COMMAND SECURITY CORP
Form 10-K
June 25, 2010

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2010

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to _________

Commission File Number: 001-33525

Command Security Corporation
(Exact name of registrant as specified in its charter)

New York	14-1626307
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Lexington Park, Lagrangeville, New York 12540
(Address of principal executive offices)

Registrant's telephone number, including area code: (845) 454-3703

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant was $16,271,442 as of September 30, 2009.

In determining the market value of the voting or non-voting common equity held by non-affiliates of the registrant, securities of the registrant beneficially owned by the directors and officers of the registrant have been excluded. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

There were 10,872,098 outstanding shares of the registrant's common stock as of June 18, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 of Form 10-K is incorporated by reference into Part III hereof from the registrant's proxy statement relating to the registrant's 2010 Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission (the "SEC") within 120 days of the close of the registrant's fiscal year ended March 31, 2010.

Command Security Corporation
Annual Report on Form 10-K
For the Fiscal Year Ended March 31, 2010

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PART I

ITEM 1. BUSINESS.

General

Command Security Corporation (the "Company," or "we") principally provides uniformed security officers, aviation security services and support security services to commercial, financial, industrial, aviation and governmental customers throughout the United States. We provide our security services to our customers through our security services division, our aviation services division and our support services division.

We provide security services to governmental, quasi-governmental, health, educational and financial institutions, residential and commercial property management companies, and industrial, distribution, logistics and retail customers through our security services division. Our security officer services include providing armed and unarmed uniformed security personnel for access control, mobile patrols, traffic control, security console/system operators, fire safety directors; and communication, reception, concierge and front desk/doorman operations. Our security services division generated approximately $73.0 million, or 50.1% of our revenues for our fiscal year ended March 31, 2010.

Our aviation services division provides aviation security services to more than 100 of the largest domestic and international airlines, airports, airport authorities and the general aviation community at approximately twenty international airports and, to a lesser extent, five regional airports. Our aviation security services include providing a variety of uniformed services for domestic and international air carriers, including security for airlines, aircraft, passengers and cargo; baggage screening, wheelchair escort services featuring the Company's proprietary SmartWheelTM technology, special escort services and skycap services. Our aviation services division generated approximately $72.5 million, or 49.7% of our revenues for our fiscal year ended March 31, 2010.

We also provide support services to security services firms and police departments through our support services division. Our support services include providing back office support services to security services firms and police departments under administrative service agreements. Support services generated approximately $0.2 million, or 0.1% of our revenues for our fiscal year ended March 31, 2010.

Operations

We conduct our operations through our offices located throughout the United States. Since March 2008, we have grown from more than 40 offices in 20 states including Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Illinois, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Texas, Virginia, Washington and West Virginia. As a licensed watch guard and patrol agency, our security services division provides security officers to our customers to protect people and property and to prevent the theft of property. We principally conduct our security services business by providing security officers and other personnel who are, depending on the particular requirements of the customer, uniformed or plain-clothed, armed or unarmed, and who patrol in marked radio cars or stand duty on the premises at stationary posts such as fire stations, reception areas or video monitors. Our security officers maintain contact with their headquarters or supervisors via car radio, hand-held radios or cell phones. In addition to the more traditional tasks associated with access control and theft prevention, our security officers respond to emergency situations and report fires, natural disasters, work accidents and medical crises to the appropriate authorities. We provide security officer services to many of our industrial, commercial and residential property management customers on a 24-hour basis, 365 days per year. For these customers, security officers are on hand to provide plant security, access control, personnel security checks and traffic and parking control and to protect against fire, theft, sabotage and safety hazards. Our remaining customers include retail establishments, hospitals and governmental units. The services provided to these customers may require armed as well as unarmed security officers. We also provide specialized vehicle patrol and inspection services. During fiscal 2010, our security services division has been successful in obtaining significant new security services contracts for a large banking and financial services organization, a world leader in electronic design automation, a worldwide technology company, one of the world's largest banking and financial services organizations and the world's largest express transportation company.

Our aviation services division provides a variety of uniformed services for domestic and international air carriers, including aircraft security, access control, wheelchair escorts, skycaps, baggage handlers and uniformed security officers for cargo security areas. During fiscal 2010, our aviation services division has been successful in obtaining several new airline service contracts at existing locations and a new contract for a leading global provider in electrical engineering and electronics.

The nature of our business also subjects us to claims or litigation alleging that we are liable for damages as a result of the conduct of our employees or others. We insure against such claims and suits through general liability policies with third-party insurance companies. Our insurance coverage limits are currently $7,000,000 per occurrence for non-aviation related business (with an additional excess umbrella policy of $10,000,000) and $30,000,000 per occurrence for aviation related business. We retain the risk for the first $25,000 per occurrence on the non-aviation related policy which includes airport wheelchair and electric cart operations, and $5,000 on the aviation related policy except for $25,000 for damage to aircraft and $100,000 for skycap operations.

To ensure that adequate protection requirements have been established prior to commencing service to a customer, we conduct a comprehensive security assessment of the customer's site and prepare recommendations for any required changes to existing security programs or services. Site assessments typically include an examination and evaluation of perimeter controls, lighting, personnel and vehicle identification and electronic access control, visitor controls, electronic alarm reporting systems, safety and emergency procedures, key controls, radio/surveillance systems and security force manning levels. While we prepare site assessments and issue recommendations, the security plan and coverage requirements are ultimately determined by our customers.

We frequently establish offices close to our customers and delegate responsibility and decision-making authority to our local managers. Our managers each play an important role with us and our customers, as highlighted by their responsibility for both service quality and assisting with sales and marketing efforts. We believe that, in most situations, providing a single individual with responsibility for service quality results in better supervision, quality control and greater responsiveness to customer needs.

We generally render our security services pursuant to a standard form security services agreement that specifies the personnel and/or equipment to be provided by us at designated locations and the applicable rates, which typically are hourly rates per person. Our rates vary depending on base, overtime and holiday time worked, and the term of engagement. We assume responsibility for a variety of functions, including scheduling for each customer site, paying all security officers and providing uniforms, training, equipment, supervision, fringe benefits and workers' compensation insurance. These security services agreements also provide our customers with flexibility by permitting reduction or expansion of the security force on relatively short notice. We are responsible for preventing the interruption of security services as a consequence of illness, vacations or resignations of our security officers. In most cases our customers also agree not to hire any of our security personnel for at least 180 days after the termination of the engagement. Each security services agreement may be terminated by our customer or us, typically with not less than thirty days prior written notice. We may also terminate an agreement immediately upon default by the customer in payment of our fees, or if the customer is involved in a bankruptcy or similar insolvency event.

We are increasingly dependent on information technology networks and systems to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for electronic communications among our locations around the country and between our personnel and our customers and suppliers.

We use sophisticated electronic security and access control equipment, including modern computerized watchkey systems and sophisticated video surveillance equipment. Electronic accountability technology logs officer patrols and generates user-friendly reports for customer and internal use.

We use state-of-the-art technology for our operational needs, and to support efficiency, accuracy, and dependability of our general and administrative needs and functions. Scheduling, payroll, billing, training, inventory and e-procurement are integrated through a third party vendor software platform. This software platform is used to provide financial, labor and operations management products.

Employee Recruitment and Training

We believe that the high quality of our security officers is essential to our ability to offer effective and reliable services to our customers. We require all selected applicants for security officer positions to undergo a detailed pre-employment interview and a background investigation covering such areas as past employment, education, military service, medical history and, subject to applicable state laws, criminal and other background searches. Employees are selected based on a number of criteria, including physical fitness, maturity, experience, personality, perceived stability and reliability, among others. We frequently conduct medical examinations and substance abuse testing on potential candidates. Our security officers and other personnel supplied to our customers are our employees, even though they may be stationed regularly at our customer’s facilities.

We are committed to ensuring that our staff not only meets all state and federal requirements for training, but also our own rigorous standards in specialized areas including: terrorism response, CPR, first-aid, fire safety, crowd and riot control, media interaction, public relations, crisis management and emergency situations. Additionally, we provide our employees with site-specific training to meet the needs of individual industries, facilities and customers.

We train accepted applicants in three phases: pre-assignment, on-the-job and refresher training. Pre-assignment training covers topics such as the duties and powers of a security officer, report preparation, emergency procedures, general orders, regulations, grounds for discharge, uniforms, personal appearance and basic post responsibilities. On-the-job assignment training covers specific duties as required by the post and job orders. Ongoing refresher training is provided periodically as determined by the local area supervisor and manager.

