayors.

Management Consulting Services Agreements

On February 10, 2006, our Board of Directors, approved the Company's entering into a Management Consulting Services Agreement with Iniziativa S.A. Under the agreement, Iniziativa S.A. is to provide advisory, management and corporate services to the Company. The initial one-year term of the agreement began on April 1, 2006. The agreement may be renewed for additional one year terms by the Company. Effective January 1, 2007, the terms of the agreement were amended whereby Iniziativa is to provide advisory, management and corporate services under clearly defined project categories and as a result of the increase in value of the services, the payment for services rendered were increased to \$262,500 per quarter, plus reimbursement for any out of pocket expenses up to \$7,500 per quarter unless prior written consent of the Company is obtained. Additionally, the agreement was renewed for an additional one-year term, ending on March 31, 2008. The agreement was mutually extended until December 2008. One of the Company's directors, Dr. Lorenzo Rossi di Montelera and a former Company director, Filippo Recami were affiliated with Iniziativa. Iniziativa was the controlling shareholder of the Company until it transferred the shares it held in the Company to Montrovest, its parent company, on May 31, 2007. On October 29, 2007, Iniziativa assigned the agreement, with the approval of the Company, to Montrovest. Mr. Recami was a Managing Director of Montrovest until his death in October 2009. Mr. Berclaz, one of the Company's directors, is the Chairman of the Supervisory Board of

Table of Contents

Directors of Montrovest. Fees paid by us to Montrovest and its predecessor, Iniziativa, were \$0 in fiscal 2010 and approximately \$873,000 in fiscal 2009. Our Board of Directors approved our entering into the agreement and amendment with Iniziativa in accordance with our Code of Conduct relating to related party transactions.

Management Subordination Agreement

On December 17, 2008, we entered into a management subordination agreement with Montrovest and our senior lenders whereby we are permitted, subject to applicable law and approval of our corporate governance committee, to pay Montrovest a success fee in the event that we actually receive net cash proceeds from an equity issuance in an amount greater than \$5 million in the aggregate due to efforts of Montrovest to facilitate such equity issuance. Such success fee will be calculated as follows: (i) 7% of the net cash proceeds of such equity issuance in an amount greater than \$5 million received by us to be paid upon receipt thereof by us; and (ii) in the event that the net cash proceeds from such equity issuance is an amount greater than \$10 million, then in addition to the 7% fee, a monthly management fee of \$25,000 continuing through December 30, 2012; provided that such fees shall not exceed in the aggregate \$800,000 per year.

Arrangements with Directors

We retain Pheidias Project Management and Oberti Architectural & Urban Design for project management and architectural services. Pheidias Project Management and Oberti Architectural & Urban Design have been involved in almost all renovations and our new stores since 1993, as well as in the renovation of our executive offices. The principal of Pheidias Project Management and Oberti Architectural & Urban Design is the spouse of Margherita Oberti, one of our directors, who served until the end of her term as director on September 22, 2009. Pheidias Project Management and Oberti Architectural & Urban Design, as project managers and architects, charged us approximately \$93,000 for services rendered during fiscal 2010, of which \$36,000 were for services rendered from March 29, 2009 to September 22, 2009, and \$327,000 for services rendered during fiscal 2009.

Cash Advance Agreement

In February 2009 and May 2009, we received \$2.0 million and \$3.0 million, respectively, in the form of cash advances from our controlling shareholder, Montrovest, to finance our working capital needs and for general corporate purposes. These advances and any interest thereon are subordinated to the indebtedness of our existing senior credit facilities and secured term loans and are convertible into a convertible debenture or Class A voting shares in the event of a private placement or, are repayable upon demand by Montrovest subject to the conditions stipulated in our senior credit facilities. These cash advances bear interest at an annual rate of 16%, net of any withholding taxes, representing an effective interest rate of approximately 17.8%. If converted into convertible debentures or Class A voting shares, a fee of 7% of the outstanding principal amount of the cash advance shall be paid to Montrovest.

Consulting Services Agreement

On June 30, 2009, our Company's Board of Directors approved our Company entering into a consulting services agreement with Gestofi S.A. (Gestofi) in accordance with our Company's Code of Conduct relating to related party transactions. Under the agreement, Gestofi undertook to assign Mr. Niccolò Rossi as the employee of Gestofi responsible for providing the consulting services related to the development of our Company's e-commerce, new product development, wholesale business and such other services reasonably requested by our Chief Executive Officer or Chairman (collectively, the Consulting Services). The Consulting Services are provided to our Company for a fee of approximately CDN\$13,700 per month less any applicable taxes plus out of pocket expenses. The initial one-year term of the agreement began on August 1, 2009 and the agreement may be renewed for additional one year terms. Mr. Niccolò Rossi is the son of Dr. Rossi, our Chairman and the Chairman of Gestofi.

Table of Contents**Leases with Ivanhoe Cambridge**

In February 2010, Lorna Telfer, the wife of one of our directors, Peter O'Brien, was appointed Senior Vice President, General Counsel and Secretary of Ivanhoe Cambridge, one of our landlords in Canada. We have approximately seven out of our 64 real estate leases with Ivanhoe Cambridge. Since Ms. Telfer's appointment, no new leases or lease amendments or renewals have been entered into with Ivanhoe Cambridge. However, we are regularly making lease payments to Ivanhoe Cambridge in accordance with leases currently in place.

**Item 8. Financial Information
Consolidated Financial Statements**

See Item 18. Financial Statements.

Dividend Policy

For a discussion of our dividend policy, see Item 3. Key Information Dividends and Dividend Policy.

Legal Proceedings

We are from time to time involved in litigation incident to the conduct of our business. Although such litigation is normally routine and incidental, it is possible that future litigation can result in large monetary awards for compensatory or punitive damages. We believe that no litigation that is currently pending or threatened will have a material adverse effect on our financial condition.

Significant Changes

No significant changes have occurred since the date of the annual financial statements included in this Annual Report.

Item 9. The Offer and Listing**TRADING MARKET**

Effective November 15, 2005, our Class A voting shares were listed and began to trade on the NYSE Amex under the symbol BMJ. The following table sets forth, for all recently completed full financial years since we began trading on the NYSE Amex, the reported high and low sale prices for the Class A voting shares:

Birks & Mayors Inc. Highest/Lowest Stock Price**for the Most Recent Full Financial Years**

Fiscal year	Highest	Lowest
2010	\$ 1.80	\$ 0.26
2009	\$ 4.33	\$ 0.20
2008	\$ 8.46	\$ 3.97

Table of Contents

The following table sets forth, for each of the most recent six months, the reported high and low sale prices for the Class A voting shares:

Birks & Mayors Inc. Highest/Lowest Stock Price for the Most Recent Six Months

Month	Highest	Lowest
January 2010	\$ 1.24	\$ 0.76
February 2010	\$ 0.90	\$ 0.61
March 2010	\$ 1.20	\$ 0.62
April 2010	\$ 1.10	\$ 0.70
May 2010	\$ 6.20	\$ 0.98
June 2010	\$ 1.63	\$ 1.16

The following table sets forth, for each quarter in fiscal 2010 and 2009 and any subsequent period, the reported high and low sale prices for the Class A voting shares:

Birks & Mayors Inc. Highest/Lowest Stock Price**for Each Quarter in fiscal 2010 and 2009 and Any Subsequent Period**

Subsequent Period	Highest	Lowest
Quarter ended June 2010	\$ 6.20	\$ 0.70
Fiscal 2010		
Quarter ended March 2010	\$ 1.24	\$ 0.61
Quarter ended December 2009	\$ 1.80	\$ 0.52
Quarter ended September 2009	\$ 0.80	\$ 0.33
Quarter ended June 2009	\$ 0.80	\$ 0.26
Fiscal 2009		
Quarter ended March 2009	\$ 0.66	\$ 0.20
Quarter ended December 2008	\$ 1.50	\$ 0.30
Quarter ended September 2008	\$ 3.20	\$ 1.50
Quarter ended June 2008	\$ 4.33	\$ 3.06

Item 10. Additional Information**ARTICLES OF INCORPORATION AND BY-LAWS**

Our Articles of Incorporation do not restrict the type of business that we may carry on. A copy of our Articles of Incorporation and our By-laws are contained in exhibits to the F-4 registration statement (File No. 333-126936) that we filed with the SEC on September 29, 2005, and which we incorporate by reference herein (F-4). Additionally, certain rights of our shareholders pursuant to our Articles of Incorporation, our By-laws and the *Canada Business Corporations Act* were set out in the F-4 and we refer you to the headings therein entitled "Description of Birks Capital Stock" and "Comparison of Stockholder Rights."

Table of Contents

MATERIAL CONTRACTS

We have not entered into any material contract other than in the ordinary course of business and other than those described below or in Items 4, 5, 7 and 19 of this Annual Report on Form 20-F.

Employment Agreements

Thomas A. Andruskevich

Thomas A. Andruskevich is employed by Birks & Mayors, as well as by its subsidiary, Mayors. Accordingly, we have two employment agreements with Mr. Andruskevich, one of which is through Mayors. On April 16, 2008, the Company and Mayors, respectively, amended, restated and renewed the terms and conditions of two employment agreements with Mr. Andruskevich effective April 1, 2008 each for a term of three years continuing until March 31, 2011 unless terminated in accordance with the terms of the agreements.

Birks Employment Agreement

Under the employment agreement, Mr. Andruskevich serves as President and Chief Executive Officer of Birks & Mayors and receives an annual base salary and an income bonus, which will be adjusted based upon the achievement of certain net income goals by Birks & Mayors in the preceding year set forth in our annual profit plan and strategic plan. Under the agreement, Mr. Andruskevich's minimum base salary is \$662,000 and provides for a performance based opportunity to increase his base salary by \$2,000. Additionally, Mr. Andruskevich will receive an annual performance bonus based upon the achievement of specific performance criteria, which are set each year by our compensation committee. Mr. Andruskevich is also entitled to certain benefits such as life insurance, health and dental insurance, financial planning expenses and other reasonable expenses. Under his employment agreements since May 15, 1996, Mr. Andruskevich has received three separate grants of stock options, each of which is confirmed in his current employment agreement as remaining exercisable for 24 months after termination of his employment or ten years after the date of his retirement. In 1996, Mr. Andruskevich was given the option to subscribe for a number of our Class A voting shares which, immediately following their issue, would represent 2% of our issued and outstanding shares of capital stock (on a fully diluted basis). The number of shares will be adjusted to represent 2% of the issued and outstanding Class A voting shares, except that any new stock options or other new securities exercisable for, convertible into or exchangeable into capital stock (or shares issued upon exercise, conversion or exchange thereof), new restricted stock or other new equity granted or issued following November 14, 2005, for a compensatory purpose to employees, officers, or directors shall be disregarded for purposes of calculating 2% of our issued and outstanding shares of our capital stock (on a fully diluted basis). In 1998, the option granted in 1996 was substituted for an option on the same terms except that the exercise price of the options was fixed at Cdn\$6.00 per share, considered to be the fair market value of our shares at that time. Also in 1998, Mr. Andruskevich was given a second option to subscribe for a number of Class A voting shares which, immediately following their issue, would represent 2% of our issued and outstanding shares of capital stock as of January 1, 1999, namely, 126,272 out of a total of 6,313,618 shares then issued and outstanding. The exercise price of these options was fixed at Cdn\$6.25 per share, considered to be the fair market value of our shares at that time. In 2001, Mr. Andruskevich was given a third option to subscribe for a number of Class A voting shares which, immediately following their issue, would represent 2% of our issued and outstanding shares of capital stock as of April 1, 2002, namely, 126,266 out of a total of 6,313,300 shares then issued and outstanding. The exercise price of these options was fixed at Cdn\$7.00 per share, considered to be the fair market value of our shares at that time. Each of the options Mr. Andruskevich received under these agreements is exercisable for a period of twenty-four months after the termination of his employment. Additionally, each such option is exercisable for a period of 10 years following retirement or two years after termination.

We entered into an Amendment to Employment Agreement with our Chief Executive Officer, Thomas Andruskevich, dated March 16, 2010, to cancel the outstanding options for 509,121 Class A voting shares at exercise prices ranging from CDN\$6.00 to CDN\$7.00 per share held by Mr. Andruskevich, including the anti-

Table of Contents

dilutive feature, referenced in his employment agreement dated April 16, 2008. In addition, we entered into an Amendment to Employment Agreement with Mr. Andruskevich dated March 16, 2010, granting a new stock option providing Mr. Andruskevich the right to purchase 242,944 Class A voting shares at an exercise price equal to US\$1.00 per share. This amendment also provides that in the event of a going-private transaction, the new option will remain outstanding and will be exercisable for a cash payment instead of Class A voting shares. The cash payment will be equal to the fair market value of the Class A voting shares on the date of exercise reduced by the exercise price applicable to such new option.

We may terminate Mr. Andruskevich's employment agreement with just and sufficient cause for such termination. If we desire not to renew the agreement, we must provide Mr. Andruskevich with notice 12 months prior to the end of the term of the agreement which is March 31, 2011. If the Company wishes not to renew the agreement and Mr. Andruskevich is unable to find suitable employment after March 31, 2011, the Company must compensate Mr. Andruskevich for an additional period of up to 12 months by continuing to pay him a base salary, a monthly bonus calculated by taking the average bonus for the three prior fiscal years and dividing by 12, all benefits, plus a lump sum cash payment, if not already paid by Mayors, of \$39,000 for disability and life insurance.

In the event that the Company terminates the agreement without cause or Mr. Andruskevich resigns for good reason, Mr. Andruskevich is entitled to the base salary which shall have accrued to the date of such termination, any accrued but unpaid vacation pay, performance bonus earned in connection with each year ending prior to the date of such termination, benefits, as well as a pro-rata portion of the average annual bonus for the three prior fiscal years, plus a lump sum cash payment, if not already paid by Mayors, of \$39,000 for disability and life insurance. Additionally, we will pay Mr. Andruskevich his base salary and pro-rata annual bonus for the greater of one year or the unexpired portion of the term in a lump sum and be entitled to benefits and will continue to pay his base salary and the said average annual bonus on a monthly basis for an additional period of up to 12 months should Mr. Andruskevich be unable to find another suitable employment position. In the event Mr. Andruskevich's employment terminates as a result of his death, for cause, as a result of disability or due to his resignation without good reasons, he will receive his base salary through the date of termination or resignation, as well as a pro rata amount for any cash bonus payable to him.

The agreement prohibits Mr. Andruskevich from competing with us in our business for or on behalf of any entity whose operations are located primarily in Canada, in the States of Florida or Georgia or any state or foreign country in which Birks receives at least 10% of its revenues at such time (i) during his employment, (ii) during the period immediately following a termination of employment during which or in respect to which Mr. Andruskevich continues to receive payments or has received a lump sum payment or (iii) in the event of Mr. Andruskevich's voluntary departure, during the 12 month period immediately following the date of his departure. During the non-compete period, Mr. Andruskevich also agrees not to solicit any of our senior executives.

Mayors Employment Agreement

Under the Mayors employment agreement, Mr. Andruskevich serves as the Chairman of the Board of Directors of Mayors, and as President and Chief Executive Officer of Mayors and receives an annual base salary from Mayors of \$600,000 and has the opportunity to receive an annual cash bonus based upon the achievement of objective performance criteria, which are set each year by the compensation committee and approved by the Board of Directors. If Mayors wishes not to renew the agreement, it must provide Mr. Andruskevich with notice 12 months prior to the end of the term of the agreement. If Mayors wishes not to renew the agreement and Mr. Andruskevich is unable to find suitable employment after March 31, 2011, Mayors must compensate Mr. Andruskevich for an additional period of up to 12 months by continuing to pay him a base salary, a monthly bonus calculated by taking the average bonus for the three prior fiscal years and dividing by 12, all benefits, plus a lump sum cash payment of \$39,000 for disability and life insurance, if not already paid by Birks.

Table of Contents

In the event that Mayors terminates the agreement without cause or Mr. Andruskevich resigns for good reasons, Mr. Andruskevich is entitled to the base salary which shall have accrued to the date of such termination, any accrued but unpaid vacation pay, performance bonus earned in connection with each year ending prior to the date of such termination, benefits as well as a pro-rata portion of the average annual bonus for the three prior fiscal years, plus a lump sum cash payment of \$39,000 for disability and life insurance. Additionally, Mayors will pay Mr. Andruskevich his base salary and pro-rata annual bonus for the greater of one year or the unexpired portion of the term in a lump sum and be entitled to benefits and we will continue to pay his base salary and the said average annual bonus on a monthly basis for an additional period of up to 12 months should Mr. Andruskevich be unable to find another suitable employment position. If Mr. Andruskevich's employment is terminated without cause or if he resigns for good reason within the two year period following a change of control, Mr. Andruskevich will receive his annual base salary, annual bonus and financial planning, health, and dental benefits for the greater of two years or the unexpired portion of the term plus one year, and Mr. Andruskevich will also be entitled to certain bonus compensation and a lump sum cash payment of \$39,000 for disability and life insurance, as well as a gross-up amount that, on an after-tax basis, equals the excise tax that would be imposed on the foregoing amounts. In the event Mr. Andruskevich's employment terminates as a result of his death, for cause, as a result of disability or due to his resignation without good reasons, he will receive his base salary through the date of termination or resignation, as well as a pro rata amount for any cash bonus payable to him.

The agreement prohibits Mr. Andruskevich from competing with Mayors in certain markets for or on behalf of any entity whose operations are located primarily in Canada, in the State of Florida or Georgia or any state or foreign country in which Mayors receives at least 10% of its revenues at such time (i) during his employment, (ii) during the period immediately following a termination of employment during which or in respect to which Mr. Andruskevich continues to receive payments or has received a lump sum payment or (iii) in the event of Mr. Andruskevich's voluntary departure, during the 12 month period immediately following the date of his departure for a period of twelve months after his departure and to solicit our senior or executives.

Amendments to Employment Agreements

On June 30, 2010, Mr. Andruskevich's Birks employment agreement and Mayors employment agreement were extended on the same terms and conditions until March 31, 2012.

EXCHANGE CONTROLS

There are currently no laws, decrees, regulations or other legislation in Canada that restricts the export or import of capital or that affects the remittance of dividends, interest or other payments to non-resident holders of our securities other than withholding tax requirements. There is no limitation imposed by Canadian law or by our Articles of Incorporation or our other organizational documents on the right of a non-resident of Canada to hold or vote our Class A voting shares, other than as provided in the North American Free Trade Agreement Implementation Act (Canada) and in the Investment Canada Act, as amended by the World Trade Organization Agreement Implementation Act.

The Investment Canada Act requires notification and, in certain cases, advance review and approval by the Government of Canada of the acquisition by a non-Canadian of control of a Canadian business, all as defined in the Investment Canada Act. Generally, the threshold for review will be higher in monetary terms, and in certain cases an exemption will apply, for an investor ultimately controlled by persons who are nationals of a WTO Member or have the right of permanent residence in relation thereto.

Table of Contents

TAXATION

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF OWNING AND DISPOSING OF BIRKS CLASS A VOTING SHARES

The following discussion is based on the U.S. Internal Revenue Code of 1986 (the Code), applicable Treasury regulations, administrative rulings and pronouncements and judicial decisions currently in effect, all of which could change. Any change, which may be retroactive, could result in U.S. federal income tax consequences different from those discussed below. The discussion is not binding on the Internal Revenue Service, and there can be no assurance that the Internal Revenue Service will not disagree with or challenge any of the conclusions described below.

Except where specifically noted, the discussion below does not address the effects of any state, local or non-U.S. tax laws (or other tax consequences such as estate or gift tax consequences). The discussion below relates to persons who hold Birks & Mayors Class A voting shares as capital assets within the meaning of Section 1221 of the Code. The tax treatment of those persons may vary depending upon the holder's particular situation, and some holders may be subject to special rules not discussed below. Those holders would include, for example:

banks, insurance companies, trustees and mutual funds;

tax-exempt organizations;

financial institutions;

pass-through entities and investors in pass-through entities;

traders in securities who elect to apply a mark-to-market method of accounting;

broker-dealers;

holders who are not U.S. Holders (as defined below);

persons whose functional currency is not the U.S. dollar;

holders who are subject to the alternative minimum tax; and

holders of Birks & Mayors Class A voting shares who own 5% or more of either the total voting power or the total value of the outstanding Class A voting shares of Birks & Mayors.

Holders should consult their own tax advisors concerning the U.S. federal income tax consequences of the ownership of Birks & Mayors Class A voting shares in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

As used in this document, the term "U.S. Holder" means a beneficial holder of Birks & Mayors Class A voting shares that is (1) an individual who is a U.S. citizen or U.S. resident alien, (2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the U.S. or any political subdivision of the U.S., (3) an estate which is subject to U.S. federal income tax on its worldwide income regardless of its

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source or (4) a trust (x) that is subject to primary supervision of a court within the U.S. and the control of one or more U.S. persons as described in section 7701(a)(30) of the Code or (y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds Birks & Mayors Class A voting shares, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships that hold Birks & Mayors Class A voting shares should consult their tax advisors regarding the U.S. federal income tax consequences to them.

Table of Contents

Dividends and Distributions

Subject to the passive foreign investment company (PFIC) rules discussed below, the gross amount of dividends paid to U.S. Holders of our Class A voting shares, including amounts withheld to reflect Canadian withholding taxes, will be treated as dividend income to these U.S. Holders, to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. This income will be includable in the gross income of a U.S. Holder on the day actually or constructively received by the U.S. Holder. Dividends generally will not be eligible for the dividends received deduction allowed to corporations upon the receipt of dividends distributed by U.S. corporations.

Subject to certain conditions and limitations, Canadian withholding taxes on dividends may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on our Class A voting shares will be treated as income from sources outside the U.S. and generally will constitute passive income. Special rules apply to certain individuals whose foreign source income during the taxable year consists entirely of qualified passive income and whose creditable foreign taxes paid or accrued during the taxable year do not exceed \$300 (\$600 in the case of a joint return). U.S. Holders should consult their tax advisors to determine their eligibility to use foreign tax credits.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution first will be treated as a tax-free return of capital, causing a reduction in the adjusted basis of our Class A voting shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the U.S. Holder on a subsequent disposition of the Class A voting shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange.

With respect to certain U.S. Holders who are not corporations, including individuals, certain dividends received before January 1, 2011 from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury determines to be satisfactory for these purposes and which includes an exchange of information program. U.S. Treasury guidance indicates that the current income tax treaty between Canada and the U.S. meets these requirements, and we believe we are eligible for the benefits of that treaty. In addition, a foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares that are readily tradable on an established securities market in the U.S. Our Class A voting shares, which are listed on the NYSE Amex, should be considered readily tradable on an established securities market in the U.S. Individuals that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of the trading status of our Class A voting shares. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. Holders should consult their own tax advisors regarding the application of these rules given their particular circumstances. The rules governing the foreign tax credit are complex. Certain U.S. Holders of our Class A voting shares may not be able to claim a foreign tax credit with respect to amounts withheld for Canadian withholding taxes. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Exchange of Class A Voting Shares

For U.S. federal income tax purposes, subject to the rules relating to PFICs described below, a U.S. Holder generally will recognize taxable gain or loss on any sale or exchange of our Class A voting shares in an amount equal to the difference between the amount realized for our Class A voting shares and the U.S. Holder's tax basis in such shares. This gain or loss will be capital gain or loss and generally will be treated as U.S. source gain or loss. Long-term capital gains recognized by certain U.S. Holders who are not corporations, including individuals,

Table of Contents

generally will be subject to a maximum rate of U.S. federal income tax of currently 15%. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company

We believe that our Class A voting shares should not be treated as stock of a PFIC for U.S. federal income tax purposes, and we expect to continue our operations in such a manner that we will not be a PFIC. In general, a company is considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income. The 50% of value test is based on the average of the value of our assets for each quarter during the taxable year. If we own at least 25% by value of another company's stock, we will be treated, for purposes of the PFIC rules, as owning our proportionate share of the assets and receiving our proportionate share of income of the other company. Based on the nature of our income, assets and activities, and the manner in which we plan to operate our business in future years, we do not expect that we will be classified as a PFIC for any taxable year.

If, however, we are or become a PFIC, U.S. Holders could be subject to additional U.S. federal income taxes on gain recognized with respect to our Class A voting shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred by the U.S. Holder under the PFIC rules.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of our Class A voting shares or the proceeds received on the sale, exchange, or redemption of our Class A voting shares paid within the United States (and in certain cases, outside of the U.S.) to U.S. Holders other than certain exempt recipients (such as corporations), and a 28% backup withholding tax may apply to these amounts if the U.S. Holder fails to provide an accurate taxpayer identification number, to report dividends required to be shown on its U.S. federal income tax returns or, in certain circumstances, to comply with applicable certification requirements. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information or appropriate claim for refund is furnished to the Internal Revenue Service.

MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF OUR CLASS A VOTING SHARES

The following discussion is a summary of the material Canadian federal income tax considerations under the Income Tax Act (Canada) and the regulations thereunder (referred to in this Form 20-F as the Canadian Tax Act) of the ownership of our Class A voting shares, generally applicable to holders of our Class A voting shares who, for purposes of the Canadian Tax Act and at all relevant times, are not (and are not deemed to be) resident in Canada, hold our Class A voting shares as capital property, deal at arm's length, and are not affiliated, with Birks & Mayors, and who do not use or hold (and are not deemed to use or hold) Class A voting shares in connection with carrying on business in Canada (referred to in this Form 20-F as Non-resident Holders). This discussion does not apply to holders that are insurers that carry on an insurance business in Canada and elsewhere.

This summary is based upon the current provisions of the Canadian Tax Act, the current provisions of the Canada-United States Income Tax Convention, if applicable (referred to in this Form 20-F as the Convention), all specific proposals to amend the Canadian Tax Act publicly announced by the Minister of Finance of Canada prior to the date hereof (referred to in this Form 20-F as the Tax Proposals) and the current published administrative and assessing practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted substantially as proposed and does not otherwise take into account or anticipate any change in law or administrative and assessing practices, whether by legislative, governmental or judicial action, although no assurance can be given in these respects. This summary does not take into account or consider any provincial, territorial or foreign income tax legislation or considerations. For purposes of the Canadian Tax Act,

Table of Contents

all amounts relevant in computing a Non-resident Holder's liability under the Canadian Tax Act must be computed in Canadian dollars. Amounts denominated in a currency other than Canadian dollars (including adjusted cost base and proceeds of disposition) must be converted into Canadian dollars based on the prevailing exchange rate at the relevant time.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to Non-resident Holders of our Class A voting shares. Accordingly, Non-resident Holders of our Class A voting shares should consult their own tax advisors with respect to their particular circumstances.

Dividends on Our Class A Voting Shares

Dividends paid or credited (or deemed to have been paid or credited) on our Class A voting shares to a Non-resident Holder will be subject to Canadian withholding tax of 25% of the gross amount of those dividends (subject to reduction in accordance with an applicable income tax convention between Canada and the Non-resident Holder's country of residence). In the case of a Non-resident Holder who is a resident of the U.S. for purposes of the Convention, is entitled to the benefits of the Convention (referred to in this Form 20-F as a U.S. Holder) and is the beneficial owner of the dividend, the rate of withholding tax will generally be reduced to 15% or, if the Non-resident Holder is a corporation that owns at least 10% of our voting shares, to 5%. Under the Convention, dividends paid to certain religious, scientific, literary, educational or charitable organizations and certain pension organizations that are resident in the U.S. and who are exempt from taxation in the U.S., are generally exempt from Canadian non-resident withholding tax. Provided that certain administrative procedures are observed by such an organization, Birks & Mayors would not be required to withhold tax from dividends paid or credited to the organization.

Disposition of Our Class A Voting Shares

A Non-resident Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized by that Non-resident Holder on a disposition of a Class A voting share, unless the Class A voting share constitutes taxable Canadian property of the Non-resident Holder at the time of disposition and the Non-resident Holder is not entitled to relief under an applicable income tax convention between Canada and the Non-resident Holder's country of residence. If at the time of such disposition the Class A voting shares are listed on a designated stock exchange (which includes the NYSE Amex), the Class A voting shares will generally not constitute taxable Canadian property of a Non-resident Holder unless at any time during the 60-month period immediately preceding the disposition the Non-resident Holder, persons with whom the Non-resident Holder does not deal at arm's length or the Non-resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of our capital stock. Where a Non-resident Holder is a U.S. Holder, the Convention will generally exempt from Canadian taxation any capital gain arising on the disposition of a Class A voting share unless the value of the Class A voting shares at the time of disposition is derived principally from real property situated in Canada. Under the Tax Proposals announced by the Minister of Finance on March 4, 2010, Class A voting shares will generally not constitute taxable Canadian property of a Non-resident Holder unless, during the 60-month period that ends at the time the Class A voting shares are disposed of, both (i) 25% or more of the issued shares of any class of the capital stock of the Corporation were owned by or belonged to one or any combination of the Non-resident Holder and persons with whom the Non-resident Holder did not deal at arm's length, and (ii) more than 50% of the fair market value of the Class A voting shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties, timber resource properties and options in respect of, interests in, or civil law rights in, any such properties.

As long as Class A voting shares are listed on a recognized stock exchange (which includes the NYSE Amex), a Non-resident Holder who disposes of Class A voting shares that are taxable Canadian property will not be required to satisfy the obligations imposed under section 116 of the Tax Act.

Table of Contents

DOCUMENTS ON DISPLAY

We file reports, including Annual Reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the following location of the SEC, Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Filings we make electronically with the SEC are also available to the public on the Internet at the SEC's website at <http://www.sec.gov>.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks. Market risk is the potential loss arising from adverse changes in market prices and rates. We have not entered into derivative or other financial instruments for trading or speculative purposes.