We treat all employees and applicants for employment without unlawful discrimination as to race, creed, color, national origin, sex, age, disability, marital status or sexual orientation in all employment-related decisions.

Significant Customers

For the fiscal year ended March 31, 2010, we generated revenues of approximately $25,177,000 from services we provided to Federal Express (“FedEx”) which represented approximately 17% of our total revenues during such period. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing.”

Several of our security and aviation customers filed for protection from creditors under applicable bankruptcy and similar laws during the past three fiscal years. The aviation industry continues to face various financial and other challenges, including the cost of third-party services and fluctuation in fuel prices. Additional bankruptcy filings by aviation and non-aviation customers could have a material adverse impact on our liquidity, results of operations and financial condition.

Competition

The security services business is labor intensive and substantially affected by the cost of labor and by the availability of qualified personnel. Our ability to provide the required number of competent, trained personnel in a timely manner is critical to retain our business, contain payroll costs and avoid undue insurance exposure. To satisfy these requirements, we need to successfully manage human resources, manpower planning, quality control, risk management, general and financial management and sales and marketing.

Although the majority of our contracts may be terminated by us or by our customers at our or their discretion, we believe that we can minimize customer attrition by adhering to basic performance standards in meeting essential customer requirements. While all security service companies experience customer attrition, we have historically been successful in renegotiating existing contracts.

Competition in the security service business is intense. We believe that a customer's selection of a company to provide security services is based primarily on price, quality of services provided, scope of services performed, name recognition, recruiting, training and the extent and quality of security officer supervision. As we have expanded our operations, we have had to compete more frequently against larger national companies, such as Securitas North America, the Wackenhut Corporation, AlliedBarton Security and Guardsmark, LLC, all which have substantially greater financial and other resources, personnel and facilities than us. These competitors also offer a range of security and investigative services that are at least as extensive as, and directly competitive with, the services that we offer. In addition, we compete with many regional and local organizations that offer substantially all of the services that we provide. Although our management believes that, particularly with respect to certain of our markets, we enjoy a favorable competitive position because of our emphasis on customer service, supervision and training and are able to compete on the basis of the quality of our service, personal relationships with customers and reputation, we cannot assure you that we will be able to continue to effectively compete with other companies, particularly those having greater financial and other resources, personnel and facilities.

Government Regulation

We are subject to local and state firearm and occupational licensing laws that apply to security officers and private investigators. In addition, many states have laws requiring training and registration of security officers, regulating the use of badges and uniforms, prescribing the use of identification cards or badges, and imposing minimum bond, surety or insurance standards. We are subject to penalties and fines for licensing irregularities or the misconduct of our security officers. However, our management believes we are in material compliance with all applicable laws and regulations.

Employees

Our business is labor intensive and is consequently affected by the availability of qualified personnel and the cost of labor. Although the security services industry is characterized by high turnover, we have not experienced any material difficulty in hiring qualified security officers. In some cases, when labor has been in short supply, we have been required to pay higher wages and/or incur overtime charges. We have approximately 5,200 employees, the majority of whom are hourly service workers, and approximately 220 of whom serve as managers, administrative employees and executives.

Approximately 70% of our employees do not belong to a labor union. The balance of our employees are members of labor unions including, in particular, a number of employees based in our New York City security services office and at our airport offices at John F. Kennedy, La Guardia and Los Angeles airports. Our unionized employees work under collective bargaining agreements with the following unions: Allied International Union, Allied Services Division of the Transportation Communications International Union and Special & Superior Officers Benevolent Association. Many of our competitor's employees in Los Angeles and New York City are also unionized. We have experienced no work stoppage attributable to labor disputes. We believe that our relations with our employees are satisfactory. The security officers and other personnel that we provide to our customers are Company employees, even though they may be stationed regularly at our customer's facilities.

Service Marks

We believe that we own the service marks "Command Security Corporation," "CSC" and "CSC Plus" design for security officer, detective, private investigation services and security consulting services.

We also believe that we own the trademarks "Smartwheel" and "Smart Tracker" for the computer programs we use in dispatching and tracking small vehicles, such as carts and wheelchairs at transportation terminals. The "Smartwheel" trademark was acquired as part our acquisition of United Security Group, Inc. We also believe that we own the service marks "STAIRS" and "Smart Guard."

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this Annual Report on Form 10-K, you should carefully consider the following factors that could materially and adversely affect our business, financial condition or future operating results. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

Airline Industry Concerns

Several of our aviation customers filed for protection from their creditors under applicable bankruptcy and similar laws during our past three fiscal years. The aviation industry continues to face various financial and other challenges, including the cost of security and fluctuating fuel prices. Additional bankruptcy filings by aviation and non-aviation customers could have a material adverse impact on our liquidity, results of operations and financial condition.

Acquisitions

Part of our growth strategy involves acquiring other quality security services companies. Our acquisition strategy entails numerous risks. The pursuit of acquisition candidates is expensive and may not be successful. Our ability to complete future acquisitions will depend on our ability to identify suitable acquisition candidates, negotiate acceptable terms for their acquisition and, if necessary, finance those acquisitions, in each case, before any attractive candidates are purchased by other parties, some of whom have substantially greater financial and other resources than we have. Whether or not any particular acquisition is successfully completed, each of these activities is expensive and time consuming and would likely require our management to spend considerable time and effort to complete, which would detract from our management's ability to run our current business. Although we may spend considerable funds and efforts to pursue acquisitions, we may not be able to complete them. Further, our ability to grow through acquisitions will depend in part on whether we can identify suitable acquisition candidates upon attractive terms, including price.

Acquisitions could result in the occurrence of one or more of the following events:

- dilutive issuances of equity securities;
- incurrence of additional debt and contingent liabilities;
- increased amortization expenses related to intangible assets;
- difficulties in the assimilation of the operations, technologies, services and products of the acquired companies; and
- diversion of management's attention from our other business activities.

We currently have no commitments or agreements with respect to any acquisition. Further, we cannot assure you that we will be able to complete additional acquisitions that we believe are necessary to complement our growth strategy on acceptable terms, or at all. Further, if we do not successfully integrate the operations of any companies that we have acquired or subsequently acquire, we may not achieve the potential benefits of such acquisitions.

Additional Financing

We believe that our existing funds, cash generated from operations, and existing sources of and access to financing are adequate to satisfy our working capital, capital expenditures and debt service requirements for the foreseeable future. However, we cannot assure you that this will be the case, and we may be required to obtain additional financing to maintain and expand our existing operations through the sale of our securities, an increase in our credit facilities or otherwise. The failure by us to obtain such financing, if needed, would have a material adverse effect upon our business, financial condition and results of operations.

Credit and Security Agreement

Our Credit and Security Agreement imposes operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities and taking certain corporate actions. These restrictions limit our ability to:

- guarantee additional indebtedness;
- pay dividends and make distributions;
- make certain investments;
- repurchase stock;
- incur liens;
- transfer or sell assets;
- enter into sale and leaseback transactions;
- merge or consolidate; and
- engage in a materially different line of business.

These covenants may adversely affect our ability to finance future operations or capital needs, pursue available business opportunities or take certain corporate actions.

Competition

Our assumptions regarding projected results depend largely upon our ability to retain substantially all of our current customers and obtain new customers. Retention is affected by several factors including, but not limited to, regulatory limitations, the quality of the services that we provide, the quality and pricing of comparable services offered by competitors and continuity of our management and non-management personnel. There are several major national competitors with substantially greater financial and other resources than we have and that, therefore, have the ability to provide more attractive service, cost and compensation incentives to customers and employees than we are able to provide. Our ability to gain or maintain sales, gross margins and/or employees may be limited as a result of actions by our competitors.

Service Contracts

Our largest expenses are for payroll and related taxes and employee benefits. Most of our service contracts provide for fixed hourly billing rates. Competitive pressures in the security and aviation services industries may prevent us from increasing our hourly billing rates on contract anniversary or renewal dates. Our profitability will be adversely affected if we are compelled to increase the wages, salaries and related benefits of our employees in amounts that exceed the amount that we can pass on to our customers through increased billing rates charged under our service contracts.