Interest rate risk

Our primary market risk exposure is interest rate risk. Borrowing under the senior secured credit facility and the term loan from Investissement Québec bear interest at floating rates, which are based on LIBOR plus a fixed additional interest rate. As of March 27, 2010, we have not hedged these interest rate risks. As of March 27, 2010, we had approximately \$76.7 million of floating-rate debt and an additional \$13 million of debt that becomes floating rate debt if interest rates rise above a certain level. Accordingly, our net income will be affected by changes in interest rates. Assuming a 100 basis point increase or decrease in the interest rate under our floating rate debt, our interest expense on an annualized basis would have increased or decreased, respectively, by approximately \$0.8 million.

Currency Risk

While we report our financial results in U.S. dollars, a substantial portion of our sales are earned in Canadian dollars. For our operations located in Canada, non-Canadian currency transactions and assets and liabilities subject us to foreign currency risk. Conversely, for the operations located in the U.S., non-U.S. currency transactions and assets and liabilities subject us to foreign currency risk. For purposes of our financial reporting, our financial statements are reported in U.S. dollars by translating, where necessary, net sales and expenses from Canadian dollars at the average exchange rates prevailing during the period, while assets and liabilities are translated at year-end exchange rates, with the effect of such translation recorded in accumulated other comprehensive income. As a result, for purposes of our financial reporting, foreign exchange gains or losses recorded in earnings relate to non-Canadian dollar transactions of the operations located in Canada and non-U.S. dollar transactions of the operations located in the U.S. We expect to continue to report our financial results in U.S. dollars in accordance with U.S. GAAP. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. To mitigate the impact of foreign exchange volatility on our earnings, from time to time we may enter into agreements to fix the exchange rate of U.S. dollars to Canadian dollars. For example, we may enter into agreements to fix the exchange rate to protect the principal and interest payments on its Canadian dollar denominated debt and other liabilities. If we do so, we will not benefit from any increase in the value of the Canadian dollar compared to the U.S. dollar when these payments become due. As of March 27, 2010, we had not hedged these foreign exchange rate risks. As of March 27, 2010, we had approximately \$13.9 million of net liabilities subject to transaction foreign exchange rate risk related to changes in the exchange rate between the U.S. dollar and Canadian dollar, which would impact the level of our earnings if there were fluctuations in U.S. and Canadian dollar exchange rate. Assuming a 10 percent strengthening or weakening of the Canadian dollar in relationship to the U.S. dollar, as of March 27, 2010, our earnings would have increased or decreased, respectively, by approximately \$1.5 million. This analysis does not consider the impact of fluctuations in U.S and Canadian dollar exchange rates on the translation of Canadian dollar results into U.S. dollars. In addition to the impact on earnings, fluctuation between the U.S. and Canadian dollar exchange rates impacts the level of our borrowing availability under our secured revolving credit

Table of Contents

facility which is denominated in U.S. dollars. Assuming a 10 percent strengthening or weakening of the Canadian dollar in relationship to the U.S. dollar, as of March 27, 2010, our borrowing availability would have increased or decreased, respectively, by approximately \$2.7 million.

Commodity Risk

The nature of our operations results in exposure to fluctuations in commodity prices, specifically platinum, gold and silver. We monitor and, when appropriate, utilize derivative financial instruments and physical delivery contracts to hedge our exposure to risks related to the change in gold price. If we utilize derivative financial instruments, we would be exposed to credit-related losses in the event of non-performance by counter-parties to the financial instruments. In addition, if gold prices decrease below those levels specified in those various hedging agreements, we would lose the value of a decline in the price of gold which could have an equal effect on our cost of sales. However, such gains may not be realized in future periods and our hedging activities may result in losses, which could be material. For accounting purposes, the hedging agreements would not qualify to be treated as accounting hedges and, accordingly, are marked to market at the end of every quarter. No hedging contracts existed as of March 27, 2010.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of the end of the period covered by this Annual Report on Form 20-F. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 27, 2010, our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide

Table of Contents

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statements preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this Annual Report based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Based on that assessment, our management concluded that as of March 27, 2010, our internal control over financial reporting was effective.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal controls over financial reporting. Our report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only our report on internal controls over financial reporting in this Annual Report.

Changes in Internal Control over Financial Reporting

There was no change in our internal controls over financial reporting that occurred during the period covered by this Annual Report that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has designated Louis Roquet, an independent director as determined under the NYSE Amex listing standards and the federal securities laws and rules of the SEC, as a financially sophisticated person who serves on our audit committee. Our Board of Directors has decided to waive for the present time the requirements under the audit committee's charter that at least one member of the audit committee be designated as an audit committee financial expert, as this term is defined under SEC rules. Neither the SEC nor the NYSE Amex requires us to designate an audit committee financial expert and the Board of Directors has not determined that any of its current directors would qualify as such. See Item 6. Directors, Senior Management and Employees Board Practices.

Item 16B. Code of Ethics

We have adopted a code of ethics, within the meaning of this Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer, Treasurer and Controller. Our code of ethics is available on our website at www.birksandmayors.com. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Table of Contents

Item 16C. Principal Accountant Fees and Services

During fiscal 2010 and fiscal 2009, we retained KPMG LLP, our independent auditors, to provide services in the following categories and amounts:

Audit Fees

The aggregate fees and expenses billed by KPMG LLP for professional services rendered for the audit of our annual financial statements was approximately \$539,000 in fiscal 2010 and \$535,000 in fiscal 2009.

Audit Related Fees

During fiscal 2010 and fiscal 2009, KPMG LLP provided audit-related services for a total amount of approximately \$26,900 and \$6,500, respectively, which primarily consisted of advisory services related to the documentation of internal controls over financial reporting and assistance with various accounting matters.

Tax Fees

During fiscal 2010 and fiscal 2009, KPMG LLP provided tax advisory services for a total amount of approximately \$2,500 and \$30,000, respectively.

All Other Fees

Not applicable.

Pre-Approval Policies and Procedures

The audit committee has established a pre-approval policy as described in Rule 2-01(c)(7)(i) of Regulation S-X. The audit committee approves in writing, in advance, any audit or non-audit services provided to Birks & Mayors by the independent accountants that are not specifically disallowed by the Sarbanes-Oxley Act of 2002. None of the services described in the preceding three sections were approved by the audit committee pursuant to Rule 2-01(c)(7)(i)(C).

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not, nor did any affiliated purchaser, purchase any of our equity securities during fiscal 2010.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Our securities are listed on the NYSE Amex. There are no significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of that exchange except for proxy delivery requirements. The NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies be solicited pursuant to a proxy statement that conforms to the proxy rules of the U.S. Securities and Exchange Commission. As a foreign private issuer, the Company is exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Act. The Company solicits proxies in accordance with

applicable rules and regulations in Canada.

Table of Contents**PART III****Item 19. Exhibits**

The following exhibits are part of this Annual Report on Form 20-F.

Exhibit Number	Description of Document
1.1	Articles of Amalgamation, as amended, of Birks & Mayors Inc., effective as of November 14, 2005. Incorporated by reference from Exhibit 3.2 of the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
1.2	By-laws of Birks & Mayors Inc., as amended, effective as of November 14, 2005. Incorporated by reference from Exhibit 3.4 of the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
2.1	Form of Birks Class A voting share certificate. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.1	Agreement and Plan of Merger and Reorganization, dated as of April 18, 2005, as amended as of July 27, 2005, among Henry Birks & Sons Inc., Mayor s, Inc. and Birks Merger Corporation, a wholly-owned subsidiary of Henry Birks & Sons Inc. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.2	Loan Agreement between Birks and Investissement Québec (formerly Financière du Québec), dated as of February 18, 2003. Incorporated by reference from Birks and Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.3	Form of Directors and Officers Indemnity Agreement. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.4	Henry Birks & Sons Inc. Employee Stock Option Agreement, dated as of May 1, 1997, amended as of June 20, 2000. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.5	Henry Birks & Sons Inc., Form of Amended Stock Option Agreement under the 1997 Stock Option Plan. Incorporated by reference from Birks & Mayors Inc. s Schedule TO-1 filed with the SEC on March 18, 2010.
4.6	Lease Agreement between Birks and Anglo Canadian Investments SA, dated as of December 12, 2000. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.7	Lease Agreement between Mayors and Westpoint Business Park, Ltd dated September 13, 2004. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.

Table of Contents

Exhibit Number	Description of Document
4.8	Diamond Supply Agreement between Prime Investments S.A. and Birks, dated as of August 15, 2002. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.9	Conditional Sale Agreement between Rosy Blue N.V. and Birks, dated as of August 15, 2002. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.10	Conditional Sale Agreement between Rosy Blue Inc. and Birks, dated as of August 15, 2002. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.11	Conditional Sale Agreement between Rosy Blue Sales Ltd. and Birks, dated as of August 15, 2002. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.12	Conditional Sale Agreement between Rosy Blue Hong Kong Ltd. and Birks, dated as of August 15, 2002. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.13	Conditional Sale Agreement between Rosy Blue Finance S.A. and Birks, dated as of August 15, 2002. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.14	Registration Rights Agreement between Birks and Prime Investments S.A., dated as of February 4, 2005. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.15	Employment Agreement between Mr. Thomas A. Andruskevich and Mayors effective April 1, 2008. Incorporated by reference from the Birks & Mayors Annual Report on Form 20-F filed with the SEC on June 30, 2008.
4.16	Employment Agreement between Mr. Thomas A. Andruskevich and Birks & Mayors on April 1, 2008. Incorporated by reference from the Birks & Mayors Annual Report on Form 20-F filed with the SEC on June 30, 2008.
4.17	Amendment to Employment Agreement between Mr. Thomas A. Andruskevich and Birks & Mayors dated March 16, 2010. Incorporated by reference from Birks & Mayors Form 6-K filed on March, 17, 2010.
4.18	Amendment to Employment Agreement between Mr. Thomas A. Andruskevich and Birks & Mayors dated March 16, 2010. Incorporated by reference from Birks & Mayors Form 6-K filed on March, 17, 2010.
4.19 *	Amendment to Employment Agreement between Mr. Thomas A. Andruskevich and Birks & Mayors dated June 30, 2010.
4.20 *	Amendment to Employment Agreement between Mr. Thomas A. Andruskevich and Mayors dated June 30, 2010.

Table of Contents

Exhibit Number	Description of Document
4.21	Employment Agreement between Michael Rabinovitch and Mayors, dated as of August 1, 2005. Incorporated by reference from the Henry Birks & Sons Inc. Registration Statement on Form F-4 originally filed with the SEC on July 7, 2005 and as subsequently amended on September 8, 2005, September 21, 2005 and September 29, 2005.
4.22	Amended Employment Agreement between Aida Alvarez and Mayors, dated as of July 19, 2002. Incorporated by reference from Mayors Form 10-Q filed December 17, 2002.
4.23	Form of Senior Management Long-Term Cash Incentive Plan. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.24	Employment Agreement between Joseph Keifer III and Mayors, dated October 1, 2002. Incorporated by reference from Mayors Form 10-Q filed on December 17, 2002.
4.25	Employment Agreement between John Orrico and Mayors, dated September 11, 2003. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.26	Employment Agreement between Miranda Melfi and Birks & Mayors dated February 24, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.27	Revolving Credit, Tranche B Loan and Security Agreement by and between Birks & Mayors Inc., the Canadian borrower, Mayor s Jewelers, Inc., as the United States borrower, Bank of America, N.A., GMAC Commercial Finance LLC and Back Bay Capital Funding LLC, dated as of January 19, 2006 (Credit Agreement). Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.28	First Amendment to the Credit Agreement dated as of November 9, 2006. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.29	Waiver and Second Amendment to the Credit Agreement dated as of November 9, 2006. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.30	Third Amendment to the Credit Agreement dated as of December 5, 2006. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.31	Modification Agreement of the Credit Facility dated as of March 31, 2007. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.32	Fourth Amendment to the Credit Agreement dated as of June 28, 2007. Incorporated by reference from the Birks & Mayors Annual Report on Form 20-F filed with the SEC on June 30, 2008.
4.33	Fifth Amendment to the Credit Agreement dated as of September 25, 2007. Incorporated by reference from the Birks & Mayors Annual Report on Form 20-F filed with the SEC on June 30, 2008.
4.34	Sixth Amendment to the Credit Agreement dated as of October 30, 2007. Incorporated by reference from the Birks & Mayors Annual Report on Form 20-F filed with the SEC on June 30, 2008.
4.35	Tranche B Note by and between Mayor s Jewelers, Inc. and Back Bay Capital Funding LLC, dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.

Table of Contents

Exhibit Number	Description of Document
4.36	U.S. Revolving Credit Note by and between Mayor s Jewelers, Inc. and Bank of America, N.A., dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.37	U.S. Revolving Credit Note by and between Mayor s Jewelers, Inc. and GMAC Business Credit, LLC, dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.38	U.S. Revolving Credit Note by and between Mayor s Jewelers, Inc. and Lasalle Retail Finance, a Division of Lasalle Business Credit, LLC, as agent For Lasalle Bank Midwest National Association, dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.39	Canadian Revolving Credit Note by and between Birks & Mayors Inc. and Bank of America, N.A. (acting through its Canadian branch), dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.40	Canadian Revolving Credit Note by and between Birks & Mayors Inc. and GMAC Commercial Finance Corporation - Canada, dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.41	Canadian Revolving Credit Note by and between Birks & Mayors Inc. and Lasalle Business Credit, a Division of ABN AMRO Bank N.V., Canada Branch, dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.42	Stock Pledge Agreement by and between Birks & Mayors Inc., Mayor s Jewelers, Inc., Bank of America, N.A. and Bank of America, N.A. (acting through its Canadian branch), dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.43	Trademark Collateral Security And Pledge Agreement by and between Birks & Mayors Inc., and its various subsidiaries, including Mayor s Jewelers, Inc., Bank of America, N.A. and Bank of America, N.A. (acting through its Canadian branch), dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.44	Intercompany Indemnity, Subrogation and Contribution Agreement by and between Birks & Mayors Inc. and Mayor s Jewelers, Inc., dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.45	Guaranty by and between certain subsidiaries of Birks & Mayors Inc., dated as of January 19, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on January 25, 2006.
4.46	Amended and Restated Revolving Credit and Security Agreement, among Birks & Mayors Inc., Mayor s Jewelers, Inc., Certain Financial Institutions, as Lenders, Bank of America, N.A., as Administrative Agent, Bank of America, N.A. (acting through its Canada branch), as Canadian Agent, and Banc of America Securities, LLC, as Sole Lead Arranger and Sole Book Manager, dated as of December 17, 2008 (Credit Facility). Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on December 22, 2008.
4.47	Term Loan and Security Agreement, among Birks & Mayors Inc., Mayor s Jewelers, Inc., Certain Financial Institutions, as Lenders, and GB Merchant Partners, LLC, as Administrative Agent, dated as of December 17, 2008 (Term Loan). Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on December 22, 2008.
4.48	First Amendment and Consent to Credit Facility, dated as of January 16, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.

Table of Contents

Exhibit Number	Description of Document
4.49	Second Amendment to Credit Facility, dated as of April 30, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.
4.50 *	Third Amendment and Consent to Credit Facility, dated as of July 20, 2009.
4.51 *	Fourth Amendment to Credit Facility, dated as of October 29, 2009.
4.52 *	Fifth Amendment and Consent to Credit Facility, dated as of April 6, 2010.
4.53	First Amendment to Term Loan, dated as of April 30, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.
4.54 *	Second Amendment to Term Loan, dated as of July 20, 2009.
4.55 *	Third Amendment to Term Loan, dated as of October 29, 2009.
4.56 *	Fourth Amendment to Term Loan, dated as of April 6, 2010.
4.57	Management Consulting Services Agreement between Birks & Mayors Inc. and Iniziativa S.A., dated as of April 1, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on February 15, 2006.
4.58	First Amendment to Management Consulting Services Agreement between Birks & Mayors Inc. and Iniziativa S.A., dated as of December 5, 2006. Incorporated by reference from Birks & Mayors Inc. s Form 6-K filed on December 22, 2006.
4.59	Assignment of the Management Consulting Services Agreement between Birks & Mayors Inc. and Montrovest B.V., dated as of October 29, 2007. Incorporated by reference from the Birks & Mayors Annual Report on Form 20-F filed with the SEC on June 30, 2008.
4.60	Mayor s Jewelers, Inc., (f/k/a Jan Bell Marketing, Inc.) 1991 Stock Option Plan. Incorporated by reference from Birks & Mayors Inc. s Registration Statement on Form S-8 filed on April 26, 2006.
4.61	Mayor s Jewelers, Inc., Form of Amended Stock Option Agreement under the 1991 Stock Option Plan. Incorporated by reference from Birks & Mayors Inc. s Schedule TO-1 filed with the SEC on March 18, 2010.
4.62	Mayor s Jewelers, Inc., 2004 Long-Term Incentive Plan. Incorporated by reference from Birks & Mayors Inc. s Registration Statement on Form S-8 filed on April 26, 2006.
4.63	Birks & Mayors Inc. 2006 Employee Stock Purchase Plan. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.64	Birks & Mayors Inc. Long-Term Incentive Plan. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.65	Stock Option Agreement dated on or about November 2, 1999 between Birks & Mayors Inc. and Filippo Recami. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.66	Stock Option Agreement dated on or about April 23, 2004 between Birks & Mayors Inc. and Peter O Brien. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.67	Stock Option Agreement dated on or about April 23, 2004 between Birks & Mayors Inc. and Margherita Oberti. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.

Table of Contents

Exhibit Number	Description of Document
4.68	Stock Option Agreement dated on or about April 23, 2004 between Birks & Mayors Inc. and Lorenzo Rossi di Montelera. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.69	Warrant Agreement dated November 14, 2005 between Mayor s Jewelers, Inc. and Carlo Coda-Nunziante. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.70	Warrant Agreement dated November 14, 2005 between Mayor s Jewelers, Inc. and Joseph A. Keifer. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.71	Warrant Agreement dated November 14, 2005 between Mayor s Jewelers, Inc. and Marco Pasteris. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.72	Amended and Restated Warrant Agreement dated November 14, 2005 between Mayor s Jewelers, Inc. and Henry Birks & Sons Inc. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.73	Amended and Restated Warrant Agreement dated November 14, 2005 between Mayor s Jewelers, Inc. and Henry Birks & Sons Inc. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.74	Amended and Restated Warrant Agreement dated November 14, 2005 between Mayor s Jewelers, Inc. and Henry Birks & Sons Inc. Incorporated by reference from Birks & Mayors Inc. s Form 20-F filed on July 19, 2006.
4.75	Form of Stock Appreciation Rights Agreement. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on June 18, 2007.
4.76 *	Stock Appreciation Rights Agreement between Mr. Thomas A. Andruskevich and Mayor s Jewelers, Inc. dated August 9, 2005.
4.77	Amendment to Stock Appreciation Rights Agreement between Mr. Thomas A. Andruskevich and Birks & Mayors dated March 16, 2010. Incorporated by reference from Birks & Mayors Form 6-K filed on March, 17, 2010.
4.78	Amendment to Stock Appreciation Rights Agreement between Michael Rabinovitch and Birks & Mayors dated March 16, 2010. Incorporated by reference from Birks & Mayors Form 6-K filed on March, 17, 2010.
4.79	Loan Agreement between Birks & Mayors Inc. and Investissement Québec, dated January 26, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.
4.80	Loan Agreement between Birks & Mayors Inc. and Investissement Québec, dated February 20, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.
4.81	Cash Advance Agreement between Birks & Mayors Inc. and Montrovest B.V., dated February 10, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.
4.82	Cash Advance Agreement between Birks & Mayors Inc. and Montrovest B.V., dated May 21, 2009. Incorporated by reference from the Birks & Mayors Inc. Annual Report on Form 20-F filed with the SEC on July 6, 2009.

Table of Contents

Exhibit Number	Description of Document
4.83 *	Distribution Agreement between Birks & Mayors Inc., Mayors Jewelers, Inc. and Damiani International B.V., dated as of September 26, 2009. +
8.1 *	Subsidiaries of Birks & Mayors Inc.
12.1 *	Certification of President and Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a).
12.2 *	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a).
13.1 *	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2 *	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1 *	Consent of KPMG LLP.

* Filed herewith.

+ Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Date: July 12, 2010

BIRKS & MAYORS INC.

/s/ MICHAEL RABINOVITCH
Michael Rabinovitch,
Senior Vice President and Chief Financial Officer

Table of Contents

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

Table of Contents

INDEX TO FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm – KPMG LLP</u>	F-2
<u>Consolidated Balance Sheets as of March 27, 2010 and March 28, 2009</u>	F-3
<u>Consolidated Statements of Operations for the Fiscal Years Ended March 27, 2010, March 28, 2009 and March 29, 2008</u>	F-4
<u>Consolidated Statements of Stockholders’ Equity for the Fiscal Years Ended March 27, 2010, March 28, 2009 and March 29, 2008</u>	F-5
<u>Consolidated Statements of Cash Flows for the Fiscal Years Ended March 27, 2010, March 28, 2009 and March 29, 2008</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-7

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Birks & Mayors Inc.

We have audited the accompanying consolidated balance sheets of Birks & Mayors Inc. and subsidiaries as of March 27, 2010 and March 28, 2009 and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended March 27, 2010, March 28, 2009 and March 29, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Birks & Mayors Inc. and subsidiaries as of March 27, 2010 and March 28, 2009 and the results of their operations and their cash flows for the years ended March 27, 2010, March 28, 2009 and March 29, 2008 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP*

Chartered Accountants

Montréal, Canada

July 12, 2010

* CA Auditor permit no. 13381

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

	March 27, 2010	As of March 28, 2009
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,403	\$ 2,028
Accounts receivable	9,497	11,144
Inventories	143,817	155,597
Assets held for sale	924	
Prepays and other current assets	2,297	2,246
Total current assets	159,938	171,015
Property and equipment	28,014	30,602
Goodwill and other intangible assets	1,072	1,070
Other assets	2,710	3,444
Total non-current assets	31,796	35,116
Total assets	\$ 191,734	\$ 206,131
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 64,520	\$ 85,777
Accounts payable	43,530	27,942
Accrued liabilities	7,806	6,453
Current portion of long-term debt	4,852	3,887
Total current liabilities	120,708	124,059
Long-term debt	48,872	43,745
Other long-term liabilities	3,767	3,359
Total long-term liabilities	52,639	47,104
Stockholders' equity:		
Class A common stock no par value, unlimited shares authorized, issued and outstanding 3,672,407	22,282	22,282
Class B common stock no par value, unlimited shares authorized, issued and outstanding 7,717,970	38,613	38,613
Class C common stock no par value, 100,000 authorized, none issued		
Preferred stock no par value, 2,034,578 authorized, none issued		
Non-voting common shares no par value, Unlimited shares authorized, none issued		
Additional paid-in capital	15,728	15,702
Accumulated deficit	(63,840)	(44,369)
Accumulated other comprehensive income	5,604	2,740
Total stockholders' equity	18,387	34,968
Total liabilities and stockholders' equity	\$ 191,734	\$ 206,131

See accompanying notes to consolidated financial statements

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On behalf of the Board of Directors:

/s/ Thomas A. Andruskevich
Thomas A. Andruskevich, Director

/s/ Louis L. Roquet
Louis L. Roquet, Director

F-3

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

	March 27, 2010	Fiscal Year Ended March 28, 2009	March 29, 2008
	(In thousands, except per share amounts)		
Net sales	\$ 255,057	\$ 270,896	\$ 314,745
Cost of sales	150,606	155,297	168,270
Gross profit	104,451	115,599	146,475
Selling, general and administrative expenses	106,252	113,990	128,306
Impairment of goodwill and long-lived assets	1,353	13,555	
Depreciation and amortization	5,192	6,212	6,876
Total operating expenses	112,797	133,757	135,182
Operating (loss) income	(8,346)	(18,158)	11,293
Interest and other financial costs	11,127	9,967	10,655
(Loss) income before income taxes	(19,473)	(28,125)	638
Income tax (benefit) expense	(2)	32,854	(9,795)
Net (loss) income	\$ (19,471)	\$ (60,979)	\$ 10,433
Weighted average common shares outstanding			
Basic	11,390	11,339	11,263
Diluted	11,390	11,339	11,720
Net (loss) income per share			
Basic	\$ (1.71)	\$ (5.38)	\$ 0.93
Diluted	\$ (1.71)	\$ (5.38)	\$ 0.89

See accompanying notes to consolidated financial statements.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity

	Voting common stock outstanding	Voting common stock	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance at March 31, 2007	11,233,969	\$ 60,569	\$ 15,652	\$ 6,177	\$ (901)	\$ 81,497
Net Income				10,433		10,433
Cumulative translation adjustment					651	651
Total comprehensive income						11,084
Issuance of shares under ESPP and exercise of stock options	46,166	244				244
Compensation expense resulting from SARS granted to Management and Directors				47		47
Balance at March 29, 2008	11,280,135	60,813	15,699	16,610	(250)	92,872
Net loss				(60,979)		(60,979)
Cumulative translation adjustment					2,990	2,990
Total comprehensive loss						(57,989)
Issuance of shares under ESPP and exercise of stock options	110,242	82				82
Compensation expense resulting from SARS granted to Management and Directors				3		3
Balance at March 28, 2009	11,390,377	60,895	15,702	(44,369)	2,740	34,968
Net loss				(19,471)		(19,471)
Cumulative translation adjustment					2,864	2,864
Total comprehensive loss						(16,607)
Compensation expense resulting from SARS granted to Directors				1		1
Compensation expense resulting from amendment of previously granted SARS and stock options to Management				25		25
Balance at March 27, 2010	11,390,377	\$ 60,895	\$ 15,728	\$ (63,840)	\$ 5,604	\$ 18,387

See accompanying notes to consolidated financial statements.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

	March 27, 2010	Fiscal Year Ended March 28, 2009 (In thousands)	March 29, 2008
Cash flows provided by (used in) operating activities:			
Net (loss) income	\$ (19,471)	\$ (60,979)	\$ 10,433
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Deferred income taxes		32,854	(9,795)
Depreciation and amortization	5,922	7,054	7,805
Amortization of debt costs	1,615	797	309
Goodwill impairment		11,208	
Impairment of long-lived assets	1,353	2,347	
Other operating activities, net	(593)	(838)	(840)
Decrease (increase) in:			
Accounts receivable	2,188	(532)	1,788
Inventories	24,692	11,312	(4,450)
Other current assets	531	2,376	875
Increase (decrease) in:			
Accounts payable	12,321	(6,101)	6,929
Accrued liabilities and other long-term liabilities	637	471	(1,871)
Net cash provided by (used in) operating activities	29,195	(31)	11,183
Cash flows (used in) provided by investing activities:			
Additions to property and equipment	(1,725)	(4,939)	(9,402)
Other investing activities, net	86	(63)	(54)
Acquisitions			(7,025)
Net cash used in investing activities	(1,639)	(5,002)	(16,481)
Cash flows (used in) provided by financing activities:			
(Decrease) increase in bank indebtedness	(26,529)	(16,311)	2,424
Repayment of obligations under capital leases	(1,724)	(2,007)	(1,252)
Increase in obligations under capital leases		2,899	4,946
Payment of loan origination fees and costs	(110)	(3,595)	(338)
Repayment of long-term debt	(2,439)	(946)	(672)
Increase in long-term debt	4,328	23,973	
Other financing activities	53	97	209
Net cash (used in) provided by financing activities	(26,421)	4,110	5,317
Effect of exchange rate on cash	240	(219)	175
Net increase (decrease) in cash and cash equivalents	1,375	(1,142)	194
Cash and cash equivalents, beginning of year	2,028	3,170	2,976
Cash and cash equivalents, end of year	\$ 3,403	\$ 2,028	\$ 3,170
Supplemental disclosure of cash flow information:			
Interest paid	\$ 10,106	\$ 9,828	\$ 10,846

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Non-cash transactions:

Property and equipment additions acquired through capital leases	\$	75	\$		\$
Property and equipment additions included in accounts payable and accrued liabilities	\$	197	\$	209	\$ 635

See accompanying notes to consolidated financial statements.

F-6

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

Birks & Mayors Inc. (Birks & Mayors) or (Birks) or (the Company) is incorporated under the Canada Business Corporations Act. The principal business activities of the Company and its subsidiaries are the design, manufacture and retail sale of luxury jewelry, timepieces and giftware. The Company's consolidated financial statements are prepared using a fiscal year which consists of 52 or 53 weeks and ends on the last Saturday in March of each year. The fiscal years ended March 27, 2010, March 28, 2009, and March 29, 2008 include fifty-two weeks.

1. Basis of presentation and future operations:

Basis of presentation

These consolidated financial statements include the accounts of the Canadian parent company Birks & Mayors and its wholly-owned subsidiary, Mayor's Jewelers, Inc. (Mayors), and are prepared in U.S. dollars and in accordance with accounting principles generally accepted in the U.S. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. The most significant estimates include valuation of inventories and accounts receivable, provisions for income taxes, and the recoverability of long-lived assets. Actual results could differ from these estimates. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements relative to current conditions and records the effect of any necessary adjustments. All significant intercompany accounts and transactions have been eliminated upon consolidation. The consolidated financial statements include certain reclassifications of prior period amounts in order to conform with current year presentation.

Future operations

These financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles in the U.S. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The difficult economic environment and retail environment, especially in Florida (where the Company derives a significant portion of its revenues), have negatively impacted not only the Company's operating performance, but its availability to sources of financing to fund its operations and its cost of capital. The Company's ability to fund its operations and meet its cash flow requirements in order to fund its operations is dependant upon its ability to maintain positive excess availability under its senior secured revolving credit facilities. Both its senior secured revolving credit facility lender and its senior secured term loan lender may impose, at any time, discretionary reserves, which would lower the level of borrowing availability under the Company's senior secured revolving credit facility (customary for asset based loans), at their reasonable discretion, to: i) ensure that the Company maintains adequate liquidity for the operation of its business, ii) cover any deterioration in the amount or value of the collateral and iii) reflect impediments to the lenders to realize upon the collateral.