In many cases, our security and aviation services contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. While we maintain insurance programs that we believe provide appropriate coverage for certain liability risks, including personal injury, death and property damage, the laws of many states limit or prohibit insurance coverage for punitive damages arising from willful or grossly negligent conduct. Therefore, insurance may not be adequate to cover all potential claims or damages. If a plaintiff brings a successful claim against us for punitive damages in excess of our insurance coverage, then we could incur substantial liabilities that would have a material adverse affect on our business, financial condition and results of operations.

Staffing

Our business involves the labor-intensive delivery of security and aviation services. We derive our revenues primarily from services rendered by our hourly employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff. The loss of the services of, or the failure to recruit, the required complement of operational and administrative staff would have a material adverse effect on our business, financial condition and results of operations, including our ability to secure and complete security service contracts. Additionally, if we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.

Changes in Accounting Standards and Taxation Requirements

New accounting standards or pronouncements that become applicable to us and our financial statements from time to time, and changes in the interpretation of existing standards and pronouncements, could have a significant effect on our reported results for the affected periods. We are also subject to income and various other taxes in the numerous jurisdictions where we generate revenues. Increases in income or other tax rates could reduce our after-tax results from affected jurisdictions in which we operate.

Collective Bargaining Agreements and Organized Labor Action

Many of our employees at our operating locations are covered by collective bargaining agreements. If we are unable to renew such agreements on satisfactory terms, our labor costs could increase, which would affect our gross margins.

The security industry has been the subject of campaigns to increase the number of unionized employees. In addition, strikes or work stoppages at our locations could impair our ability to provide required services to our customers, which would reduce our revenues and expose us to customer claims. Although we believe that our relations with our employees are satisfactory, we cannot assure you that organized labor action at one or more of our operating locations will not occur, or that any such activities, or any other labor difficulties at our operating locations, would not materially affect our business, financial condition and results of operations.

Cost Management

Our ability to realize expectations will be largely dependent upon management and our ability to maintain or increase gross margins, which in turn will be determined in large part by management's ability to control our expenses. However, to a significant extent, certain costs are not within the control of management, and margins may be adversely affected by a number of items, including litigation expenses, fees incurred in connection with extraordinary business transactions, inflation, labor unrest, increased payroll and related costs. Our business, financial condition and results of operations will be adversely affected if the costs associated with these items are greater than we anticipate.

Collection of Accounts Receivable

The aviation industry in general poses a high degree of customer credit risk. Any default by one or more of our significant customers due to bankruptcy or otherwise could have a material adverse impact on our liquidity, results of operations and financial condition.

Loss of Large Customers

Our success depends in part upon retaining our large security and aviation services customers. In general, security services companies such as ours face the risk of losing customers as a result of the expiration or termination of a contract, or as a result of a merger or acquisition or business failure involving our large customers, or the selection by such customers of another provider of security services. We generate a significant portion of our revenues from large airline and security services customers, some of which are experiencing substantial financial difficulties. We cannot assure you that we will be able to retain all or a substantial portion of our long-term or significant customers or develop relationships with new significant customers in the future.

Loss of Key Management Personnel

Our success depends to a significant extent upon the talents and efforts of our key management personnel, several of whom have been with our company or have worked in our industry for decades. We have programs in place that have been designed to motivate, reward and retain such employees, including cash bonus and equity incentive plans. The loss or unavailability of any such management personnel, due to retirement, resignation or otherwise could have a material adverse effect on our business, financial condition and results of operations if we are unable to attract and retain highly qualified replacement personnel on a timely basis, or at all.

Concentration of Stock Ownership

Although none of our directors and officers has any agreement relating to the manner in which they will vote their shares of our common stock, such parties together own shares representing approximately 35% of the combined voting power of our outstanding common stock. The concentration of ownership among these shareholders could give them the power to influence the outcome of substantially all matters subject to a vote of our shareholders, including mergers, consolidations and the sale of all or substantially all of our assets. Such decisions may conflict with the interests of our other shareholders.

Stock Price Volatility

The stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. The market price of our common stock may also fluctuate as a result of variations in our operating results. Due to the nature of our business, the market price of the common stock may fall in response to a number of factors, some of which are beyond our control, including: announcements of competitive developments by others; changes in estimates of our financial performance or changes in recommendations by securities analysts; a loss of a major customer; additions or departures of key management or other personnel; future sale of our common or preferred stock; acquisitions or strategic alliances by us or our competitors; our historical and anticipated operating results; quarterly fluctuations in our financial and operating results; changes in market valuations of other companies that operate in our business markets or industry sector; and general market and economic conditions.

Information Systems/Technology

We are increasingly dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for electronic communications among our locations around the country and between our personnel and our customers and suppliers. Security breaches of this infrastructure can create disruptions, shutdowns or unauthorized disclosure of confidential information. If we are unable to prevent such breaches, our operations could be disrupted or we may suffer financial damage or loss because of lost or misappropriated information.

Changes in technologies that provide alternatives to security officer services or that decrease the number of security officers required to effectively perform their services may decrease our customers' demand for our security officer services. In addition, if such technologies become available generally for use in the industry, these technologies may be proprietary in nature and not be available for use by us in servicing our customers. Even if these technologies are available for use by us, we may not be able to successfully integrate such technologies into our business or we may be less successful in doing so than our competitors or new entrants in the industry. A decrease in the demand for our security officer services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

Regulation

We are subject to a large number of city, county and state occupational licensing laws and regulations that apply to security officers. Any liability we may have from our failure to comply with these regulations may materially and adversely affect our business by restricting our operations and subjecting us to potential penalties. If the current regulation and federalization of pre-board screening and documentation verification services provided by us is expanded into other areas such as general security and baggage handling at aviation facilities, our business, financial condition and results of operations could be materially adversely affected. In addition, our current and future operations may be subject to additional regulation as a result of, among other factors, new statutes and regulations and changes in the manner in which existing statutes and regulations are or may be interpreted.

Economic Downturn

During economic declines, some decisions to implement security programs and install systems may be deferred or cancelled. In other cases, customers may increase their purchases of security systems because they fear more inventory shrinkage and theft will occur due to increasing economic need. We are not able to accurately predict to what extent an economic slowdown will decrease the demand for our services. If demand for our services decreases, then our revenues will decline and the value of your investment in our company will be adversely affected.

Catastrophic Events

We are exposed to potential claims for catastrophic events, such as acts of terrorism, or based upon allegations that we failed to perform our services in accordance with contractual or industry standards. Our insurance coverage limits are currently $7,000,000 per occurrence for non-aviation related business (with an additional excess umbrella policy of $10,000,000) and $30,000,000 per occurrence for aviation related business. We retain the risk for the first $25,000 per occurrence on the non-aviation related policy that includes airport wheelchair and electric cart operations and $5,000 on the aviation related policy (except $25,000 for damage to aircraft and $100,000 for skycap operations). The Terrorism Risk Insurance Act of 2002 established a program within the United States Department of the Treasury, under which the federal government and the insurance industry, share the risk of loss from future “acts of terrorism,” as defined in such Act. We do not currently maintain additional insurance coverage for losses arising from “acts of terrorism.” In addition, terrorist attacks could have a material impact on us by increasing our insurance premium costs or making adequate insurance coverage unavailable.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of March 31, 2010, we did not own any real property. We occupy executive offices at Route 55, Lexington Park, Lagrangeville, New York, consisting of approximately 6,600 square feet with a base annual rental of $105,600 under a five-year lease expiring September 30, 2010. We are currently in discussions with the landlord to extend the lease term on our executive offices. We also lease office space at the following locations:

Location
668 N. 44th Street
#300
Phoenix, AZ

48521 Warm Springs Boulevard
Suite 301-302
Fremont, CA

8939 S. Sepulveda Boulevard
Suites 201 & 208
Los Angeles, CA

2194 Edison Avenue
Suite N, I & D
San Leandro, CA

2230 S. Fairview Avenue
Santa Ana, CA

3180 University Avenue
Suites 100
San Diego, CA

Norman Y. Mineta San Jose Int'l Airport
1661 Airport Boulevard
San Jose, CA

San Jose Int'l. Airport
1400 Coleman Avenue
Suites D24 & D25
Santa Clara, CA

100 N. Barrancha Avenue
#900
West Covina, CA

40 Richards Avenue
3rd Floor
Norwalk, CT

100 Wells Street
#2AB
Hartford, CT

Suite 208 Wilson Building
3511 Silverside Road
Concord Plaza
Wilmington, DE

3333 South Congress Avenue
Delray Beach, FL

800 Virginia Avenue
Suite 53
Ft. Pierce, FL

5775 Blue Lagoon Drive
Suite 310
Miami, FL

9730 South Western Avenue
Evergreen Plaza Shopping Center
Suite 237
Evergreen Park, IL

21 Cummings Park
Suite 224
Woburn, MA

1601 & 1605 Main Street
Springfield, MA

1006 West Street
First Floor
Laurel, MD

780 Elkridge Landing Road
Suite 220
Linthicum Heights, MD

Portland International Airport
1001 Westbrook Street
Portland, ME

310 Morris Avenue
Elizabeth, NJ

1767 Morris Avenue
Suite 101
First Floor
Union, NJ

1280 Route 46
3rd Floor
Parsippany, NJ

2204 Morris Avenue
Suite 302, 3rd Floor
Union, NJ

52 Oswego Street
Baldwinsville, NY

2144 Doubleday Avenue
Ballston Spa, NY

1458 Main Street
Buffalo, NY

LaGuardia International Airport
United Hangar #2, Rooms 328 & 329
Flushing, NY

JFK International Airport
175-01 Rockaway Boulevard
Jamaica, NY

17 Battery Place
Suite 223
New York, NY

720 Fifth Avenue
10th Floor
New York, NY

Two Gannett Drive
Suite 208
White Plains, NY

265 Sunrise Highway
Suites 41 & 44
Rockville Centre, NY

10121 SE Sunnyside Road
Suite 300
Clackamas, OR

29 Bala Avenue
Suite 118
Bala Cynwyd, PA

2 International Plaza
Suite 242
Philadelphia, PA

Pittsburgh International Airport
1000 Airport Boulevard
Ticketing Level of the Landside Terminal Building
Pittsburgh, PA

4101 Chain Bridge Road
Fairfax, VA

669 Elmwood Avenue
Suite B-4
Providence, RI

10

1250 Capital of Texas Highway South
Building III, Suite 400
Austin, TX

Seattle-Tacoma Int'l. Airport
17801 International Boulevard
Main Terminal Building
Room MT3469B
Seattle, WA

We believe that our existing properties are in good condition and are suitable for the conduct of our business.

ITEM 3. LEGAL PROCEEDINGS.

Except as described below, we are not a party to any material pending legal proceedings, other than ordinary routine litigation incidental to our business.

The nature of our business subjects us to claims or litigation alleging that we are liable for damages as a result of the conduct of our employees or others. Except for such litigation incidental to our business and other claims or actions that are not material, there are no pending legal proceedings to which we are a party or to which any of our property is subject.

The nature of our business is such that there is a significant volume of routine claims and lawsuits against us, the vast majority of which have never led to the award of substantial damages. We maintain general liability and workers' compensation insurance coverage that we believe is appropriate to the relevant level of risk and potential liability. Some of the claims brought against us could result in significant payments; however, the exposure to us for general liability claims is limited to the first $25,000 per occurrence on the non-aviation and airport wheelchair and electric cart operations related claims and $5,000 per occurrence on the aviation related claims, except $25,000 for damage to aircraft and $100,000 for skycap operations as well as any amount in excess of the maximum coverage provided by such policies. Any punitive damage award would not be covered by our general liability insurance policy. Also, the premiums we pay under our insurance policies may be adversely affected by an unfavorable claims history.

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

No matters were submitted to a vote of our security holders during the last quarter of our fiscal year ended March 31, 2010.

PART II

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

Our common stock was quoted on the OTC Bulletin Board Service until June 7, 2007 under the symbol "CMMD.OB." On June 8, 2007, our common stock began trading on the American Stock Exchange (the "AMEX") under the ticker symbol "MOC." On October 1, 2008, NYSE Euronext completed its acquisition of the AMEX, where our common shares were traded. As a result of this acquisition, our common shares are now traded on the NYSE Amex which is an exchange-regulated market. The NYSE Amex is regulated by Euronext. Shares of our common stock now trade on the NYSE Amex under the same and previous trading symbol "MOC."

The following table sets forth, for the calendar periods indicated, the high and low sales price for our common stock as reflected on the NYSE Amex for each full quarterly period within the two most recent fiscal years.

Last Sales Price Period (1)	Common stock market price	
	High	Low
2010		
First Quarter	$ 3.45	$ 2.69
Second Quarter	3.33	2.65
Third Quarter	2.73	1.89
Fourth Quarter	2.75	2.37
2009		
First Quarter	$ 4.02	$ 2.60
Second Quarter	3.55	2.80
Third Quarter	3.35	2.53
Fourth Quarter	3.64	2.76

(1) Reflects fiscal years ended March 31, 2010 and 2009 as indicated.

The above quotations do not include retail mark-ups, markdowns or commissions and represent prices between dealers and may not represent actual transactions. The past performance of our common stock is not necessarily indicative of the price at which it may trade in the future.

As of June 18, 2010 there were approximately 850 holders of our common stock.

To date, we have neither declared nor paid any cash dividends on shares of our common stock. Payment of dividends on our common stock, if any, will be within the discretion of our Board of Directors and will depend, among other factors, on the approval of our principal lender, our earnings and capital requirements and our operating and financial condition. At present, our anticipated capital requirements and growth plans are such that we intend to follow a policy of retaining earnings, if any, to finance our business operations and any growth in our business.

The graph below compares the cumulative total shareholder return on our common shares with the cumulative total return of (1) the Nasdaq Stock Market Index (U.S.) (the “Nasdaq Index”) and (2) an index of publicly traded companies with a Standard Industrial Classification Code (“SIC Code”) of between 7380 and 7389 (the “SIC Code Index”). This graph assumes that $100 was invested in each of (A) shares of our common stock, (B) the Nasdaq Index and (C) the SIC Code Index on March 31, 2003 and reflects the return through March 31, 2010 and assumes the reinvestment of dividends, if any. The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, possible future performance of our Common Stock.

THE INFORMATION CONTAINED IN THE STOCK PERFORMANCE GRAPH SHALL NOT BE DEEMED TO BE “SOLICITING MATERIAL” OR TO BE FILED WITH THE SEC, NOR SHALL SUCH INFORMATION BE INCORPORATED BY REFERENCE INTO ANY FUTURE FILING UNDER THE SECURITIES ACT OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT WE SPECIFICALLY INCORPORATE IT BY REFERENCE INTO SUCH FILING.

ITEM 6. SELECTED FINANCIAL DATA.

The financial data included in the table below has been derived from our financial statements as of and for the fiscal years ended March 31, 2010, 2009, 2008, 2007 and 2006, which have been audited by independent certified public accountants. This information should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our consolidated financial statements and related notes included in this Annual Report on Form 10-K. The dollar amounts presented below in this Item 6 are in thousands of dollars, except for per share data.

	Statements of Operations Data Years Ended March 31,				
	2010	2009	2008	2007	2006
Revenues	145,695	130,813	119,404	98,823	85,209
Gross profit	20,482	18,664	16,242	13,665	11,420
Operating income	3,704	3,008	2,969	1,135	8
Net income (loss)	1,632	1,282	2,474	1,240	(100)
Income (loss) per common share	.15	.12	.23	.12	(.01)
Weighted average number of common shares	10,848,375	10,772,613	10,733,797	10,137,970	8,834,952

	Balance Sheet Data at March 31,				
	2010	2009	2008	2007	2006
Working capital	9,423	7,106	6,097	6,514	6,838
Total assets	36,715	34,265	32,786	25,330	18,113
Short-term debt (1)	11,112	11,071	8,775	8,751	3,475
Long-term debt (2)	43	109	18	16	57
Stockholders' equity	16,783	14,722	13,360	9,104	7,625

(1) Our short-term debt includes the current maturities of long-term debt, obligations under capital leases and short term borrowings. See Notes 7, and 15, "Short-Term Borrowings" and "Commitments", respectively, to the financial statements for further discussion.

(2) Our long-term debt includes the long-term portion of obligations under capital leases.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and related notes thereto contained in this Annual Report. In this discussion, the words "Company", "we", "our" and "us" refer to Command Security Corporation.

FORWARD- LOOKING STATEMENTS

This section, Management's Discussion and Analysis of Financial Condition and Results of Operations, other sections of this Annual Report on Form 10-K and other reports and verbal statements made by our representatives from time to time may contain forward-looking statements that are based on our assumptions, expectations and projections about us and the security industry. These include statements regarding our expectations about revenues, our liquidity, or expenses and our continued growth, among others. You can identify these statements by forward-looking words such as "may," "expect," "anticipate," "contemplate," "believe," "estimate," "intends," and "continue" or similar words. You sh statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; and
- state other “forward-looking” information.