There is no limit to the amount of discretionary reserves that the Company's senior secured revolving credit facility lender may impose using reasonable discretion, however, the Company's senior secured term loan lender's ability to impose discretionary reserves at its reasonable discretion is limited to 5% of the senior secured credit facility availability. While no discretionary reserves were imposed during fiscal 2010, during the prior fiscal year, from February 11, 2009 to February 23, 2009, the senior secured term loan lender imposed a discretionary reserve of \$4 million. While the Company's senior secured revolving credit facility

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

lender has not historically imposed such a restriction, it is uncertain whether conditions could change and cause such a reserve to be imposed in the future. In addition, the value of the Company's inventory is periodically assessed by its lenders and based upon these reviews the Company's borrowing capacity could be significantly increased or decreased.

Another factor impacting the Company's excess availability includes, among others, changes in the U.S. and Canadian dollar exchange rate, which could increase or decrease the Company's borrowing availability. Furthermore, a \$15 million, a \$7.5 million and a \$2.5 million seasonal availability block is imposed by the senior secured revolving credit facility lender and the senior secured term loan lender each year from December 20th to January 20th, from January 21st to February 10th and from February 11th to February 20th, respectively, and both the Company's senior secured revolving credit facility and its senior secured term loan are subject to cross default provisions with all other loans, by which if the Company is in default with any other loan the default will immediately apply to both the senior secured revolving credit facility and the senior secured term loan.

The Company intends to renew its senior secured revolving credit facility before its maturity in December 2011. If the Company is not able to renew the senior secured revolving credit facility at similar conditions, there could be a material impact to the Company's consolidated financial statements. Considering current market conditions, the Company's management expects to renew its revolving term loan, with terms and conditions that will not have a material negative impact on its consolidated financial statements.

The Company believes that it will be able to adequately fund its operations and meet its cash flow requirements for the next twelve months. This determination, however, could be impacted by economic, financial, competitive, legislative and regulatory factors, as well as other events that are beyond the Company's control. If any of the factors or events described previously result in operating performance being significantly lower than currently forecasted or if the Company's senior lenders impose additional restrictions on its ability to borrow on the Company's collateral, there could be significant uncertainty about the Company's ability to continue as a going-concern, and its capacity to realize the carrying value of its assets and repay its existing and future obligations as they generally become due without additional financing which may not be available. These financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate.

2. Acquisition:

On November 13, 2007, the Company acquired the net assets of Brinkhaus, a privately-owned jewelry company that operated two stores in Western Canada for cash and notes of approximately \$13.0 million. In connection with the transaction, the Company made an initial payment of \$7.0 million which was funded through its senior secured credit facility with the remaining purchase price payable in three subsequent installments of \$1.7 million, in June 2009, April 2010 and April 2011. The acquisition has been accounted for as a business combination using the purchase method of accounting, with the results of Brinkhaus operations combined with the Company's results of operations from the purchase date.

3. Significant accounting policies:

(a) Revenue recognition:

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Sales are recognized at the point of sale when merchandise is picked up by the customer or shipped to a customer. Shipping and handling fees billed to customers are included in net sales. Revenues for gift

F-8

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

certificate sales and store credits are recognized upon redemption. Prior to recognition as a sale, gift certificates are recorded as accrued liabilities on the balance sheet. Certificates outstanding for more than 24 months and not subject to unclaimed property laws are recorded as income. Certificates outstanding for more than 24 months and subject to unclaimed property laws are maintained as accrued liabilities until remitted in accordance with local ordinances.

Sales of consignment merchandise are recognized at such time as the merchandise is sold and are recorded on a gross basis because the Company is the primary obligor of the transaction, has general latitude on setting the price, has discretion as to the suppliers, is involved in the selection of the product and has inventory loss risk. Sales are reported net of returns and sales taxes. The Company generally gives its customers the right to return merchandise purchased by them within 10 to 90 days, depending on the product sold and records a provision at the time of sale for the effect of the estimated returns. Revenues for repair services are recognized when the service is delivered to and accepted by the customer.

(b) Cost of sales:

Cost of sales includes direct inbound freight, direct labor related to repair services, design and creative, the jewelry studio, inventory shrink, inventory thefts, and boxes (jewelry, watch and giftware). Indirect freight including inter-store transfers, purchasing and receiving costs, distribution costs, warehousing costs and quality control costs are included in selling, general and administrative expenses. Purchase discounts are recorded as a reduction of inventory cost and are recorded to cost of sales as the items are sold. Mark down dollars received from vendors are recorded as a reduction of inventory costs to the specific items to which they apply and are recognized in cost of sales once the items are sold. Other vendor allowances, primarily related to the achievement of certain milestones, are infrequent and insignificant and are recognized upon achievement of the specified milestone in cost of sales. Included in cost of sales is depreciation related to manufacturing machinery, equipment and facilities of \$730,000, \$842,000 and \$929,000 for the years ended March 27, 2010, March 28, 2009 and March 29, 2008, respectively.

(c) Cash and cash equivalents:

The Company considers all highly liquid investments purchased with original maturities of three months or less and amounts receivable from external credit card issuers to be cash equivalents. Amounts receivable from credit card issuers are included in cash and cash equivalents and are typically converted to cash within 2 to 4 days of the original sales transaction. These amounts totaled \$1.8 million at March 27, 2010 and \$1.2 million at March 28, 2009.

(d) Accounts receivable:

Accounts receivable arise primarily from customers' use of the Mayors credit card and sales to Birks & Mayors corporate customers. Several installment sales plans are offered to the Mayors credit card holders which vary as to repayment terms and finance charges assessed. Finance charges, when applicable, accrue at rates ranging from 9.9% to 18% per annum. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

(e) Inventories:

Retail inventories and inventories of raw materials are valued at the lower of average cost or market. Inventories of work in progress and Company manufactured finished goods are valued at the lower of average cost (which includes material, labor and overhead costs) or market. The Company records provisions for lower of cost or market, damaged goods, and slow-moving inventory. The cost of inbound freight and duties are included in the carrying value of the inventories.

The allowance for inventory shrink is estimated for the period from the last physical inventory date to the end of the reporting period on a store by store basis and at our factories and distribution centers. Such estimates are based on experience and the shrink results from the last physical inventory. The shrink rate from the most recent physical inventory, in combination with historical experience, is the basis for providing a shrink allowance. Inventory is written down for estimated slow moving inventory equal to the difference between the cost of inventory and the estimated market value based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

(f) Assets held for sale:

Assets held for sale represent assets owned by the Company that management has committed to sell in the near term. The Company has either identified or is actively seeking out potential buyers for these assets as of the balance sheet date. As of March 27, 2010, assets included in this line item were comprised of the Company's manufacturing facility and land in Rhode Island. Assets held for sale are valued at the lower of their carry value or fair value less cost to sell. The capital lease liability associated with this facility has been included in the current portion of long-term debt on the balance sheet.

(g) Property and equipment:

Property and equipment are recorded at cost. Maintenance and repair costs are charged to selling, general and administrative expenses as incurred, while expenditures for major renewals and improvements are capitalized. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets as follows:

Asset	Period
Buildings	Lesser of term of the lease or the economic life
Leasehold improvements	Lesser of term of the lease or the economic life
Software and electronic equipment	3 - 10 years
Molds	3 - 20 years
Furniture and fixtures	5 - 8 years
Equipment and vehicles	3 - 8 years

(h) Goodwill and intangible assets:

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Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The Company has selected the Company's fiscal year-end as the measurement date for the impairment test, which was performed at the end of fiscal 2008 and the goodwill amount was not considered impaired. During the third quarter of fiscal 2009 and due to a combination of factors, including a significant decline in the Company's stock price and its impact on the

F-10

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

Company's market capitalization as compared to its net book value, as well as the impact of economic downturn on customer demand especially during the holiday season, illiquidity in the overall credit markets and continued forecasted declines in customer demand in the luxury retail market, the Company performed a two-step impairment analysis which required the Company to estimate the fair value of its retail reporting unit based upon its projection of revenues, operating costs, and cash flows considering historical and anticipated future results. The valuation employs a combination of present value techniques to measure fair value and considers market factors. The key assumptions used to determine the fair value of our reporting units were: (a) expected cash flow for a period of five years; (b) terminal values based upon terminal growth rate of 3%; and (c) a discount rate of 11% which was based on the Company's best estimate during the period of the weighted average cost of capital adjusted for risks associated with its retail reporting unit. Based on its analysis, the Company determined that the entire carrying amount of the goodwill recorded on its books was impaired and therefore, the Company recognized an \$11.2 million impairment charge during the third quarter of fiscal 2009. Goodwill was \$11.9 million at March 29, 2008 all of which was allocated to the Company's retail segment. The changes in the carrying amount of goodwill for the year ended March 28, 2009 and March 27, 2010, is as follows (in thousands):

Carrying amount as of March 29, 2008	\$ 11,936
Non-cash impairment charge	(11,208)
Foreign currency exchange rate changes	(728)
Carrying amount as of March 28, 2009 and March 27, 2010	\$

Trademarks and tradenames are being amortized using the straight-line method over a period of 15 to 20 years. The Company had \$1.5 million and \$1.4 million of unamortized intangible assets at March 27, 2010 and March 28, 2009, respectively. The Company had \$0.4 million and \$0.3 million of accumulated amortization of intangibles at March 27, 2010 and March 28, 2009, respectively.

(i) Deferred financing costs:

The Company amortizes deferred financing costs incurred in connection with its financing agreements using the effective interest method over the related period of the financing. Such deferred costs are included in other assets in the accompanying consolidated balance sheets.

(j) Warranty accrual:

The Company generally provides warranties on its jewelry and watches for periods extending up to three years and has a battery replacement policy for its private label watches. The Company accrues a liability based on its historical repair costs for such warranties.

(k) Income taxes:

The Company accounts for income taxes in accordance with U.S. GAAP. Under U.S. GAAP, deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial statement reporting purposes and the bases for

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income tax purposes, and (b) operating losses and tax credit carryforwards. Deferred income tax assets are evaluated and, if realization is not considered to be more-likely-than-not, a valuation allowance is provided (see note 10(a) to the Company's Consolidated Financial Statements).

F-11

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

(l) Foreign exchange:

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the balance sheet date. Other balance sheet items denominated in foreign currencies are translated at the rates prevailing at the respective transaction dates. Revenue and expenses denominated in foreign currencies are translated at average rates prevailing during the year. Gains (losses) on foreign exchange of \$1.5 million, \$(788,000) and \$(248,000) are recorded in cost of goods sold for the years ended March 27, 2010, March 28, 2009 and March 29, 2008, respectively and a \$672,000 gain on foreign exchange recorded in interest and other financial costs related to U.S. dollar denominated debt of the Company's Canadian operation for the year ended March 27, 2010. There were no foreign exchange gains or losses associated with U.S. dollar denominated debt in the years ended March 28, 2009 and March 29, 2008.

Birks & Mayors' Canadian operations' functional currency is the Canadian dollar while the reporting currency of the Company is the U.S. dollar. The assets and liabilities denominated in Canadian dollars are translated for reporting purposes at exchange rates in effect at the balance sheet dates. Revenue and expense items are translated at average exchange rates prevailing during the periods. The resulting gains and losses are accumulated in other comprehensive income.

(m) Asset impairment:

The Company periodically reviews the estimated useful lives of its depreciable assets and changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment write-down is necessary. However, the Company will review its long-lived assets for impairment once events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Measurement of an impairment loss for such long-lived assets would be based on the difference between the carrying value and the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. During fiscal 2010 and 2009, the Company evaluated its long-lived assets for potential impairment in accordance with U.S. GAAP. The evaluation resulted in the determination that the carrying value of long-lived assets, primarily leasehold improvements at certain of the Company's U.S. retail stores and one of its manufacturing facilities in the U.S. would likely not be recovered through estimated future cash flows, considering assumptions regarding the expected lives of those assets. As a result, the Company recorded impairment charges of \$0.9 million and \$2.3 million in fiscal 2010 and 2009, respectively, to reduce the carrying value of these assets to their estimated fair value. During fiscal 2010, the Company also evaluated the carrying value of assets held for sale to determine if, based on market conditions, the value of these assets should be adjusted. Based on recent offers to purchase and third-party real estate valuation sources, the Company determined that the carrying value of these assets were higher than the estimated market value less selling costs. Accordingly, the Company recorded an impairment charge of \$0.5 million during fiscal 2010.

(n) Advertising and marketing costs:

Advertising and marketing costs are generally charged to expense as incurred. However, certain expenses such as those related to catalogs are expensed at the time such catalogs are shipped to recipients. The Company and its vendors participate in cooperative advertising programs in which the vendors reimburse the Company for a portion of certain specific advertising costs which are netted against advertising expense in selling, general and administrative expenses and amounted to \$2.5 million, \$3.6 million and \$3.4 million in the years ended March 27, 2010, March 28, 2009 and March 29, 2008, respectively. Advertising and marketing expense, net of vendor cooperative advertising allowances, amounted to \$9.5 million, \$10.5

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

million and \$15.1 million in the years ended March 27, 2010, March 28, 2009 and March 29, 2008, respectively.

(o) Pre-opening expenses:

Pre-opening expenses related to the opening of new and relocated stores are expensed in the period incurred.

(p) Operating leases:

All material lessor incentive amounts on operating leases are deferred and amortized as a reduction of rent expense over the term of the lease. Rent expense is recorded on a straight-line basis, which takes into effect any rent escalations, rent holidays and fixturing periods. Lease terms are from the inception of the fixturing period until the end of the initial lease term and generally exclude renewal periods, however, renewal periods would be included in instances in which the exercise of the renewal period option would be reasonably assured and failure to exercise such option would result in an economic penalty. Contingent rent payments are expensed as incurred, vary by lease and are based on a percentage of revenue above a predetermined sales level. This level is different for each location and includes and excludes various types of sales.

(q) Earnings per common share:

The following table sets forth the computation of basic and diluted earnings per common share for the years ended March 27, 2010, March 28, 2009 and March 29, 2008:

	March 27, 2010	Fiscal Year Ended March 28, 2009	March 29, 2008
	(In thousands, except per share data)		
Basic (loss) earnings per common share computation:			
Numerator:			
Net (loss) income	\$ (19,471)	\$ (60,979)	\$ 10,433
Denominator:			
Weighted-average common shares outstanding	11,390	11,339	11,263
(Loss) Earnings per common share	\$ (1.71)	\$ (5.38)	\$ 0.93
Diluted (loss) earnings per common share computation:			
Numerator:			
Net (loss) income	\$ (19,471)	\$ (60,979)	\$ 10,433
Denominator:			
Weighted-average common shares outstanding	11,390	11,339	11,263

457

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Dilutive effect of stock options, warrants and stock appreciation rights (SARs)

Weighted-average common shares outstanding diluted	11,390	11,339	11,720
Diluted (loss) earnings per common share	\$ (1.71)	\$ (5.38)	\$ 0.89

F-13

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

For the year ended March 27, 2010, the effect from the assumed exercise of 676,454 shares underlying outstanding stock options, 382,693 shares underlying outstanding warrants, and 21,737 shares underlying outstanding stock appreciation rights were excluded from the computation of net income per diluted share due to their antidilutive effect. For the year ended March 28, 2009, the effect from the assumed exercise of 1,013,000 shares underlying outstanding stock options, 382,693 shares underlying outstanding warrants, and 113,034 shares underlying outstanding stock appreciation rights were excluded from the computation of net income per diluted share due to their antidilutive effect. For the year ended March 29, 2008, 79,000 of stock options were not included in the above computation of diluted earnings per common share because such amounts would have had an antidilutive effect.

(r) Commodity and currency risk:

The Company has exposure to market risk related to gold, silver, platinum and diamond purchases and foreign exchange risk. The Company may periodically enter into gold futures contracts to economically hedge a portion of these risks. At March 27, 2010 and March 28, 2009, there were no contracts outstanding.

(s) Recent Accounting Pronouncements:

In September 2006, new accounting guidance was issued by the Financial Accounting Standards Board (FASB) which establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this new guidance relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. The guidance was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the implementation of the provisions relating to nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The Company adopted the remaining provisions on March 29, 2009. The adoption of the remaining provisions did not have a material effect on the Company's financial position or earnings.

In December 2007, the FASB issued new guidance which requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net earnings attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. The Company adopted the new requirements on March 29, 2009 and they did not have a material effect on the Company's financial position or earnings.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

4. Accounts receivable:

Accounts receivable at March 27, 2010 and March 28, 2009 consist of the following:

	March 27, 2010	As of March 28, 2009 (In thousands)
Customer trade receivables	\$ 6,920	\$ 7,916
Other receivables	2,577	3,228
	\$ 9,497	\$ 11,144

Continuity of the allowance for doubtful accounts is as follows (in thousands):

Balance March 31, 2007	\$ 918
Additional provision recorded	444
Net write-offs	(171)
Balance March 29, 2008	1,191
Additional provision recorded	851
Net write-offs	(253)
Balance March 28, 2009	1,789
Additional provision recorded	1,143
Net write-offs	(414)
Balance March 27, 2010	\$ 2,518

Certain sales plans relating to customers use of Mayors credit cards provide for revolving lines of credit and/or installment plans under which the payment terms exceed one year. These receivables, amounting to approximately \$3.7 million and \$3.5 million at March 27, 2010 and March 28, 2009, respectively, are included in accounts receivable in the accompanying consolidated balance sheets.

5. Inventories:

Inventories are summarized as follows:

	March 27, 2010	As of March 28, 2009
	(In thousands)	
Raw materials	\$ 3,346	\$ 5,302
Work in progress	712	591
Retail inventories and manufactured finished goods	139,759	149,704
	\$ 143,817	\$ 155,597

F-15

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

Continuity of the obsolescence reserve for inventory is as follows (in thousands):

Balance March 31, 2007	\$ 2,890
Additional charges	1,249
Deductions	(1,198)
Balance March 29, 2008	2,941
Additional charges	1,442
Deductions	(1,405)
Balance March 28, 2009	2,978
Additional charges	2,625
Deductions	(713)
Balance March 27, 2010	\$ 4,890

6. Property and equipment:

The components of property and equipment are as follows:

	March 27, 2010	As of March 28, 2009
	(In thousands)	
Land	\$ 6,333	\$ 5,545
Buildings	8,822	8,563
Leasehold improvements	47,332	44,949
Equipment and vehicles	2,201	2,407
Molds	5,626	4,556
Furniture and fixtures	10,121	9,301
Software and electronic equipment	17,489	15,483
	97,924	90,804
Accumulated depreciation	(69,910)	(60,202)
	\$ 28,014	\$ 30,602

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Property and equipment, having a cost of \$20.5 million and a net book value of \$13.3 million at March 27, 2010, and a cost of \$20.2 million and a net book value of \$14.2 million at March 28, 2009, are under capital leasing arrangements.

7. Bank indebtedness:

- (a) During fiscal 2009, the Company executed an amendment and extension of its senior secured revolving credit facility. The Company's \$160 million senior secured revolving credit facility, which was set to expire on January 19, 2009, was amended and extended for a total of \$132 million and bears interest in the range of LIBOR plus 2.5% to LIBOR plus 3.0% (based on excess availability thresholds) for up to a \$124 million tranche of the facility and in the range LIBOR plus 4.5% to LIBOR plus 5.0% (based on excess availability thresholds) for an \$8 million tranche of the facility. This credit facility has a three-year term expiring in December 2011 and is primarily to be used to finance inventory, capital expenditures, working capital and provide liquidity for other general corporate purposes.

F-16

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

As of March 27, 2010 and March 28, 2009, bank indebtedness consisted solely of the Company's senior secured revolving capital credit facility which had an outstanding balance of \$64.5 million and \$85.8 million, respectively. The senior secured revolving credit facility is collateralized by substantially all of the Company's assets. The Company's ability to fund its operations and meet its cash flow requirements in order to fund its operations is dependant upon its ability to maintain positive excess availability under its senior credit facilities. Both its senior secured revolving credit facility lender and its senior secured term loan lender may impose, at any time, discretionary reserves (customary for asset based loans), at their reasonable discretion, to: i) ensure that the Company maintains adequate liquidity for the operation of its business, ii) cover any deterioration in the amount or value of the collateral and iii) reflect impediments to the lenders to realize upon the collateral. There is no limit to the amount of discretionary reserves that the Company's senior secured revolving credit facility lender may impose using reasonable discretion, however, the Company's senior secured term loan lender's ability to impose discretionary reserves at its reasonable discretion is limited to 5% of the senior secured credit facility availability. No discretionary reserves were imposed during fiscal 2010 but in fiscal 2009 from February 11, 2009 to February 23, 2009, the senior secured term loan lender imposed a discretionary reserve of \$4 million.

While the Company's senior secured revolving credit facility lender has not historically imposed such a restriction, it is uncertain whether conditions could change and cause such a reserve to be imposed in the future. In addition, the value of the Company's inventory is periodically assessed by its lenders and based upon these reviews the Company's borrowing capacity could be significantly increased or decreased. Another factor impacting the Company's excess availability includes, among others, changes in the U.S. and Canadian dollar exchange rate, which could increase or decrease the Company's borrowing availability. Furthermore, a \$15 million, a \$ 7.5 million and a \$2.5 million seasonal availability block is imposed by the senior secured revolving credit facility lender and the senior secured term loan lender each year from December 20th to January 20th, from January 21st to February 10th and from February 11th to February 20th, respectively, and both the Company's senior secured revolving credit facility and its senior secured term loan are subject to cross default provisions with all other loans, by which if the Company is in default with any other loan the default will immediately apply to both the senior secured revolving credit facility and the senior secured term loan. As of March 27, 2010, a 100 basis point strengthening or weakening of the Canadian versus the U.S. dollar would cause an approximate \$380,000 increase or decrease in the amount of excess availability. The Company's excess borrowing capacity was \$17.9 million as of March 27, 2010.

The amended senior secured credit facility also contains limitations on the Company's ability to pay dividends, more specifically, among other limitations, the Company can pay dividends only at certain excess borrowing capacity thresholds and the aggregate dividend payment for the twelve-month period ended as of any fiscal quarter cannot exceed 33% of the consolidated net income for such twelve-month period. Additionally, the terms of this facility provide that no financial covenants are required to be met.

The information concerning the Company's senior secured credit facility is as follows:

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Maximum borrowing outstanding during the year	\$ 98,763	\$ 130,206
Average outstanding balance during the year	\$ 83,112	\$ 114,115
Weighted average interest rate for the year	3.7%	4.7%
Effective interest rate at year-end	3.6%	5.1%

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

As security for the bank indebtedness, the Company has provided some of its lenders the following: (i) general assignment of all accounts receivable, other receivables and trademarks; (ii) general security agreements on all of the Company's assets; (iii) insurance on physical assets in a minimum amount equivalent to the indebtedness, assigned to the lenders; (iv) a mortgage on moveable property (general) under the Civil Code (Québec) of \$243,072,000 (CAN\$250,000,000); (v) lien on machinery, equipment and molds and dies; and (vi) a pledge of trademark and stock of the Company's subsidiaries.

F-18

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

8. Long-term debt:

(a) Long-term debt consists of the following:

	March 27, 2010	As of March 28, 2009 (In thousands)
Term loan from GB Merchants that is subordinated in lien priority to the Company's senior secured revolving credit facility and bears interest at an annual rate of the greater of 16% per annum or one-month LIBOR based rate plus 12% with a three-year term expiring in December 2011.	\$ 13,000	\$ 13,000
Obligation under capital lease on land and buildings, pursuant to a sale-leaseback transaction. The term loan is being amortized using an implicit annual interest rate of 10.74% over the term of the lease of 20 years with a balloon payment and is repayable in monthly installments of approximately Cdn\$152,500 (\$148,300) The balance at March 27, 2010 and March 28, 2009 was Cdn\$14,854,000 and Cdn\$14,956,000, respectively.	14,442	12,069
Term loan from Investissement Québec of Cdn\$10 million, bearing interest at an annual rate of prime plus 5.5%, repayable beginning in March 2011 in 60 equal monthly capital repayments of \$162,100 (Cdn\$166,700), secured by the assets of the Company.	9,723	8,070
Obligations under capital leases, at annual interest rates between 6% and 10%, secured by leasehold improvements, furniture, and equipment, maturing at various dates from June 2009 to December 2012.	5,025	6,134
Non-interest bearing notes payable with a 10% imputed interest rate entered into in connection with the acquisition of certain assets of Brinkhaus, repayable in three equal installments of \$1,653,000 (Cdn\$1,700,000, including imputed interest), payable in June 2009, April 2010 and April 2011. The balance at March 27, 2010 and March 28, 2009 was Cdn\$3,212,000 and \$4,594,000, respectively.	3,123	3,707
Cash advance provided by the Company's controlling shareholder bearing interest at an annual rate of 17.8%, including withholding taxes	5,000	2,000
Term loan from Investissement Québec, bearing interest at an annual rate of prime plus 3.5%, repayable beginning in May 2009 in 20 monthly capital repayments of \$34,000 (Cdn\$35,000) and 40 monthly payments of \$53,500 (Cdn\$55,000), secured by the assets of the Company and subject to certain financial covenants. The balance at March 27, 2010 and March 28, 2009 was Cdn\$2,480,000 and Cdn\$1,326,000, respectively (b).	2,411	1,070
Obligation under capital lease on land and building, bearing annual interest of 5%, repayable in monthly capital installments of \$5,400, maturing in March 2025, secured by the property, second position on other assets of Cash Gold and Silver USA Inc. and a guarantee by the Company subordinated to all pre-existing debt and subject to certain financial covenants (b).	975	1,035
Term loan from Investissement Québec, bearing interest at an annual rate of prime plus 1.5%, repayable to February 2010 in equal monthly capital repayments of \$52,100 (Cdn\$53,600), secured by the assets of the Company and subject to certain financial covenants. The balance at March 28, 2009 was Cdn\$586,000.		472
Other long-term loans payable	25	75

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	53,724	47,632
Current portion of long-term debt	4,852	3,887
	\$ 48,872	\$ 43,745

F-19

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

- (b) The Company must comply with certain financial covenants associated with a \$1.0 million obligation under capital lease and a Cdn\$2.5 million term loan reflected in the preceding table. The Company obtained a waiver from its capital lease creditor through March 28, 2011 with respect to the current ratio and operating cash flow to total debt ratio covenants required under the terms of the capital lease agreement and obtained a waiver from its term loan creditor through March 28, 2011 with respect to the debt to equity ratio covenant required under the terms of the term loan agreement.
- (c) Future minimum lease payments for capital leases required in the following five years and thereafter are as follows (in thousands):

Year ending March:	
2011	\$ 4,478
2012	3,499
2013	3,833
2014	1,972
2015	1,957
Thereafter	18,567
	34,306
Less imputed interest	13,864
	\$ 20,442

- (d) Principal payments on long-term debt required in the following five years and thereafter, including obligations under capital leases, are as follows (in thousands):

Year ending March:	
2011	\$ 4,852
2012	16,957
2013	4,886
2014	3,123
2015	2,526
Thereafter	21,380
	\$ 53,724

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- (e) As of March 27, 2010, the Company had \$1.5 million of outstanding letters of credit which were provided to certain lenders.

- (f) During fiscal 2009, the Company financed, as capital leases, \$2.9 million of asset acquisitions, including leasehold improvements under the terms of a Master Lease Agreement to finance asset purchases and leasehold improvements. As of March 28, 2009, the Company's borrowing capacity under all leasing lines associated with the Master Lease Agreement had expired.

F-20

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

9. Benefit plans and stock-based compensation:

(a) Stock option plans and arrangements:

- (i) The Company can issue stock options and SARs to executive management, key employees and directors under a stock-based compensation plan.

The Company has a Long-Term Incentive Plan under which awards may be made in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and to promote the success of the Company. Any employee or consultant selected by the administrator is eligible for any type of award provided for under the Long-Term Incentive Plan, except that incentive stock options may not be granted to consultants. The Long-Term Incentive Plan provides for the grant of units and performance units or share awards. The Long-Term Incentive Plan authorizes the issuance of 900,000 Class A voting shares, which consist of authorized but unissued Class A voting shares. The Company is restricted from issuing Class A voting shares or equity based awards under this program without the approval of the shareholders of the Company if such issuance, when combined with the Class A voting shares issuable under this plan or any of the Company's other equity incentive award plans exceeds 1,304,025 Class A voting shares. The Company has outstanding employee stock options issued under the Birks Employee Stock Option Plan (the "Birks ESOP"). The Birks ESOP was authorized to issue 237,907 shares or 10% of non-voting common stock. The granting of options, the exercise price and the related vesting period were determined at the discretion of the Board of Directors. The lives of the options issued under the Birks ESOP were not to exceed 10 years with options vesting generally pro-rata over four years. Effective November 15, 2005, no awards are permitted to be granted under the Birks ESOP. However, the Birks ESOP will remain in effect until the outstanding awards issued under the plan terminate or expire by their terms. As of March 27, 2010, March 28, 2009 and March 29, 2008, there were 49,817, 72,281 and 136,467 Class A voting shares underlying options granted under the Birks ESOP, respectively. In March 2010, the Company offered employees who held these options the right to amend their current options. The amended options terms would be consistent with the original grant except that the new options would have a lower exercise price, be exercisable for a lesser number of the Company's Class A shares, have a new ten-year term and be subject to different terms in the event of a change in control or if the Company had a going-private transaction. The offer to amend expired on April 16, 2010. Effective April 16, 2010, pursuant to the offer to amend, the Company received tendered eligible stock options covering 47,353 shares of its Class A voting shares and provided amended options to purchase up to 9,470 shares of the Company's Class A voting shares, thereby reducing the number of shares issuable upon exercise of outstanding options by 37,883 shares. The amended options have an exercise price of U.S. \$1.05 per share.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

- (ii) The Company had previously issued options to the Company's Chief Executive Officer under a separate employment agreement. On March 16, 2010, the Company entered into an amendment to the employment agreement with the Company's Chief Executive Officer to cancel the outstanding options to purchase 509,121 Class A voting shares at exercise prices ranging from CAN \$6.00 to CAN \$7.00 granted under his previous employment agreement including the right to purchase shares under an anti-dilutive feature and grant new stock options to purchase 242,944 Class A voting shares of the Company. These new options are exercisable for a purchase price of \$1.00 per share. The options issued to the Company's Chief Executive Officer are exercisable and expire either two years after termination or ten years after retirement. Compensation expense of \$24,000 was recorded associated with the cancellation and issuance of the new options for the year ended March 27, 2010. The fair values of the cancelled and newly issued options were estimated as of March 16, 2010, using the Black-Scholes pricing model with the following weighted-average assumptions used for both the cancelled and newly issued options:

	March 16, 2010
Dividend yield	0%
Expected volatility	94.4%
Risk-free interest rate	3.66%
Expected term in years	10

No compensation income or expense was required to be recorded for the outstanding option of the Chief Executive Officer for the years ended March 28, 2009 and March 29, 2008, respectively.