Such forward-looking statements by their nature involve a degree of risk and uncertainty. We caution you to not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We further caution you that a variety of factors, including but not limited to the factors described under Item 1A, “Risk Factors” and the following, could cause business conditions and our results to differ materially from what is contained in forward-looking statements:

- changes in general economic conditions in the United States and abroad;
- changes in the financial condition of our customers;
- legislation or regulatory environments, requirements or changes adversely affecting our business or the businesses in which our customers are engaged;
- cancellations and non-renewals of existing contracts;
- changes in our estimates of costs;

- war and/or terrorist attacks on facilities where services are or may be provided;
- outcomes of pending and future litigation;
- increasing competition by other companies;
- changes in interest rates;
- compliance with our loan covenants;
- changing interpretations of GAAP;
- the general volatility of the market price of our securities;
- the availability of qualified personnel;
- recoverability of claims against our customers and others by us and claims by third parties against us; and
- changes in estimates used in our critical accounting policies.

Other factors and assumptions not identified above were also involved in the formation of these forward-looking statements and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us.

All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We have based the forward-looking statements included in this Annual Report on information available to us on the date of this annual report and, except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we make directly to you or through reports that we in the future may file with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors including, but not limited to, those presented under “Risk Factors” included in Item 1A and elsewhere in this Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and accounts of our wholly-owned domestic subsidiaries. As of December 29, 2009, Strategic Security Services, Inc., Rodgers Police Patrol, Inc. and Command Security Services, Inc., the Company’s three wholly-owned subsidiaries, were merged with and into Command Security Corporation. All significant intercompany accounts and transactions have been eliminated in our consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. The estimates that we make include allowances for doubtful accounts, depreciation and amortization, income tax assets and insurance reserves. Estimates are based on historical experience, where applicable or other assumptions that management believes are reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results may differ from those estimates under different assumptions or conditions.

Revenue Recognition

We record revenues as services are provided to our customers. Revenues consist primarily of aviation and security services, which are typically billed at hourly rates. These rates may vary depending on base, overtime and holiday time worked. Revenue for administrative services provided to other security companies are calculated as a percentage of the administrative service customer's revenue and are recognized when billings for the related security services are generated. Revenue is reported net of applicable taxes.

Trade Receivables

We periodically evaluate the requirement for providing for billing adjustments and/or credit losses on our accounts receivable. We provide for billing adjustments where management determines that there is a likelihood of a significant adjustment for disputed billings. Criteria used by management to evaluate the adequacy of the allowance for doubtful accounts include, among others, the creditworthiness of the customer, current trends, prior payment performance, the age of the receivables and our overall historical loss experience. Individual accounts are charged off against the allowance as management deems them as uncollectible.

Intangible Assets

Intangible assets are stated at cost and consist primarily of customer lists and borrowing costs that are being amortized on a straight-line basis over three to ten years and goodwill which is reviewed annually for impairment. The life assigned to customer lists acquired is based on management's estimate of the attrition rate. The attrition rate is estimated based on historical contract longevity and management's operating experience. We test for impairment annually or when events and circumstances warrant such a review, if sooner. Any potential impairment is evaluated based on anticipated undiscounted future cash flows and actual customer attrition in accordance with FASB ASC 360, Property, Plant, and Equipment.

Insurance Reserves

General liability estimated accrued liabilities are calculated on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed utilizing historical claim trends. Projected settlements and incurred but not reported claims are estimated based on pending claims, historical trends and data.

Workers' compensation annual premiums are based on the incurred losses as determined at the end of the coverage period, subject to minimum and maximum premium. Estimated accrued liabilities are based on our historical loss experience and the ratio of claims paid to our historical payout profiles.

Income Taxes

Income taxes are based on income (loss) for financial reporting purposes and reflect a current tax liability (asset) for the estimated taxes payable (recoverable) in the current year tax return and changes in deferred taxes. Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized. In the event that interest and/or penalties are assessed in connection with our tax filings, interest will be recorded as interest expense and penalties as selling, general and administrative expense.

Stock Based Compensation

FASB ASC 718, Stock Compensation, requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values at grant date and the recognition of the related expense over the period in which the share-based compensation vests. We were required to adopt the provisions of FASB ASC 718 effective July 1, 2005 and use the modified-prospective transition method. Under the modified-prospective transition method, we recognize compensation expense in our financial statements issued subsequent to the date of adoption for all share-based payments granted, modified or settled after July 1, 2005. The adoption of FASB ASC 718 resulted in non-cash charges of $140,528, $172,097 and $239,900 for stock based compensation for the years ended March 31, 2010, 2009 and 2008, respectively.

OVERVIEW

We principally provide uniformed security officers and aviation services to commercial, residential, financial, industrial, aviation and governmental customers through more than 40 Company-offices in 20 states throughout the United States. In conjunction with providing these services, we assume responsibility for a variety of functions, including recruiting, hiring, training and supervising all operating personnel as well as paying such personnel and providing them with uniforms, fringe benefits and workers' compensation insurance.

Our customer-focused mission is to provide the best personalized supervision and management attention necessary to deliver timely and efficient security solutions so that our customers can operate in safe environments without disruption or loss. Technology underpins our efficiency, accuracy and dependability. We use a sophisticated software system that integrates scheduling, payroll and billing functions, giving customers the benefit of customized programs using the personnel best suited to the job.

Renewing and extending existing contracts and obtaining new contracts are crucial to our ability to generate revenues, earnings and cash flow. In addition, our growth strategy involves the acquisition and integration of complementary businesses in order to increase our scale within certain geographical areas, capture market share in the markets in which we operate and improve our profitability. We intend to pursue acquisition opportunities for contract security officer businesses. We frequently evaluate acquisition opportunities and, at any given time, may be in various stages of due diligence or preliminary discussions with respect to a number of potential acquisitions. However, we cannot assure you that we will identify any suitable acquisition candidates or, if identified, that we will be able to complete the acquisition of such candidates on favorable terms or at all.

We expect that security will continue to be a key area of focus both domestically in the United States and internationally.

RESULTS OF OPERATIONS

Earnings

Our net income for the fiscal year ended March 31, 2010 was $1,631,639. Our net income resulted primarily from: (i) the commencement of security services during the first quarter of fiscal 2010 under a new contract to provide such services to a major transportation company at approximately 120 locations in twenty-one states throughout the eastern and western regions of the United States; (ii) expansion of security services provided to new and existing customers, including several of the nation's largest banks, a large grocery market distribution center in California, a company that provides merchandising and distribution services to a major grocery retailer in New Jersey, a world leader in electronic design automation and a worldwide innovative technology company; (iii) the acquisition of two security services businesses in Florida in September 2008; (iv) improved margins principally in our aviation services locations resulting from successful cost control measures including reductions in overtime hours; and (v) lower weighted average interest rates and outstanding borrowings under our commercial revolving loan agreement. The increase in net income was partially offset by decreases in the current year period as compared with the same period last year primarily due to: (i) the loss of contracts for skycap, wheelchair and cargo services previously provided to Delta Air Lines ("Delta") at John F. Kennedy International Airport in New York ("JFK"); (ii) reductions of service hours for several of our airline and security services customers which we believe is primarily resulting from a downturn in their respective businesses; and (iii) higher workers' compensation reserves associated with increased potential future costs for certain existing claims.

Our net income for the fiscal year ended March 31, 2009 was $1,281,883. Our net income resulted primarily from: (i) the acquisitions of security services businesses in Florida (September 2008) and Maryland (January 2008); (ii) expanded security services provided to new and existing customers, including (but not limited to) a major medical center, a New York based hospital center, a major international commercial bank, a large grocery market distribution center in California and a company that provides merchandising and distribution services to a major grocery retailer in New Jersey, (iii) expanded aviation services provided to new and existing customers at John F. Kennedy International Airport ("JFK") and LaGuardia Airport in New York; and (iv) lower weighted average interest rates under our commercial revolving loan agreement. Net income decreased in the current year period as compared with the same period last year primarily due to: (i) the loss of business at seven domestic airport locations resulting from a change in government regulations that requires the Transportation Security Administration ("TSA") to provide certain document verification services that we formerly provided at these airports; and (ii) a higher effective tax rate in the current year period primarily resulting from the recognition of deferred tax assets in the prior fiscal year.

Revenues

Our revenues for the fiscal year ended March 31, 2010 increased by $14,881,386, or 11.4%, to $145,694,630 from $130,813,244 in fiscal 2009. The increase was due mainly to: (i) the commencement of security services during the first quarter of fiscal 2010 under a new contract to provide such services to a major transportation company at approximately 120 locations in twenty-one states throughout the eastern and western regions of the United States that generated additional aggregate revenues of approximately $23,300,000 during such period, (ii) expansion of security services provided to new and existing customers, including several of the nation's largest banks, a large grocery market distribution center in California, a company that provides merchandising and distribution services to a major grocery retailer in New Jersey, a world leader in electronic design automation and a worldwide innovative technology company resulting in additional aggregate revenues of approximately $5,500,000; and (iii) the acquisition of two security services businesses in Florida in September 2008 that generated aggregate revenues of approximately $1,450,000. The increase in our revenues was partially offset by: (i) the loss of revenues associated with skycap, wheelchair and cargo services previously provided to Delta at JFK of approximately $7,400,000; (ii) reduced demand for our services from several of our airline customers that we believe is primarily related to trends in the aviation industry toward reduced capacity, which resulted in reductions of service hours that we provided to such carriers and a corresponding reduction of revenues from such carriers or an aggregate of approximately $3,400,000; and (iii) reductions in service hours for several of our security services customers which we believe is principally attributable to current economic conditions affecting their businesses.

Our revenues for the fiscal year ended March 31, 2009 increased by $11,409,379, or 9.6%, to $130,813,244 from $119,403,865 in fiscal 2008. The increase was primarily due to: (i) expanded security services provided to new and existing customers, including, but not limited to, a major medical center, a New York based hospital center, a major international commercial bank, a large grocery market distribution center in California and a company that provides merchandising and distribution services to a major grocery retailer in New Jersey, resulting in additional aggregate revenues of approximately $9,000,000; (ii) the acquisitions of security services businesses in Florida (September 2008) and Maryland (January 2008), which generated aggregate revenues of approximately $3,500,000; and (iii) expanded aviation services to new and existing customers at our terminal operations at Los Angeles International Airport in California and JFK and LaGuardia Airport in New York, which generated additional aggregate revenues of approximately $3,400,000. The increase in revenues was partially offset by: (i) the loss of revenues at seven domestic airport locations of approximately $2,800,000 resulting from a change in government regulations that requires the TSA to provide certain document verification services that we formerly provided at these airports; and (ii) several of our airline customers continuing to reduce capacity within their systems which resulted in reductions of service hours that we provided to such carriers.

Gross Profit

Our gross profit for the fiscal year ended March 31, 2010 increased by $1,818,192, or 9.7%, to $20,482,410 (14.1% of revenues), from $18,664,218 (14.3% of revenues) for fiscal 2009. The increase was due mainly to: (i) the commencement of security services during the first quarter of fiscal 2010 under a new contract to provide such services to a major transportation company throughout the eastern and western regions of the United States as described above; (ii) expanded security services provided to new and existing customers as described above; (iii) the acquisition of two security services businesses in Florida in September 2008; and (iv) improved margins principally in our aviation services locations resulting from successful cost control measures including reductions in overtime hours. The increase in gross profit was partially offset by: (i) the loss of Delta skycap, wheelchair and cargo services at JFK as noted above; (ii) reductions of service hours for several of our airline and security services customers which we believe is primarily resulting from a downturn in their respective businesses; and (iii) higher workers' compensation reserves associated with increased potential future costs for certain existing claims.

Our gross profit for the fiscal year ended March 31, 2009 increased by $2,421,941, or 14.9%, to $18,664,218 (14.3% of revenues), from $16,242,277 (13.6% of revenues) for fiscal 2008. The increase resulted primarily from: (i) the acquisitions of security services businesses in Florida (September 2008) and Maryland (January 2008); (ii) expanded security services provided to new and existing customers as described above; and (iii) expanded aviation services provided to new and existing customers at JFK and LaGuardia Airport in New York. The increase in our gross profit was partially offset by the loss to the TSA of certain document verification services and airline capacity reductions, described above.

We have an insurance policy covering workers' compensation claims in States in which we perform services. Estimated accrued liabilities are based on our historical loss experience and the ratio of claims paid to our historical payout profiles. Charges for estimated workers' compensation related losses incurred and included in cost of sales were $2,870,685, $1,656,742 and $1,609,009, for the fiscal years ended March 31, 2010, 2009 and 2008, respectively.

The nature of our business also subjects us to claims or litigation alleging that we are liable for damages as a result of the conduct of our employees or others. We insure against such claims and suits through general liability policies with third-party insurance companies. Our insurance coverage limits are currently $7,000,000 per occurrence for non-aviation related business (with an additional excess umbrella policy of $10,000,000) and $30,000,000 per occurrence for aviation related business. We retain the risk for the first $25,000 per occurrence on the non-aviation related policy which includes airport wheelchair and electric cart operations, and $5,000 on the aviation related policy except for $25,000 for damage to aircraft and $100,000 for skycap operations. Estimated accrued liabilities are based on specific reserves in connection with existing claims as determined by third party risk management consultants and actuarial factors and the timing of reported claims. These are all factored into estimated losses incurred but not yet reported to us.

General and Administrative Expenses

Our general and administrative expenses for the fiscal year ended March 31, 2010 increased by $979,038 to $16,330,059 (11.2% of revenues), from $15,351,021 (11.7% of revenues) in fiscal 2009. The increase in general and administrative expenses resulted primarily from higher: (i) administrative payroll and related costs of approximately $814,000 associated primarily with expanded operations, including the acquisitions in Florida and new contract awards noted above, additional investment in our sales and marketing group and the hiring of our Chief Executive Officer; (ii) facility and related office costs; (iii) insurance related costs and (iv) amortization costs associated with the acquisitions in Florida in September 2008, noted above.

Our general and administrative expenses for the fiscal year ended March 31, 2009 increased by $1,925,859 to $15,351,021 (11.7% of revenues), from $13,425,162 (11.2% of revenues) in fiscal 2008. The increase in general and administrative expenses resulted primarily from higher: (i) administrative payroll and related costs of approximately $1,800,000 associated primarily with expanded operations, including the acquisitions in Florida and Maryland noted above, additional investment in our sales and marketing group and the addition of a Chief Executive Officer; (ii) professional and related fees and (iii) insurance related costs. The increase in our general and administrative expenses was partially offset by reductions of approximately $140,000 resulting mainly from: (i) lower stock compensation costs; and (ii) the absence in the current year period of expenses associated with our initial listing of our common shares on the American Stock Exchange in fiscal 2008.

Provision for Doubtful Accounts

The provision for doubtful accounts for the fiscal year ended March 31, 2010 increased by $108,014 to $455,194, compared with $347,180 in fiscal 2009. The increase is due mainly to an additional bad debt charge of $150,000 recorded in the fourth quarter of fiscal 2010 in connection with a large medical center customer located in the New York Metropolitan area that filed for protection under Chapter 11 of the bankruptcy code in April 2010.

The provision for doubtful accounts for the fiscal year ended March 31, 2009 decreased by $12,495 to $347,180, compared with $359,675 in fiscal 2008. The decrease was due mainly to the timing and amounts of uncollectible accounts charged and/or credited to expense between the current and prior year periods.

We periodically evaluate the requirement for providing for billing adjustments and/or credit losses on our accounts receivable. We provide for billing adjustments where our management determines that there is a likelihood of a significant adjustment for disputed billings. Criteria used by management to evaluate the adequacy of the allowance for doubtful accounts include, among others, the creditworthiness of the customer, current trends, prior payment performance, the age of the receivables and our overall historical loss experience. Individual accounts are charged off against the allowance as management deems them as uncollectible. We do not know if bad debts will increase in future periods nor does our management believe that the decrease during the fiscal year ended March 31, 2010 compared with the same period of the prior year is necessarily indicative of a trend.

Bad Debt Recoveries

Bad debt recoveries for the fiscal year ended March 31, 2010 decreased by $34,530 to $7,094, from $41,624 in fiscal 2009 due mainly to the timing of recoveries related to accounts receivable previously recorded as bad debts.

Bad debt recoveries for the fiscal year ended March 31, 2009 decreased by $469,969 to $41,624, from $511,593 in fiscal 2008 due mainly to the absence in the current year period of a recovery of approximately $412,000 related primarily to the stock that we received under our claim related to the bankruptcy filing of Northwest Airlines.

Interest Income

Interest income for the fiscal year ended March 31, 2010 principally represents interest earned on cash balances. Interest income in fiscal 2010 decreased as a result of lower weighted average trust fund balances due to payments on related workers’ compensation claims, as well as a reduction in the rate at which interest accrues on such balances.

Interest income for the fiscal year ended March 31, 2009 principally represents interest earned on: (i) cash balances and (ii) trust funds for potential future workers’ compensation claims. Interest income in fiscal 2009 decreased as a result of lower trust fund balances due to favorable trending for potential future workers’ compensation claims, as well as a reduction in the rate at which interest accrues on such balances.

Interest Expense

Interest expense for the fiscal year ended March 31, 2010 decreased by $62,027 to $452,426, from $514,453 in fiscal 2009. The decrease is due mainly to lower weighted average interest rates which were partially offset by higher weighted average outstanding borrowings under our commercial revolving loan agreement.

Interest expense for the fiscal year ended March 31, 2009 decreased by $269,216 to $514,453, from $783,669 in fiscal 2008. The decrease is due mainly to lower weighted average interest rates under our commercial revolving loan agreement.

Equipment Dispositions

Equipment dispositions are a result of the sale of vehicles, office equipment and security equipment at prices above or below book value.

The $3,504 gain on equipment dispositions for the fiscal year ended March 31, 2010 was primarily due to the disposition of Company vehicles at amounts in excess of their respective book values.

The $24,803 gain on equipment dispositions for the fiscal year ended March 31, 2009 was primarily due to the disposition of Company vehicles at amounts in excess of their respective book values.

Provision for Income Taxes

Provision for income taxes for the fiscal year ended March 31, 2010 increased by $361,561 to $1,625,700 from $1,264,139 in fiscal 2009 due mainly to an increase in our pre-tax earnings in the current year period. We have determined based on our expectations for the future that it is more likely than not that future taxable income will be sufficient to utilize fully the net deferred tax assets at March 31, 2010 and 2009.

Provision for income taxes for the fiscal year ended March 31, 2009 increased $1,424,139 to $1,264,139 from a tax benefit of $160,000 in fiscal 2008 due mainly to a higher effective tax rate in the current year period and the recognition of deferred tax assets in the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

We pay employees and administrative service customers on a weekly basis, while customers pay for services generally within 60 days after billing by us. In order to fund our payroll and operations, we maintain a commercial revolving loan arrangement, currently with Wells Fargo, to fund our payroll and operations.

Our principal use of short-term borrowings is for carrying accounts receivable. Our short-term borrowings have supported the increase in accounts receivable associated with our ongoing expansion and organic growth. We intend to continue to use our short-term borrowings to support our working capital requirements.

We believe that our existing funds, cash generated from operations, and existing sources of and access to financing are adequate to satisfy our working capital, capital expenditure and debt service requirements for the foreseeable future. However, we cannot assure you that this will be the case, and we may be required to obtain alternative or additional financing to maintain and expand our existing operations through the sale of our securities, an increase in our credit facilities or otherwise. The failure by us to obtain such financing, if needed, would have a material adverse effect upon our business, financial condition and results of operations.

CIT Revolving Loan

Until March 21, 2006, we were parties to a financing agreement (the "Agreement") with CIT that had a term of 3 years ending December 12, 2006 and provided for borrowings in an amount up to 85% of our eligible accounts receivable, as defined in the Agreement, but in no event more than $15,000,000. The Agreement also provided for advances against unbilled revenue (primarily monthly invoiced accounts) although this benefit was offset by a reserve against all outstanding payroll checks. Borrowings under the Agreement bore interest at the prime rate (as defined in the Agreement) plus 1.25% per annum on the greater of: (i) $5,000,000 or (ii) the average of the net balances owed by us to CIT in the loan account at the close of each day during the applicable month for which interest was calculated. Costs to close the loan totaled $279,963 and were amortized over the three year life of the Agreement, as extended (see below).

On March 22, 2006, we entered into an Amended and Restated Financing Agreement with CIT (the "Amended and Restated Agreement"), which provided for borrowings as noted above, but in no event more that $12,000,000. The Amended and Restated Agreement provided for a letter of credit sub-line in an aggregate amount of up to $1,500,000. Under the Amended and Restated Agreement, letters of credit were subject to a two percent (2%) per annum fee on the face amount of each letter of credit. The Amended and Restated Agreement provided for interest to be calculated on the outstanding principal balance of the revolving loans at the prime rate (as defined in the Amended and Restated Agreement) plus .25%, if our EBITDA (as defined in the Amended and Restated Agreement) was equal to or less than $500,000 for the most recently completed fiscal quarter; otherwise, the outstanding principal balance bore interest at the prime rate. For LIBOR loans, interest was calculated on the outstanding principal balance of the LIBOR loans at the LIBOR rate (as defined in the Amended and Restated Agreement) plus 2.75%, if our EBITDA was equal to or less than $500,000 for the most recently completed fiscal quarter; otherwise, the outstanding principal balance bore interest at the LIBOR rate plus 2.50%.

On April 12, 2007, we entered into an amendment to the Amended and Restated Agreement ("the Amended Agreement"). Under the Amended Agreement, the aggregate amount that we could borrow from CIT under the credit facility was increased from $12,000,000 to $16,000,000, and CIT also provided us with a $2,400,000 acquisition advance to fund the cash requirements associated with the acquisition of a security services business. Further, the Amended Agreement extended of the maturity date of this credit facility to December 12, 2008, reduced certain fees and availability reserves and increased the letter of credit sub-line to an aggregate amount of up to $3,000,000. Under the Amended Agreement, letters of credit were subject to a one and three-quarters percent (1.75%) per annum fee on the fact amount of each letter of credit. The Amended Agreement provided that interest was calculated on the outstanding principal balance of the revolving loans at the prime rate (as defined in the Amended Agreement) less .25%. For LIBOR loans, interest was calculated on the outstanding principal balance of the LIBOR loans at the LIBOR rate (as defined in the Amended Agreement) plus 2.0%.

On October 10, 2008, we amended the Amended Agreement to extend the maturity date of the CIT credit facility to December 31, 2008 and to reduce the written notice period required to terminate the Amended Agreement from 60 days to 30 days.

On November 24, 2008, we amended the Amended Agreement to extend the maturity date of the CIT credit facility to March 31, 2009. The amendment also provided for interest to be calculated on the outstanding principal balance of the revolving loans at the prime rate (as defined in the Amended Agreement) plus 3.50%. For LIBOR loans, interest will be calculated on the outstanding principal balance of the LIBOR loans at the LIBOR rate (as defined in the Amended Agreement) plus 3.50%. In addition, the Company agreed to pay CIT a fee (the "Amendment Fee") in consideration for the extension provided to the Company under this amendment in the amount of $20,000. The Amendment Fee was payable as follows: (i) If the Obligations (as defined in the Amended Agreement) were paid in full on or before January 31, 2009, the entire Amendment Fee shall be forgiven; (ii) If the Obligations (as defined in the Amended Agreement) were not paid on or before January 31, 2009, a portion of the Amendment Fee in the amount of $7,500 must be paid on or before February 1, 2009; (iii) If the Obligations (as defined in the Amended Agreement) were paid in full on or before February 27, 2009, then the unpaid balance of the Amendment Fee shall be forgiven; and (iv) If the Obligations (as defined in the Amended Agreement) were not paid on or before February 27, 2009, then the unpaid balance of the Amendment Fee must be paid on or before March 2, 2009.

Wells Fargo Revolving Loan

On February 12, 2009, we entered into a new $20,000,000 credit facility with Wells Fargo (the "Credit Agreement"). This new credit facility, which matures in February 2012, contains customary affirmative and negative covenants, including, among other things, covenants requiring us to maintain certain financial ratios. This new facility replaced our existing $16,000,000 revolving credit facility with CIT, and was used to refinance outstanding indebtedness under that facility, to pay fees and expenses in connection therewith and, thereafter, for working capital (including acquisitions), letters of credit and other general corporate purposes.

The Credit Agreement provides for a letter of credit sub-line in an aggregate amount of up to $3,000,000. The Credit Agreement also provides for interest to be calculated on the outstanding principal balance of the revolving loans at the prime rate (as defined in the Credit Agreement) plus 1.50%. For LIBOR loans, interest will be calculated on the outstanding principal balance of the LIBOR loans at the LIBOR rate (as defined in the Credit Agreement) plus 2.75%.

As of March 31, 2010, the interest rates were 4.75% and 3.00% for revolving and LIBOR loans under the Credit Agreement, respectively. Closing costs for the Credit Agreement totaled $314,706 and are being amortized over the three year life of the Credit Agreement.

As of March 31, 2010, we had borrowed $9,000,000 in LIBOR loans and had approximately $169,000 letters of credit outstanding representing approximately 54% of the maximum borrowing capacity under the Credit Agreement based on our "eligible accounts receivable" (as defined under the Credit Agreement) as of such date.

We rely on our revolving loan from Wells Fargo which contains a fixed charge covenant and various other financial and non-financial covenants. If we breach a covenant, Wells Fargo has the right to immediately request the repayment in full of all borrowings under the Credit Agreement, unless Wells Fargo waives the breach. For the fiscal year ended March 31, 2010, we were in compliance with all covenants under the Credit Agreement.

Cash Flows

The following table summarizes our cash flow activity for the fiscal years ended March 31, 2010, 2009 and 2008:

	2010	2009	2008
Net cash provided by operating activities	$ 5,282,957	$ 410,620	$ 2,145,225
Net cash used in investing activities	(166,968)	(1,536,327)	(2,277,876)
Net cash (used in) provided by financing activities	(4,081,052)	1,155,936	59,393

Investing

We finance vehicle purchases typically over three years and insurance through short-term borrowings. We have no material commitments for capital expenditures at this time.

Financing

During the fiscal year ended March 31, 2010, we increased our short-term borrowings principally to support higher accounts receivable associated with our ongoing expansion and organic growth.

The Company may obtain short-term financing to meet its insurance needs. For the fiscal year ended March 31, 2010, $3,618,554 was borrowed for this purpose.

Working Capital

Working capital increased by $2,317,414 to $9,423,458 as of March 31, 2010, from $7,106,044 as of March 31, 2009.

We experienced checks issued in advance of deposits (defined as checks drawn in advance of future deposits) of $739,206 as of March 31, 2010, compared with $1,149,038 at March 31, 2009. Cash balances and book overdrafts can fluctuate materially from day to day depending on such factors as collections, timing of billing and payroll dates, and are covered via advances from the revolving loan as checks are presented for payment.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are currently material or reasonably likely to be material to our financial position or results of operations.

Contractual Obligations

The impact that our contractual obligations as of March 31, 2010 are expected to have on our liquidity and cash flow in future periods is as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Capital lease obligations	$ 159,163	$ 115,928	$ 43,235	$ —	$ —
Operating lease obligations	2,564,588	1,479,823	1,080,184	4,581	—
Purchase obligations (1)	57,965	57,965	—	—	—
Total	$ 2,781,716	$ 1,653,716	$ 1,123,419	$ 4,581	$ —

(1) Purchase obligations include an agreement to purchase uniform cleaning services that is legally binding on we and that specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

OUTLOOK

Financial Results

Future revenues will be largely dependent upon our ability to gain additional business from new and existing customers in our security and aviation services divisions at acceptable margins while minimizing terminations of contracts with existing customers. Our security services division has started to experience both organic and transactional growth over recent quarters after a reduction over the past few years as contracts with unacceptable margins were cancelled. Our current focus is on increasing revenues while our sales and marketing team and branch managers work to develop new business and retain profitable contracts. The airline industry continues to increase its demand for third party services provided by us; however, several of our airline customers have continued to reduce capacity within their system which results in reductions of service hours provided by us to such carriers. Additionally, our aviation services division is continually subject to government regulation, which has adversely affected us in the past with the federalization of the pre-board screening services and the document verification process at several of our domestic airport locations.

We expect our gross profit margins to average between 14.0% and 15.0% of revenue for fiscal year 2011 based on current business conditions. We expect gross profit to remain under pressure due primarily to continued price competition. However, we expect these effects to be moderated by continued operational efficiencies resulting from better management and leveraging of our cost structures, improved workers' compensation experience ratings, workflow process efficiencies associated with our integrated financial software system and higher contributions from our continuing new business development.

Our cost reduction program is expected to reduce certain of our operating and general and administrative expenses in future periods. Additional cost reduction opportunities are being identified and will be pursued as they are determined.

The aviation services division represents approximately 50% of our total revenues and Delta, with annual billings of approximately $12,660,000 during fiscal 2010, is the largest customer of our aviation services division representing, on an annual basis, approximately 18% of the revenues from our aviation services division and 9% of our total revenues. The aviation industry continues to face various financial and other challenges, including the cost of security and higher fuel prices. Additional bankruptcy filings by aviation and non-aviation customers could have a material adverse impact on our liquidity, results of operations and financial condition.

As described above on February 12, 2009, we entered into a new $20,000,000 credit facility (the "Credit Agreement") with Wells Fargo. As of the close of business on June 18, 2010, our cash availability was approximately $6,700,000, which we believe is sufficient to meet our needs for the foreseeable future barring any increase in reserves imposed by Wells Fargo. We believe that existing funds, cash generated from operations, and existing sources of and access to financing are adequate to satisfy our working capital, capital expenditure and debt service requirements for the foreseeable future, barring any increase in reserves imposed by Wells Fargo. However, we cannot assure you that this will be the case, and we may be required to obtain alternative or additional financing to maintain and expand our existing operations through the sale of our securities, an increase in credit facilities or otherwise. The financial markets generally, and the credit markets in particular, are and have been experiencing substantial turbulence and turmoil, and extreme volatility, both in the United States and, increasingly, in other markets worldwide. The current market situation has resulted generally in substantial reductions in available loans to a broad spectrum of businesses, increased scrutiny by lenders of the credit-worthiness of borrowers, more restrictive covenants imposed by lenders upon borrowers under credit and similar agreements and, in some cases, increased interest rates under commercial and other loans. If we require alternative or additional financing at this or any other time, we cannot assure you that such financing will be available upon commercially acceptable terms or at all. If we fail to obtain additional financing when and if required by us, our business, financial condition and results of operations would be materially adversely affected.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the fiscal year ended March 31, 2010, we did not hold a portfolio of securities instruments for either trading or speculative purposes. Periodically, we hold securities instruments for other than trading purposes. Due to the short-term nature of our investments, we believe that we have no material exposure to changes in the fair value as a result of market fluctuations.

We are exposed to market risk in connection with changes in interest rates, primarily in connection with outstanding balances under our revolving line of credit with Wells Fargo, which was entered into for purposes other than trading purposes. Based on our average outstanding balances during the fiscal year ended March 31, 2010, a 1% change in the prime lending rate could impact our financial position and results of operations by approximately $100,000 over the next fiscal year. For additional information on the revolving line of credit with Wells Fargo, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Reference is made to Item 7 of Part II of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward Looking Statements."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is incorporated herein by reference to the financial statements and schedule listed in Item 15 (a)(1) and (a)(2) of Part IV of this Form 10-K Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A(T). CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, regarding the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures as of March 31, 2010 have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Management's Report on Internal Control Over Financial Reporting.

(a) Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2010 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation our management concluded that our internal control over financial reporting was effective as of March 31, 2010 and for the period then ended.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

(b) There has been no change in our internal control over financial reporting identified in an evaluation thereof that occurred during the fourth quarter of fiscal 2010 that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item 10 will be set forth in our Proxy Statement for our 2010 Annual Meeting of Stockholders which is expected to be filed with the SEC within 120 days of the close of the our fiscal year ended March 31, 2010 (the “2010 Proxy Statement”) under the caption “Directors, Executive Officers and Corporate Governance,” and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item 11 will be set forth in the 2010 Proxy Statement under the captions “Executive Compensation” and “Director Compensation and Stock Ownership Guidelines,” and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item 12 will be set forth in the 2010 Proxy Statement under the captions “Common Stock Ownership of Certain Beneficial Owners and Management” and “Executive Compensation-Equity Compensation Plan Information,” and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item 13 will be set forth in the 2010 Proxy Statement under the captions “Certain Relationships and Related Transactions” and “Director Independence,” and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item 14 will be set forth in the 2010 Proxy Statement under the caption “Principal Accountant Fees and Services,” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)