- (iii) As of March 27, 2010, the Company had outstanding 15,000 options granted to current and former members of its Board of Directors to acquire Class A voting shares of the Company for a purchase price of CAN\$7.73 exercisable at any time until April 23, 2014. No compensation expense (income) was recorded during the years ended March 27, 2010, March 28, 2009 and March 29, 2008, respectively.

The following is a summary of the activity of Birks' stock option plans and arrangements:

	Options	Wghted average exercise price
Outstanding March 31, 2007	833,985	\$ 6.21
Exercised	(16,697)	6.08
Forfeited	(25,521)	6.46
Outstanding March 29, 2008	791,767	6.21
Forfeited	(64,186)	6.12
Outstanding March 28, 2009	727,581	6.21
Granted	242,944	1.00
Cancelled	(509,121)	6.13

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Forfeited	(153,643)		6.11
Outstanding March 27, 2010	307,761	\$	2.29

F-22

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

A summary of the status of Birks stock options at March 27, 2010 is presented below:

Exercise price	Options outstanding			Options exercisable		
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$ 1.00	242,944	3.0	\$ 1.00	242,944	\$ 1.00	
\$ 6.00 6.99	29,467	1.2	6.70	29,467	6.70	
\$ 7.00 7.52	35,350	3.4	7.52	35,350	7.52	
\$ 1.00 7.52	307,761	2.9	\$ 2.29	307,761	\$ 2.29	

Included in the above calculation were 242,944 options to purchase Class A voting shares held by the Company's Chief Executive Officer which expire either two years after termination for any reason or ten years after retirement. For purposes of the table above, the remaining contractual life was estimated to be the remaining period under his employment agreement, plus two years.

- (iv) Under plans approved by the former Board of Directors of Mayors, the Company has outstanding stock options and SARs issued to employees and members of the Company's Board of Directors. Under these plans, the option price was required to equal the market price of the stock on the date of the grant or in the case of an individual who owned 10% or more of the common stock of Mayors, the minimum price was to be set at 110% of the market price at the time of issuance. Options granted under these programs generally became exercisable from six months to three years after the date of grant, provided that the individual was continuously employed by Mayors, or in the case of directors, remained on the Board of Directors. All options generally expired no more than ten years after the date of grant. No further awards will be granted under these plans. However, these plans will remain effective until the outstanding awards issued under the plans terminate or expire by their terms. In March 2010, the Company offered employees who held these options the right to amend their current options. The amended options terms would be consistent with the original grant except that the new options would have a lower exercise price, be exercisable for a lesser number of the Company's Class A shares, have a new ten-year term and be subject to different terms in the event of a change in control or if the Company had a going-private transaction. The offer to amend expired on April 16, 2010. Effective April 16, 2010, pursuant to the offer to amend, the Company received tendered eligible stock option covering 38,433 shares of its Class A voting shares and provided amended options to purchase up to 2,607 shares of the Company's Class A voting shares, thereby reducing the number of shares issuable upon exercise of outstanding options by 35,826 shares. The amended options have an exercise price of U.S. \$1.05 per share.

The Company also has outstanding, SARs previously issued under the Mayors plan to member of senior management. During the year ended March 27, 2010, 4,347 SARs were cancelled. On March 16, 2010, the Company amended the remaining outstanding SARS by reducing the number of Class A voting shares that are subject to the amended SARS from 108,687 to 21,737 with the exercise price decreasing from \$6.21 to \$1.00. The amended SARS were given a new 10 year term and are fully exercisable. As of March 27, 2010, the weighted-average remaining contractual life of these awards was 10.0 years and the aggregate intrinsic value was \$0. The Company recorded \$1,000 related to the amendment of the outstanding SARs for fiscal 2010. The Company recorded, \$3,000 and \$55,000 of compensation expense related to the SARs awards prior to their amendment for fiscal 2009 and fiscal 2008, respectively.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

The Company has a Long-Term Incentive Plan under which awards can be issued in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and consultants and to promote the success of Birks & Mayors business. As of March 27, 2010, there were 28,310 cash-based stock appreciation rights that were granted under the Long-Term Incentive Plan. The stock appreciation rights outstanding under the Long-Term Incentive Plan have a weighted average exercise price of \$6.61.

The Company issued new shares to satisfy share-based awards and exercise of stock options. During fiscal 2010, 2009 and 2008, respectively, no cash was used to settle equity instruments granted under share-based payment arrangements and as of March 27, 2010, all of the Company's stock options were out-of-the-money.

The following is a summary of the activity of Mayors stock option plans. The number of options and exercise price have been adjusted to reflect the conversion rate of .08695 related to Birks & Mayors purchase of the minority shares of Mayors on November 14, 2005:

	Options	Weighted average exercise price
Outstanding March 31, 2007	323,613	\$ 12.81
Forfeited/cancelled	(27,977)	14.13
Exercised	(5,216)	4.47
Outstanding March 29, 2008	290,420	12.84
Forfeited/cancelled	(4,828)	44.70
Outstanding March 28, 2009	285,592	12.30
Forfeited/cancelled	(16,327)	24.69
Outstanding March 27, 2010	269,265	\$ 11.55

A summary of the status of the option plans at March 27, 2010 is presented below:

Range of exercise prices	Number outstanding	Options outstanding and exercisable Weighted average remaining life (years)	Weighted average exercise price
\$ 2.65 3.98	204,330	2.6	\$ 3.17
\$ 3.99 5.99	434	2.7	4.38
\$ 6.00 9.00	7,821	4.2	8.16
\$ 9.01 13.52	7,819	2.7	10.41
\$ 13.53 20.30	5,641	1.5	17.53
\$ 20.31 30.47	13,982	0.1	28.04
\$ 30.48 45.72	23,443	1.0	42.76

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\$ 45.73	68.60	434	1.3	46.01
\$ 68.61	155.27	5,361	2.2	149.46
\$ 2.65	155.27	269,265	2.3	\$ 11.55

* Included in the above calculation were 130,425 options that were granted to the Company's Chief Executive Officer and expire at the earlier of ten years from the grant date or two years after termination of employment, unless terminated for cause, in which case the options expire on his last day of employment with the Company. For purposes of the information within the table above, a term of ten years from the issuance date is used.

F-24

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

- (b) As of March 27, 2010, the Company had outstanding warrants exercisable into 382,693 shares of the Company's stock. These warrants have a weighted average exercise price of \$3.42 per share. As of November 1, 2005, these awards were fully-vested and no additional compensation expense will be recognized.
- (c) In connection with its term loan agreement executed in 2003 with Investissement Québec, the lender is entitled to 99,428 options to purchase Class A voting shares at \$4.39 (CAN\$4.52) per share which expire the later of one year following the total repayment of the loan or 90 days following receipt of the audited financial statements of the Company for the year in which the entire loan was repaid. At March 27, 2010, each option had a fair value of \$0.17. During fiscal 2010, the Company recorded \$15,000 of additional interest expense related to these options. The Company recorded a \$126,000 and \$330,000 reduction in interest expense associated with these options during fiscal 2009 and fiscal 2008, respectively. Interest expense associated with these options is recorded in interest and other financial costs in the Company's Consolidated Statement of Operations. These awards are accounted for as liabilities and the fair value of these awards was estimated as of March 27, 2010 using the Black-Scholes pricing model with the following weighted-average assumptions:

	Fiscal year ended March 27, 2010
Dividend yield	0%
Expected volatility	164.3%
Risk-free interest rate	0.61%
Expected terms in years	0.92

- (d) Employee stock purchase plan:

The Company has an Employee Stock Purchase Plan (ESPP) that permits eligible employees, which does not include executives of the Company, to purchase the Company's Class A voting stock at 85% of the Class A voting shares fair market value through regular payroll deductions. A total of 100,000 shares of the Company's Class A voting shares are reserved for issuance under the ESPP. As of March 27, 2010, 99,995 Class A voting shares were issued under the ESPP and no additional shares will be issued under this plan.

During fiscal 2010, 2009 and 2008, the Company had issued 0, 63,398 and 24,253 shares under this plan, respectively.

- (e) Profit sharing plan:

Mayors has a 401(k) Profit Sharing Plan & Trust (the Plan), which permits eligible employees to make contributions to the Plan on a pretax salary reduction basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Mayors historically made cash contributions of 25% of the employee's pretax contribution, up to 4% of Mayors employee's compensation, in any calendar year. Effective January 1, 2009, the Company exercised its right to cancel all future matching contributions to the Plan and as such, no additional matching cash payments were made to the Plan during the remainder of fiscal 2009 and all of fiscal 2010. The employer match amounted to \$46,000 and \$103,000 for the years ended March 28, 2009 and March 29, 2008, respectively.

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

(f) Executive Management Long-term Cash Incentive Plan:

During the year ended March 31, 2007, the Board of Directors approved the Executive Management Long-term Cash Incentive Plan (LTCIP), a cash-based performance plan for members of senior management. The intention of this LTCIP is to reward members of senior management based on the performance of the Company over two performance measurement periods which are comprised of three-year cycles, the first of which began with fiscal 2007 through March 28, 2009 and the second cycle being the period from the beginning of fiscal 2008 through March 27, 2010. The average sales growth rate and average Return on Equity of the Company during this three year period will determine whether and to what extent any payout under this plan will be. The achievement level will then be applied against a targeted compensation amount for each member of senior management covered in the plan.

For a member of senior management to be entitled to a payout under the LTCIP, they must be employed through the completion of the cycle and at the date of payment. In addition, the salary that will be used for each executive in determining their payout will be the salary in force on the first day of the eligibility period for the first cycle and the first day of the third year in the measurement period for the second cycle.

The Company did not meet the required targeted performance levels for the period which began March 31, 2007 through March 28, 2009 or the period from the beginning of fiscal 2008 through March 27, 2010, and as a result, there will be no payout made under the first cycle or the second cycle. In fiscal 2008, the Company recorded \$0.8 million of expense in selling, general and administrative expenses associated with this plan. During fiscal 2009, these expenses were reversed due to the Company's three-year performance not meeting the targeted performance requirements of the plan.

10. Income taxes:

- (a) The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of March 27, 2010, the Company had no accrued interest related to uncertain tax positions due to available tax loss carry forwards. The tax years 2006 through 2010 remain open to examination by the major taxing jurisdictions to which the Company is subject.

The Company evaluates its deferred tax assets to determine if any adjustments to its valuation allowances are required. As part of this analysis, the Company reviewed its pre-tax earnings or losses during the current fiscal year and two prior fiscal years in both its Canadian and U.S. operations as well as forecasted usage in future years. This analysis showed the Company incurred a cumulative pre-tax loss associated with both its Canadian and U.S. operation during the current and prior two fiscal years. Accordingly the Company could not reach the required conclusion that it would be able to more likely than not recognize the value of both its U.S. and Canadian net deferred tax assets in the future. As a result the Company maintains a non-cash valuation allowance of \$55.5 million against the full value of the Company's net deferred tax assets.

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

The significant items comprising the Company's net deferred tax assets at March 27, 2010 and March 28, 2009 are as follows:

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Deferred tax assets:		
Loss and tax credit carry forwards	\$ 39,870	\$ 35,489
Difference between book and tax basis of property and equipment	6,113	5,714
Interest expense limitations carry forward	2,288	631
Inventory allowances	941	1,145
Other reserves not currently deductible	1,080	964
Capital lease obligation	3,789	3,272
Expenses not currently deductible	1,194	336
Other	189	282
Net deferred tax asset before valuation allowance	55,464	47,833
Valuation allowance	(55,464)	(47,833)
Net deferred tax asset	\$	\$

The following table reconciles the unrecognized tax benefits at March 27, 2010 and March 28, 2009:

	Fiscal Year Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Unrecognized tax benefits at the beginning of the year	\$	\$ 1,947
Gross increase tax position in current period	664	300
Applied against certain element of deferred tax assets	(664)	(2,247)
Unrecognized tax benefits at the end of the year	\$	\$

All unrecognized tax benefits would affect the effective tax rate if recognized.

The Company's income tax (benefit) expense consists of the following components:

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	March 27, 2010	Fiscal Year Ended March 28, 2009 (In thousands)	March 29, 2008
Income tax (benefit) expense:			
Current	\$ 461	\$ 495	\$ 1,034
Deferred	(7,266)	(6,686)	(27,889)
Valuation allowance	6,803	39,045	
Benefit allocated to reduce goodwill			17,060
Income tax (benefit) expense	\$ (2)	\$ 32,854	\$ (9,795)

The Company's current federal tax payable at March 27, 2010, March 28, 2009, and March 29, 2008, was \$25,000, zero and \$1,875,000, respectively.

F-27

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

The Company's provision (benefit) for income taxes varies from the amount computed by applying the statutory income tax rates for the reasons summarized below:

	March 27, 2010	Fiscal Year Ended March 28, 2009	March 29, 2008
Canadian statutory rate	30.9%	31.5%	33.2%
Rate differential for U.S. operations	6.7%	3.2%	8.2%
Adjustment to valuation allowance	(37.2)%	(141.5)%	(1,963.5)%
Adjustments due to rate enactment and prior year items			338.4%
Permanent differences and other	(0.4)%	(10.0)%	49.4%
Total	0.0%	(116.8)%	(1,534.3)%

- (b) At March 27, 2010, the Company had federal non-capital losses of Cdn\$10.0 million and investment tax credits (ITC s) in Canada of Cdn\$222,000 which will expire between 2022 and 2029.
- (c) As of March 27, 2010, Mayors had federal and state net operating losses carry forward in the U.S. of approximately \$97 million and \$93 million, respectively. Due to Section 382 limitations from the change in ownership for the year ended March 29, 2003, the utilization of approximately \$36.4 million of the pre-acquisition net operating loss carry forward is limited to approximately \$953,000 on an annual basis through 2022. The federal net operating loss carry forward expires beginning in fiscal 2017 through fiscal 2030 and the state net operating loss carry forward expires beginning in fiscal 2011 through fiscal 2030. Mayors also has an alternative minimum tax credit carry forward of approximately \$1.0 million to offset future federal income taxes.
- (d) Beginning in fiscal 2008, Henry Birks & Sons U.S., Inc. now known as Cash, Gold & Silver, USA, Inc. (Birks US) joined Mayors in filing a consolidated U.S. income tax return. As a result, Birks US net operating losses generated prior to fiscal 2008 in the amount of \$1.2 million are subject to separate return limitation year rules, which provide that a subsidiary's net operating losses will be utilized only to the extent of its cumulative contribution to consolidated taxable income which will be determined on an annual basis.

11. Capital stock:

- (a) The Company has two classes of common stock outstanding; Class A and Class B. Class A common shares receive one vote per share. The Class B common stock has substantially the same rights as the Class A common stock except that each share of Class B common stock

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receives 10 votes per share.

	Class A common stock		Class B common stock		Total common stock	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Balance as of March 31, 2007	3,515,999	\$ 21,956	7,717,970	\$ 38,613	11,233,969	\$ 60,569
Issuance of Class A shares under ESPP and exercise of stock options	46,166	244			46,166	244
Balance as of March 29, 2008	3,562,165	22,200	7,717,970	38,613	11,280,135	60,813
Issuance of Class A shares under ESPP and exercise of stock options	110,242	82			110,242	82
Balance as of March 27, 2010 and March 28, 2009	3,672,407	\$ 22,282	7,717,970	\$ 38,613	11,390,377	\$ 60,895

F-28

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

12. Commitments:

Operating leases:

The Company leases all of its retail stores under operating leases with the exception of one Birks & Mayors location. The rental costs are based on minimum annual rentals and for some of the stores, a percentage of sales. Such percentage of sales varies by location. In addition, most leases are subject to annual adjustment for increases in real estate taxes and common area maintenance costs. The Company also has operating leases for certain equipment.

Future minimum lease payments for the next five years and thereafter are as follows (in thousands):

Year ending March:	
2011	\$ 17,214
2012	16,578
2013	13,603
2014	11,086
2015	9,124
Thereafter	18,505
	\$ 86,110

Rent expense for the Company was approximately \$25.4 million, including \$30,000 of contingent rent for the year ended March 27, 2010, \$25.2 million, including \$0.2 million of contingent rent for the year ended March 28, 2009 and \$25.3 million, including \$0.4 million of contingent rent for the year ended March 29, 2008.

13. Contingencies:

- (a) The Company and its subsidiaries, in the normal course of business, become involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending at March 27, 2010 cannot be predicted with certainty, management believes that adequate provisions have been recorded in the accounts where required and that the financial impact, if any, from claims related to normal business activities will not be material.
- (b) From time to time, the Company guarantees a portion of its private label credit card sales to its credit card vendor. At March 27, 2010, the amount guaranteed under such arrangements is approximately \$5.1 million. At March 27, 2010, the Company has recorded in accrued liabilities a reserve of \$326,000 associated with this guaranteed amount.

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- (c) As of March 27, 2010, the Company and its subsidiary, Mayors, had employment agreements with the Company's President and Chief Executive Officer for a term continuing until March 31, 2011, unless terminated in accordance with the agreements. The minimum contractual base salary and benefit obligation payable under these agreements for the remaining period of the employment agreement is approximately \$1.3 million. The total remaining maximum payout under these contracts, including bonuses and potential severance payments is approximately \$4.0 million.

F-29

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

- (d) In November 2007, the Company entered into an agreement with Brinkhaus, under the terms of which Brinkhaus is required to provide certain management consulting services to the Company for a total consulting fee of \$550,000 per year. This agreement is effective until March 31, 2011 and may be renewed prior to expiration at the option of the Company for any number of additional two-year renewal terms.
- (e) The Company has entered into an agreement with Prime Investments S.A. under the terms of which Prime Investments will supply the Company with at least 45%, on an annualized cost basis, of the Company's loose diamond requirements upon the satisfaction of certain conditions (see note 15(e)).
- (f) The Company entered into a five-year distribution agreement with Damiani International B.V. (Damiani) in which the Company purchased an aggregate cost value of \$10.6 million of jewelry products from Damiani for sale by the Company in Canada and the United States. The agreement provides that the Company will pay for the products on an annual basis beginning on February 15, 2010 based on the cost value of the products sold during the previous year. However, the Company must make minimum annual payments totaling an aggregate amount of \$5.6 million during the term of the agreement. Under this agreement, the Company is also required to replenish certain jewelry products sold during each previous quarter with payment on these purchase required within 90 days of receipt during the life of the agreement. The Company also has the right to return up to \$5 million of any unsold Damiani products at the end of the term of the agreement. The total amount payable under this agreement is included in accounts payable.

14. Segmented information:

The Company has two reportable segments Retail and Other. Retail operates 33 stores across Canada under the Birks brand, and 29 stores in the Southeastern U.S. under the Mayors brand, as well as two retail locations in Calgary and Vancouver under the Brinkhaus brand. Other consists primarily of our corporate sales division which services business customers by providing them with unique items for recognition programs, service awards and business gifts and also includes manufacturing which produce unique products for the retail segment of our business.

The two segments are managed and evaluated separately based on gross profit. The accounting policies used for each of the segments are the same as those used for the consolidated financial statements. Inter-segment sales are made at amounts of consideration agreed upon between the two segments and intercompany profit is eliminated if not yet earned on a consolidated basis. The Company does not evaluate the performance of the Company's assets on a segment basis for internal management reporting and, therefore, such information is not presented.

Certain information relating to the Company's segments for the years ended March 27, 2010, March 28, 2009, and March 29, 2008, respectively, is set forth below:

	2010	Retail 2009	2008	2010	Other 2009	2008	2010	Total 2009	2008
	(In thousands)								
Sales to external customers	\$ 241,819	\$ 258,026	\$ 302,576	\$ 13,238	\$ 12,870	\$ 12,169	\$ 255,057	\$ 270,896	\$ 314,745
Inter-segment sales	\$	\$	\$	\$ 19,870	\$ 26,444	\$ 29,281	\$ 19,870	\$ 26,444	\$ 29,281

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Unadjusted gross profit	\$ 102,752	\$ 116,389	\$ 145,617	\$ 7,565	\$ 6,020	\$ 7,767	\$ 110,317	\$ 122,409	\$ 153,384
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F-30

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

The following sets forth reconciliations of the segments gross profits and certain unallocated costs to the Company's consolidated gross profits for the years ending March 27, 2010, March 28, 2009 and March 29, 2008:

	March 27, 2010	Fiscal Year Ended March 28, 2009 (In thousands)	March 29, 2008
Unadjusted gross profit	\$ 110,317	\$ 122,409	\$ 153,384
Inventory provisions	(4,305)	(3,801)	(3,026)
Other unallocated costs	(1,573)	(4,118)	(4,644)
Recognition of intercompany profit	12	1,109	761
Adjusted gross profit	\$ 104,451	\$ 115,599	\$ 146,475

Sales to external customers and long-lived assets by geographical areas were as follows:

	March 27, 2010	Fiscal Year Ended March 28, 2009 (In thousands)	March 29, 2008
Geographic Areas			
Net Sales:			
Canada	\$ 135,402	\$ 131,948	\$ 146,557
United States	119,655	138,948	168,188
	\$ 255,057	\$ 270,896	\$ 314,745
Long-lived assets:			
Canada	\$ 22,204	\$ 21,701	\$ 32,983
United States	8,520	12,345	38,889
	\$ 30,724	\$ 34,046	\$ 71,872
Classes of Similar Products			
Net sales:			
Jewelry and other	\$ 151,438	\$ 158,109	\$ 187,517
Timepieces	103,619	112,787	127,228
	\$ 255,057	\$ 270,896	\$ 314,745

Table of Contents**BIRKS & MAYORS INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

15. Related party transactions:

- (a) The Company is party to certain related party transactions. Balances related to these related parties are disclosed in the financial statements except the following:

	March 27, 2010	Fiscal Year Ended March 28, 2009 (In thousands)	March 29, 2008
Transactions:			
Purchases of inventory from supplier related to shareholder	\$ 2,086	\$ 3,044	\$ 4,116
Management fees to a related party		873	1,127
Consultant fees to a related party	104		
Interest expense on cash advance received from controlling shareholder	722	39	
Balances:			
Accounts payable to supplier related to shareholder	345	319	507
Accounts payable to a related party	52		60
Interest payable on cash advance received from controlling shareholder	59	39	

- (b) On February 10, 2006, the Company's Board of Directors approved the Company's entering into a Management Consulting Services Agreement (the "Agreement") with Iniziativa S.A. Under the Agreement, Iniziativa S.A. is to provide advisory, management and corporate services for approximately \$235,000 per quarter through the period ending March 31, 2007, plus out of pocket expenses up to \$7,500 per quarter without the prior written consent of the Company. The initial one-year term of the Agreement began on April 1, 2006. The Agreement may be renewed for additional one year terms by the Company. Effective January 1, 2007, the terms of the Agreement were amended whereby Iniziativa S.A. is to provide advisory, management and corporate services to the Company under clearly defined project categories and as a result of the increase in value of the services the payment for services rendered were increased to \$262,500 per quarter, plus any out of pocket expenses. Additionally, the Agreement was renewed for an additional one year term, ending on March 31, 2008, and was mutually extended until December, 2008. One of the directors, Dr. Lorenzo Rossi di Montelera, and a former director, Mr. Filippo Recami, were affiliated with Iniziativa S.A. Iniziativa was the controlling shareholder of the Company until it transferred the shares it held in the Company to Montrovest, its parent company, on May 31, 2007. On October 29, 2007, Iniziativa assigned the agreement, with the approval of the Company, to Montrovest. Mr. Recami was a Managing Director of Montrovest until his death in October 2009.

On December 17, 2008, the Company entered into a management subordination agreement with Montrovest and its senior lenders whereby it is permitted, subject to applicable law and approval by the Company's corporate governance committee, to pay Montrovest a success fee in the event that it actually receives net cash proceeds from an equity issuance in an amount greater than \$5 million in the aggregate due to efforts of Montrovest to facilitate such equity issuance. Such success fee will be calculated as follows: (i) 7% of the net cash proceeds of such equity issuance in an amount greater than \$5 million received by the Company will be paid to Montrovest upon receipt of the proceeds by the Company; and (ii) in the event that the net cash proceeds from such equity issuance is an amount greater than \$10 million, then in addition to the 7%

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

fee, Montrovest will be entitled to a monthly management fee of \$25,000 continuing through December 30, 2012, provided that such fees shall not exceed in the aggregate \$800,000 per year.

- (c) In February 2009 and May 2009, the Company received a \$2.0 million and a \$3.0 million, respectively, cash advance from Montrovest BV, to finance its working capital needs and for general corporate purposes. This advance and any interest thereon is subordinated to the indebtedness of the Company's existing senior credit facilities and secured term loans and is convertible into a convertible debenture or Class A voting shares in the event of a private placement or, is repayable upon demand by Montrovest once conditions stipulated in the Company's senior credit facilities permit such a payment. The cash advance will bear interest at an annual rate of 16%, net of any withholding taxes, representing an effective interest rate of approximately 17.8%. If converted into convertible debentures or Class A voting shares, a fee of 7% of the outstanding principal amount of the cash advance shall be paid to Montrovest.
- (d) The Company retains Pheidias Project Management and Oberti Architectural & Urban Design for project management and architectural services. Pheidias Project Management and Oberti Architectural & Urban Design have been involved in almost all renovations and new stores since 1993, as well as in the renovation of the Company's executive offices. The principal of Pheidias Project Management and Oberti Architectural & Urban Design is the spouse of one of the Company's former directors. As a result of Margherita Oberti's term as director of the Company ending on September 22, 2009, these two companies were no longer considered a related party. Pheidias Project Management and Oberti Architectural & Urban Design, as project managers and architects, charged the Company approximately \$36,000 for services rendered from March 29, 2009 to September 22, 2009, \$327,000 for services rendered during the year ended March 28, 2009, and \$751,000 in the year ended March 29, 2008.
- (e) The Company has entered into a Diamond Inventory Supply Agreement with Prime Investments S.A. and a series of conditional sale agreements with companies affiliated with Prime Investments S.A. pursuant to which Prime Investments SA or a related party is entitled to supply Birks and its subsidiaries or affiliates with at least 45%, on an annualized cost basis, of such company's aggregate loose diamond requirements, conditional upon the prices remaining competitive relative to market and needs in terms of quality, cut standards and specifications being satisfied. During fiscal 2010, Birks purchased approximately \$2.1 million of diamonds from Prime Investments S.A. and related parties. Prime Investments S.A. owns 13.5% of the Company's total outstanding shares.
- (f) On June 30, 2009, our Company's Board of Directors approved the Company entering into a consulting services agreement with Gestofi S.A. (Gestofi) in accordance with the Company's Code of Conduct relating to related party transactions. Under the agreement, Gestofi undertook to assign Mr. Niccolò Rossi as the employee of Gestofi responsible for providing the consulting services related to the development of our Company's e-commerce, new product development, wholesale business and such other services reasonably requested by our Chief Executive Officer or Chairman (collectively, the Consulting Services). The Consulting Services are provided to the Company for a fee of approximately CDN\$13,700 per month less any applicable taxes plus out of pocket expenses. The initial one-year term of the agreement began on August 1, 2009 and the agreement may be renewed for additional one year terms. Mr. Niccolò Rossi is the son of Dr. Rossi, our Chairman and the Chairman of Gestofi.

Table of Contents

BIRKS & MAYORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Years ended March 27, 2010, March 28, 2009 and March 29, 2008

16. Financial instruments:

(a) Concentrations:

During the years ended March 27, 2010, March 28, 2009 and March 29, 2008, approximately 22%, 24% and 22%, respectively, of consolidated sales were of merchandise purchased from the Company's largest supplier.

(b) Fair value of financial instruments:

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, *Disclosure About Fair Value Financial Instruments*. The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data and/or estimation methodologies which may have a material effect on the estimated fair value amounts.

Accordingly, the estimates presented herein are not necessarily indicative of the amounts that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Company has determined that the carrying value of its cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates fair values as at the balance sheet date because of the short-term maturity of those instruments. For \$64.5 million of bank indebtedness and \$12.1 million of long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying value.

The fair value of the remaining \$41.6 million of long-term debt and \$3.8 million of other long-term liabilities is estimated to be approximately \$47.1 million. The fair value was calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturities.