

1 Lionel Z. Glancy (#134180)
 2 Robert V. Prongay (#270796)
 3 Lesley F. Portnoy (#304851)
 4 Charles Linehan (#307439)
 5 Pavithra Rajesh (#323055)
GLANCY PRONGAY & MURRAY LLP
 6 1925 Century Park East, Suite 2100
 7 Los Angeles, California 90067
 8 Telephone: (310) 201-9150
 9 Facsimile: (310) 201-9160
 10 Email: info@glancylaw.com

11 *Attorneys for Frederic Haghebaert*

12
 13 **UNITED STATES DISTRICT COURT**
 14 **CENTRAL DISTRICT OF CALIFORNIA**

15 FREDERIC HAGHEBAERT,
 16 Individually and On Behalf of All
 17 Others Similarly Situated,

18 Plaintiff,

19 v.

20 TANDY LEATHER FACTORY, INC.,
 21 JANET CARR, TINA L. CASTILLO,
 22 and SHANNON L. GREENE,

23 Defendants.

Case No.

**CLASS ACTION COMPLAINT
 FOR VIOLATIONS OF THE
 FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

1 Plaintiff Frederic Haghebaert (“Plaintiff”), individually and on behalf of all
2 others similarly situated, by and through his attorneys, alleges the following upon
3 information and belief, except as to those allegations concerning Plaintiff, which are
4 alleged upon personal knowledge. Plaintiff’s information and belief is based upon,
5 among other things, his counsel’s investigation, which includes without limitation:
6 (a) review and analysis of regulatory filings made by Tandy Leather Factory, Inc.
7 (“Tandy” or the “Company”) with the United States (“U.S.”) Securities and
8 Exchange Commission (“SEC”); (b) review and analysis of press releases and media
9 reports issued by and disseminated by Tandy; and (c) review of other publicly
10 available information concerning Tandy.

11 **NATURE OF THE ACTION AND OVERVIEW**

12 1. This is a class action on behalf of persons and entities that purchased or
13 otherwise acquired Tandy securities between March 7, 2018 and August 15, 2019,
14 inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under
15 the Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. Tandy is a specialty retailer that sells leather and leathercraft related
17 items such as quality tools, hardware, accessories, liquids, lace, kits and teaching
18 materials.

19 3. On August 13, 2019, after the market closed, the Company disclosed
20 that its Audit Committee was investigating “certain aspects of the Company’s
21 methods of valuation and expensing of costs of inventory and related issues
22 regarding the Company’s business and operations.”

23 4. On this news, the Company’s share price fell \$0.55 per share, or over
24 10%, over two consecutive trading sessions to close at \$4.90 per share on August
25 15, 2019, on unusually high trading volume.

26 5. On August 15, 2019, after the market closed, the Company filed a Form
27 12b-25 Notification of Late Filing with the SEC, stating that it was unable to timely
28

1 file the Company's quarterly report for the period ended June 30, 2019 due to the
2 Audit Committee's investigation.

3 6. On this news, the Company's share price fell \$0.40 per share, or over
4 8%, to close at \$4.50 per share on August 16, 2019, on unusually high trading
5 volume.

6 7. On October 18, 2019, the Company revealed that certain financial
7 statements should no longer be relied upon, citing "misstatements primarily relating
8 to the Company's methods of valuation and expensing of costs of inventory and
9 related issues." It also disclosed that its Chief Financial Officer and Treasurer, Tina
10 Castillo, had resigned from her positions.

11 8. On October 21, 2019, the Company disclosed that the errors included:
12 (i) inventory was stated using a methodology that attempted to approximate FIFO;
13 (ii) warehousing and handling expenditures were not capitalized in the first and third
14 quarters but were subsequently corrected on a semi-annual basis; and (iii)
15 warehousing and handling expenditures were classified as operating expenses,
16 resulting in overstatement of operating expenses.

17 9. Throughout the Class Period, Defendants made materially false and/or
18 misleading statements, as well as failed to disclose material adverse facts about the
19 Company's business, operations, and prospects. Specifically, Defendants failed to
20 disclose to investors: (1) that certain costs of inventory had been improperly valued
21 and expensed; (2) that, as a result, the Company's financial results for certain
22 periods were misstated; (3) that the Company lacked effective internal control over
23 financial reporting; (4) that there was a material weakness in the Company's internal
24 control over financial reporting; and (5) that, as a result of the foregoing,
25 Defendants' positive statements about the Company's business, operations, and
26 prospects, were materially misleading and/or lacked a reasonable basis.

27
28

1 16. Defendant Tandy is incorporated under the laws of Delaware with its
2 principal executive offices located in Fort Worth, Texas. Tandy's common stock
3 trades on the NASDAQ exchange under the symbol "TLF."

4 17. Defendant Janet Carr ("Carr") has been the Chief Executive Officer
5 ("CEO") of the Company since October 2018.

6 18. Defendant Tina L. Castillo ("Castillo") was, at all relevant times, the
7 Chief Financial Officer ("CFO") of the Company.

8 19. Defendant Shannon L. Greene ("Greene") was the CEO of the
9 Company from June 2016 to October 2018.

10 20. Defendants Carr, Castillo, and Greene (collectively the "Individual
11 Defendants"), because of their positions with the Company, possessed the power
12 and authority to control the contents of the Company's reports to the SEC, press
13 releases and presentations to securities analysts, money and portfolio managers and
14 institutional investors, *i.e.*, the market. The Individual Defendants were provided
15 with copies of the Company's reports and press releases alleged herein to be
16 misleading prior to, or shortly after, their issuance and had the ability and
17 opportunity to prevent their issuance or cause them to be corrected. Because of their
18 positions and access to material non-public information available to them, the
19 Individual Defendants knew that the adverse facts specified herein had not been
20 disclosed to, and were being concealed from, the public, and that the positive
21 representations which were being made were then materially false and/or
22 misleading. The Individual Defendants are liable for the false statements pleaded
23 herein.

24 **SUBSTANTIVE ALLEGATIONS**

25 **Background**

26 21. Tandy is a specialty retailer that sells leather and leathercraft related
27 items such as quality tools, hardware, accessories, liquids, lace, kits and teaching
28 materials.

1 26. On May 3, 2018, the Company filed its quarterly report on Form 10-Q
2 with the SEC for the period ended March 31, 2018, affirming the previously
3 reported financial results. It was signed by Defendants Greene and Castillo.

4 27. On August 2, 2018, the Company announced its second quarter 2018
5 financial results, reporting net sales of \$19.2 million and operating income of \$1.98
6 million.

7 28. On August 3, 2018, the Company filed its quarterly report on Form 10-
8 Q with the SEC for the period ended June 30, 2018, affirming the previously
9 reported financial results. It was signed by Defendants Greene and Castillo.

10 29. On November 7, 2018, the Company announced its third quarter 2018
11 financial results, reporting net sales of \$18.9 million and operating income of \$0.3
12 million.

13 30. On November 8, 2018, the Company filed its quarterly report on Form
14 10-Q with the SEC for the period ended September 30, 2018, affirming the
15 previously reported financial results. It was signed by Defendants Carr and Castillo.

16 31. On March 6, 2019, the Company announced its fourth quarter and full
17 year 2018 financial results, reporting quarterly sales of \$24.7 million and operating
18 loss of \$237,000. The Company also disclosed a \$1.4 million writedown of
19 inventory for damaged and slow-moving inventory to be disposed or sold through in
20 the first half of 2019.

21 32. On March 8, 2019, the Company filed its annual report on Form 10-K
22 with the SEC for the period ended December 31, 2018 (the “2018 10-K”), affirming
23 the previously reported financial results. Regarding inventory, the 2018 10-K stated,
24 in relevant part:

25 As of December 31, 2018, our investment in inventory decreased by
26 \$3.4 million from year-end 2017. This decrease was due in part to the
27 \$1.4 million write down of inventory taken at December 31, 2018 to
28 adequately value our inventory at the lower of cost or net realizable
 value for damaged, slow-moving, and excess supplies of inventory, but

1 also in part to a more disciplined approach to managing our inventory
2 turnover as we work to improve our merchandising and
3 assortments. We plan to continue to strengthen our inventory
4 management process with the goal of improving our inventory
turnover.

5 33. Moreover, Defendants Carr and Castillo signed certifications pursuant
6 to SOX attesting to the accuracy of financial reporting, the disclosure of any
7 material changes to the Company's internal control over financial reporting, and the
8 disclosure of all fraud in the 2018 10-K. The report also stated that the Company's
9 internal control over financial reporting was effective as of December 31, 2018.

10 34. On May 8, 2019, the Company announced its first quarter 2019
11 financial results, reporting net sales of \$20.8 million and operating income of \$1.17
12 million.

13 35. On May 9, 2019, the Company filed its quarterly report on Form 10-Q
14 with the SEC for the period ended March 31, 2019, affirming the previously
15 reported financial results. It was signed by Defendants Carr and Castillo.

16 36. The above statements identified in ¶¶20-35 were materially false and/or
17 misleading, and failed to disclose material adverse facts about the Company's
18 business, operations, and prospects. Specifically, Defendants failed to disclose to
19 investors: (1) that certain costs of inventory had been improperly valued and
20 expensed; (2) that, as a result, the Company's financial results for certain periods
21 were misstated; (3) that the Company lacked effective internal control over financial
22 reporting; (4) that there was a material weakness in the Company's internal control
23 over financial reporting; and (5) that, as a result of the foregoing, Defendants'
24 positive statements about the Company's business, operations, and prospects, were
25 materially misleading and/or lacked a reasonable basis.

26 **Disclosures at the End of the Class Period**

27 37. On August 13, 2019, after the market closed, the Company disclosed
28 that its Audit Committee was investigating "certain aspects of the Company's

1 methods of valuation and expensing of costs of inventory and related issues
2 regarding the Company's business and operations." In a Form 8-K filed with the
3 SEC, the Company stated, in relevant part:

4 On July 26, 2019, the Audit Committee of the Board of Directors of
5 Tandy Leather Factory, Inc. (the "Company") commenced an
6 independent investigation of issues that include, but may not be limited
7 to, certain aspects of the Company's methods of valuation and
8 expensing of costs of inventory and related issues regarding the
9 Company's business and operations. The Audit Committee has
10 retained independent legal and accounting advisers to conduct the
11 investigation. The investigation is ongoing. In addition, the Audit
12 Committee directed the Company to evaluate its current policies,
13 procedures, and internal controls associated with such methods of
14 valuation, as well as compliance with, and the effectiveness of, those
15 policies, procedures and internal controls (the "Accounting Policy and
16 Controls Review"). A forensic accounting consultant will assist the
17 Company with this review.

18 Because the independent investigation and Accounting Policy and
19 Controls Review referred to above include matters related to
20 accounting for the three months ended June 30, 2019 and previous
21 periods, the Company currently does not anticipate that it will be able
22 to file timely its Quarterly Report on Form 10-Q for the three and six
23 months ended June 30, 2019, which has a due date of August 14, 2019.

24 Following the completion of the independent investigation and the
25 Accounting Policy and Controls Review, the timing of which cannot be
26 estimated, the Company will make a determination regarding whether it
27 will need to revise, correct or restate its financial statements for any
28 previous quarter or fiscal year as well as the timing of filing its
Quarterly Report on Form 10-Q for the three and six months ended
June 30, 2019.

38. On this news, the Company's share price fell \$0.55 per share, or over
10%, over two consecutive trading sessions to close at \$4.90 per share on August
15, 2019, on unusually high trading volume.

39. On August 15, 2019, after the market closed, the Company filed a Form
12b-25 Notification of Late Filing with the SEC, stating that it was unable to timely
file the Company's quarterly report for the period ended June 30, 2019 due to the
Audit Committee's investigation.

40. On this news, the Company's share price fell \$0.40 per share, or over
8%, to close at \$4.50 per share on August 16, 2019, on unusually high trading
volume.

1 41. On October 18, 2019, the Company revealed that certain financial
2 statements should no longer be relied upon, citing “misstatements primarily relating
3 to the Company’s methods of valuation and expensing of costs of inventory and
4 related issues.” It also disclosed that its Chief Financial Officer and Treasurer, Tina
5 Castillo, had resigned from her positions.

6 42. On October 21, 2019, the Company revealed the Audit Committee’s
7 findings in a Form 8-K filed with the SEC that stated, in relevant part:

8 On October 14, 2019, as a result of the findings of the Independent
9 Investigation and the Company’s ongoing reviews, the Company, in
10 consultation with the Audit Committee, determined that the Company’s
11 previously issued financial statements for (i) the years ended December
12 31, 2018, 2017 and 2016 included in the Company’s most recent
13 Annual Report on Form 10-K, (ii) the quarterly and year-to-date
14 periods within fiscal 2017 and 2018 included in the Company’s
15 Quarterly Reports on Form 10-Q, and (iii) the three months ended
16 March 31, 2019 included in the Company’s Quarterly Report on Form
17 10-Q, should no longer be relied upon due to material misstatements of
18 one or more of the following categories in all or certain of these
19 periods: the value of inventory and calculation of cost of sales, gross
20 profit, operating expenses, operating income, net income, and earnings
21 per share (“EPS”) as described below. Similarly, related press releases
22 and reports describing the Company’s financial results for these periods
23 should also no longer be relied upon.

24 As disclosed in the Company’s periodic reports filed with the Securities
25 and Exchange Commission, the Company has reported that inventory is
26 stated at the lower of cost (first-in, first-out) or net realizable value
27 where cost includes merchandise purchases, the costs to bring the
28 merchandise to its Texas distribution center, warehousing and handling
expenditures, and distributing and delivering merchandise to stores.
Management has identified the following issues (collectively, the
“Inventory Accounting Issues”):

- 1) inventory was not correctly stated using a first-in, first-out methodology (“FIFO”) but rather was stated using a methodology that attempted to approximate FIFO, resulting in estimated cumulative overstatements. Management estimates that inventory may be overstated by approximately \$1.5 million

1 to \$2.5 million at December 31, 2017, declining over time to
2 approximately \$0.3 million to \$0.5 million at March 31, 2019,
3 without considering any inventory reserves set up by the
4 Company;

5 2) warehousing and handling expenditures were not capitalized in
6 the first and third quarters but were subsequently corrected on a
7 semi-annual basis in the second and fourth quarters. In the first
8 and third quarters, when these expenditures were not capitalized,
9 this understated inventory and overstated operating expenses by
10 approximately \$0.5 million - \$0.6 million and understated net
11 income by approximately \$0.3 million - \$0.5 million, before
12 considering any currency adjustment. In the second and fourth
13 quarters, when this was corrected, this overstated net income by
14 approximately \$0.3 million - \$0.5 million. As a result, for the
15 year-to-date periods ended June 30 and December 31,
16 capitalization of the warehousing and handling did not materially
17 impact net income and earnings per share; and

18 3) warehousing and handling expenditures were classified as
19 operating expenses, resulting in overstatement of operating
20 expenses in all periods. Catch-up capitalizations of these
21 expenditures were made in the quarters ended June 30 and
22 December 31. This resulted in: (1) an offsetting understatement
23 of cost of sales and an overstatement of gross profit and (2) no
24 net impact to net income for the year-to date-periods ended June
25 30 and December 31. The financial impact of this classification
26 is reflected in paragraph (2) above.

27 **CLASS ACTION ALLEGATIONS**

28 43. Plaintiff brings this action as a class action pursuant to Federal Rule of
Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and
entities that purchased or otherwise acquired Tandy securities between March 7,
2018 and August 15, 2019, inclusive, and who were damaged thereby (the "Class").
Excluded from the Class are Defendants, the officers and directors of the Company,
at all relevant times, members of their immediate families and their legal
representatives, heirs, successors, or assigns, and any entity in which Defendants
have or had a controlling interest.

1 44. The members of the Class are so numerous that joinder of all members
2 is impracticable. Throughout the Class Period, Tandy's common shares actively
3 traded on the NASDAQ. While the exact number of Class members is unknown to
4 Plaintiff at this time and can only be ascertained through appropriate discovery,
5 Plaintiff believes that there are at least hundreds or thousands of members in the
6 proposed Class. Millions of Tandy common stock were traded publicly during the
7 Class Period on the NASDAQ. Record owners and other members of the Class may
8 be identified from records maintained by Tandy or its transfer agent and may be
9 notified of the pendency of this action by mail, using the form of notice similar to
10 that customarily used in securities class actions.

11 45. Plaintiff's claims are typical of the claims of the members of the Class
12 as all members of the Class are similarly affected by Defendants' wrongful conduct
13 in violation of federal law that is complained of herein.

14 46. Plaintiff will fairly and adequately protect the interests of the members
15 of the Class and has retained counsel competent and experienced in class and
16 securities litigation.

17 47. Common questions of law and fact exist as to all members of the Class
18 and predominate over any questions solely affecting individual members of the
19 Class. Among the questions of law and fact common to the Class are:

20 (a) whether the federal securities laws were violated by Defendants' acts as
21 alleged herein;

22 (b) whether statements made by Defendants to the investing public during
23 the Class Period omitted and/or misrepresented material facts about the business,
24 operations, and prospects of Tandy; and

25 (c) to what extent the members of the Class have sustained damages and
26 the proper measure of damages.

27 48. A class action is superior to all other available methods for the fair and
28 efficient adjudication of this controversy since joinder of all members is

1 impracticable. Furthermore, as the damages suffered by individual Class members
2 may be relatively small, the expense and burden of individual litigation makes it
3 impossible for members of the Class to individually redress the wrongs done to
4 them. There will be no difficulty in the management of this action as a class action.

5 **UNDISCLOSED ADVERSE FACTS**

6 49. The market for Tandy's securities was open, well-developed and
7 efficient at all relevant times. As a result of these materially false and/or misleading
8 statements, and/or failures to disclose, Tandy's securities traded at artificially
9 inflated prices during the Class Period. Plaintiff and other members of the Class
10 purchased or otherwise acquired Tandy's securities relying upon the integrity of the
11 market price of the Company's securities and market information relating to Tandy,
12 and have been damaged thereby.

13 50. During the Class Period, Defendants materially misled the investing
14 public, thereby inflating the price of Tandy's securities, by publicly issuing false
15 and/or misleading statements and/or omitting to disclose material facts necessary to
16 make Defendants' statements, as set forth herein, not false and/or misleading. The
17 statements and omissions were materially false and/or misleading because they
18 failed to disclose material adverse information and/or misrepresented the truth about
19 Tandy's business, operations, and prospects as alleged herein.

20 51. At all relevant times, the material misrepresentations and omissions
21 particularized in this Complaint directly or proximately caused or were a substantial
22 contributing cause of the damages sustained by Plaintiff and other members of the
23 Class. As described herein, during the Class Period, Defendants made or caused to
24 be made a series of materially false and/or misleading statements about Tandy's
25 financial well-being and prospects. These material misstatements and/or omissions
26 had the cause and effect of creating in the market an unrealistically positive
27 assessment of the Company and its financial well-being and prospects, thus causing
28 the Company's securities to be overvalued and artificially inflated at all relevant

1 times. Defendants' materially false and/or misleading statements during the Class
2 Period resulted in Plaintiff and other members of the Class purchasing the
3 Company's securities at artificially inflated prices, thus causing the damages
4 complained of herein when the truth was revealed.

5 **LOSS CAUSATION**

6 52. Defendants' wrongful conduct, as alleged herein, directly and
7 proximately caused the economic loss suffered by Plaintiff and the Class.

8 53. During the Class Period, Plaintiff and the Class purchased Tandy's
9 securities at artificially inflated prices and were damaged thereby. The price of the
10 Company's securities significantly declined when the misrepresentations made to
11 the market, and/or the information alleged herein to have been concealed from the
12 market, and/or the effects thereof, were revealed, causing investors' losses.

13 **SCIENTER ALLEGATIONS**

14 54. As alleged herein, Defendants acted with scienter since Defendants
15 knew that the public documents and statements issued or disseminated in the name
16 of the Company were materially false and/or misleading; knew that such statements
17 or documents would be issued or disseminated to the investing public; and
18 knowingly and substantially participated or acquiesced in the issuance or
19 dissemination of such statements or documents as primary violations of the federal
20 securities laws. As set forth elsewhere herein in detail, the Individual Defendants,
21 by virtue of their receipt of information reflecting the true facts regarding Tandy,
22 their control over, and/or receipt and/or modification of Tandy's allegedly
23 materially misleading misstatements and/or their associations with the Company
24 which made them privy to confidential proprietary information concerning Tandy,
25 participated in the fraudulent scheme alleged herein.

26
27
28

1 **APPLICABILITY OF PRESUMPTION OF RELIANCE**

2 **(FRAUD-ON-THE-MARKET DOCTRINE)**

3 55. The market for Tandy’s securities was open, well-developed and
4 efficient at all relevant times. As a result of the materially false and/or misleading
5 statements and/or failures to disclose, Tandy’s securities traded at artificially
6 inflated prices during the Class Period. On July 16, 2018, the Company’s share
7 price closed at a Class Period high of \$7.92 per share. Plaintiff and other members
8 of the Class purchased or otherwise acquired the Company’s securities relying upon
9 the integrity of the market price of Tandy’s securities and market information
10 relating to Tandy, and have been damaged thereby.

11 56. During the Class Period, the artificial inflation of Tandy’s shares was
12 caused by the material misrepresentations and/or omissions particularized in this
13 Complaint causing the damages sustained by Plaintiff and other members of the
14 Class. As described herein, during the Class Period, Defendants made or caused to
15 be made a series of materially false and/or misleading statements about Tandy’s
16 business, prospects, and operations. These material misstatements and/or omissions
17 created an unrealistically positive assessment of Tandy and its business, operations,
18 and prospects, thus causing the price of the Company’s securities to be artificially
19 inflated at all relevant times, and when disclosed, negatively affected the value of
20 the Company shares. Defendants’ materially false and/or misleading statements
21 during the Class Period resulted in Plaintiff and other members of the Class
22 purchasing the Company’s securities at such artificially inflated prices, and each of
23 them has been damaged as a result.

24 57. At all relevant times, the market for Tandy’s securities was an efficient
25 market for the following reasons, among others:

26 (a) Tandy shares met the requirements for listing, and was listed and
27 actively traded on the NASDAQ, a highly efficient and automated market;

28

1 (b) As a regulated issuer, Tandy filed periodic public reports with the SEC
2 and/or the NASDAQ;

3 (c) Tandy regularly communicated with public investors via established
4 market communication mechanisms, including through regular dissemination of
5 press releases on the national circuits of major newswire services and through other
6 wide-ranging public disclosures, such as communications with the financial press
7 and other similar reporting services; and/or

8 (d) Tandy was followed by securities analysts employed by brokerage
9 firms who wrote reports about the Company, and these reports were distributed to
10 the sales force and certain customers of their respective brokerage firms. Each of
11 these reports was publicly available and entered the public marketplace.

12 58. As a result of the foregoing, the market for Tandy's securities promptly
13 digested current information regarding Tandy from all publicly available sources
14 and reflected such information in Tandy's share price. Under these circumstances,
15 all purchasers of Tandy's securities during the Class Period suffered similar injury
16 through their purchase of Tandy's securities at artificially inflated prices and a
17 presumption of reliance applies.

18 59. A Class-wide presumption of reliance is also appropriate in this action
19 under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United*
20 *States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded
21 on Defendants' material misstatements and/or omissions. Because this action
22 involves Defendants' failure to disclose material adverse information regarding the
23 Company's business operations and financial prospects—information that
24 Defendants were obligated to disclose—positive proof of reliance is not a
25 prerequisite to recovery. All that is necessary is that the facts withheld be material
26 in the sense that a reasonable investor might have considered them important in
27 making investment decisions. Given the importance of the Class Period material
28 misstatements and omissions set forth above, that requirement is satisfied here.

1 **NO SAFE HARBOR**

2 60. The statutory safe harbor provided for forward-looking statements
3 under certain circumstances does not apply to any of the allegedly false statements
4 pleaded in this Complaint. The statements alleged to be false and misleading herein
5 all relate to then-existing facts and conditions. In addition, to the extent certain of
6 the statements alleged to be false may be characterized as forward looking, they
7 were not identified as “forward-looking statements” when made and there were no
8 meaningful cautionary statements identifying important factors that could cause
9 actual results to differ materially from those in the purportedly forward-looking
10 statements. In the alternative, to the extent that the statutory safe harbor is
11 determined to apply to any forward-looking statements pleaded herein, Defendants
12 are liable for those false forward-looking statements because at the time each of
13 those forward-looking statements was made, the speaker had actual knowledge that
14 the forward-looking statement was materially false or misleading, and/or the
15 forward-looking statement was authorized or approved by an executive officer of
16 Tandy who knew that the statement was false when made.

17 **FIRST CLAIM**

18 **Violation of Section 10(b) of The Exchange Act and**
19 **Rule 10b-5 Promulgated Thereunder**
20 **Against All Defendants**

21 61. Plaintiff repeats and re-alleges each and every allegation contained
22 above as if fully set forth herein.

23 62. During the Class Period, Defendants carried out a plan, scheme and
24 course of conduct which was intended to and, throughout the Class Period, did: (i)
25 deceive the investing public, including Plaintiff and other Class members, as alleged
26 herein; and (ii) cause Plaintiff and other members of the Class to purchase Tandy’s
27 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan
28 and course of conduct, Defendants, and each defendant, took the actions set forth
herein.

1 63. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)
2 made untrue statements of material fact and/or omitted to state material facts
3 necessary to make the statements not misleading; and (iii) engaged in acts, practices,
4 and a course of business which operated as a fraud and deceit upon the purchasers of
5 the Company's securities in an effort to maintain artificially high market prices for
6 Tandy's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-
7 5. All Defendants are sued either as primary participants in the wrongful and illegal
8 conduct charged herein or as controlling persons as alleged below.

9 64. Defendants, individually and in concert, directly and indirectly, by the
10 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
11 and participated in a continuous course of conduct to conceal adverse material
12 information about Tandy's financial well-being and prospects, as specified herein.

13 65. Defendants employed devices, schemes and artifices to defraud, while
14 in possession of material adverse non-public information and engaged in acts,
15 practices, and a course of conduct as alleged herein in an effort to assure investors of
16 Tandy's value and performance and continued substantial growth, which included
17 the making of, or the participation in the making of, untrue statements of material
18 facts and/or omitting to state material facts necessary in order to make the
19 statements made about Tandy and its business operations and future prospects in
20 light of the circumstances under which they were made, not misleading, as set forth
21 more particularly herein, and engaged in transactions, practices and a course of
22 business which operated as a fraud and deceit upon the purchasers of the Company's
23 securities during the Class Period.

24 66. Each of the Individual Defendants' primary liability and controlling
25 person liability arises from the following facts: (i) the Individual Defendants were
26 high-level executives and/or directors at the Company during the Class Period and
27 members of the Company's management team or had control thereof; (ii) each of
28 these defendants, by virtue of their responsibilities and activities as a senior officer

1 and/or director of the Company, was privy to and participated in the creation,
2 development and reporting of the Company's internal budgets, plans, projections
3 and/or reports; (iii) each of these defendants enjoyed significant personal contact
4 and familiarity with the other defendants and was advised of, and had access to,
5 other members of the Company's management team, internal reports and other data
6 and information about the Company's finances, operations, and sales at all relevant
7 times; and (iv) each of these defendants was aware of the Company's dissemination
8 of information to the investing public which they knew and/or recklessly
9 disregarded was materially false and misleading.

10 67. Defendants had actual knowledge of the misrepresentations and/or
11 omissions of material facts set forth herein, or acted with reckless disregard for the
12 truth in that they failed to ascertain and to disclose such facts, even though such
13 facts were available to them. Such defendants' material misrepresentations and/or
14 omissions were done knowingly or recklessly and for the purpose and effect of
15 concealing Tandy's financial well-being and prospects from the investing public and
16 supporting the artificially inflated price of its securities. As demonstrated by
17 Defendants' overstatements and/or misstatements of the Company's business,
18 operations, financial well-being, and prospects throughout the Class Period,
19 Defendants, if they did not have actual knowledge of the misrepresentations and/or
20 omissions alleged, were reckless in failing to obtain such knowledge by deliberately
21 refraining from taking those steps necessary to discover whether those statements
22 were false or misleading.

23 68. As a result of the dissemination of the materially false and/or
24 misleading information and/or failure to disclose material facts, as set forth above,
25 the market price of Tandy's securities was artificially inflated during the Class
26 Period. In ignorance of the fact that market prices of the Company's securities were
27 artificially inflated, and relying directly or indirectly on the false and misleading
28 statements made by Defendants, or upon the integrity of the market in which the

1 securities trades, and/or in the absence of material adverse information that was
2 known to or recklessly disregarded by Defendants, but not disclosed in public
3 statements by Defendants during the Class Period, Plaintiff and the other members
4 of the Class acquired Tandy's securities during the Class Period at artificially high
5 prices and were damaged thereby.

6 69. At the time of said misrepresentations and/or omissions, Plaintiff and
7 other members of the Class were ignorant of their falsity, and believed them to be
8 true. Had Plaintiff and the other members of the Class and the marketplace known
9 the truth regarding the problems that Tandy was experiencing, which were not
10 disclosed by Defendants, Plaintiff and other members of the Class would not have
11 purchased or otherwise acquired their Tandy securities, or, if they had acquired such
12 securities during the Class Period, they would not have done so at the artificially
13 inflated prices which they paid.

14 70. By virtue of the foregoing, Defendants violated Section 10(b) of the
15 Exchange Act and Rule 10b-5 promulgated thereunder.

16 71. As a direct and proximate result of Defendants' wrongful conduct,
17 Plaintiff and the other members of the Class suffered damages in connection with
18 their respective purchases and sales of the Company's securities during the Class
19 Period.

20 **SECOND CLAIM**

21 **Violation of Section 20(a) of The Exchange Act** 22 **Against the Individual Defendants**

23 72. Plaintiff repeats and re-alleges each and every allegation contained
24 above as if fully set forth herein.

25 73. Individual Defendants acted as controlling persons of Tandy within the
26 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their
27 high-level positions and their ownership and contractual rights, participation in,
28 and/or awareness of the Company's operations and intimate knowledge of the false

1 financial statements filed by the Company with the SEC and disseminated to the
2 investing public, Individual Defendants had the power to influence and control and
3 did influence and control, directly or indirectly, the decision-making of the
4 Company, including the content and dissemination of the various statements which
5 Plaintiff contends are false and misleading. Individual Defendants were provided
6 with or had unlimited access to copies of the Company's reports, press releases,
7 public filings, and other statements alleged by Plaintiff to be misleading prior to
8 and/or shortly after these statements were issued and had the ability to prevent the
9 issuance of the statements or cause the statements to be corrected.

10 74. In particular, Individual Defendants had direct and supervisory
11 involvement in the day-to-day operations of the Company and, therefore, had the
12 power to control or influence the particular transactions giving rise to the securities
13 violations as alleged herein, and exercised the same.

14 75. As set forth above, Tandy and Individual Defendants each violated
15 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this
16 Complaint. By virtue of their position as controlling persons, Individual Defendants
17 are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate
18 result of Defendants' wrongful conduct, Plaintiff and other members of the Class
19 suffered damages in connection with their purchases of the Company's securities
20 during the Class Period.

21 **PRAYER FOR RELIEF**

22 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- 23 a) Determining that this action is a proper class action under Rule 23 of
24 the Federal Rules of Civil Procedure;
- 25 b) Awarding compensatory damages in favor of Plaintiff and the other
26 Class members against all defendants, jointly and severally, for all
27 damages sustained as a result of Defendants' wrongdoing, in an amount
28 to be proven at trial, including interest thereon;

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: November 7, 2019

GLANCY PRONGAY & MURRAY LLP

By: s/ Lesley F. Portnoy

Lionel Z. Glancy
 Robert V. Prongay
 Lesley F. Portnoy
 Charles Linehan
 Pavithra Rajesh
 1925 Century Park East, Suite 2100
 Los Angeles, California 90067
 Telephone: (310) 201-9150
 Facsimile: (310) 201-9160
 Email: info@glancylaw.com

Attorneys for Frederic Haghebaert

SWORN CERTIFICATION OF PLAINTIFF

TANDY LEATHER FACTORY, INC. SECURITIES LITIGATION

I, Frederic Haghebaert, certify that:

1. I have reviewed the Complaint and authorize its filing and/or the filing of a Lead Plaintiff motion on my behalf.
2. I am duly authorized to institute legal action Tandy Leather Factory, Inc. and other defendants.
3. I did not purchase Tandy Leather Factory, Inc. securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
4. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
5. My transactions in Tandy Leather Factory, Inc. securities during the Class Period set forth in the Complaint are as follows:

(See attached transactions)
6. I have not sought to serve, nor served, as a representative party on behalf of a class under this title during the last three years.
7. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

11/7/2019

Date

DocuSigned by:
Frederic Haghebaert
06885E5028B64C5...

Frederic Haghebaert

Frederic Haghebaert's Transactions in Tandy Leather Factory, Inc. (TLF)

Date	Transaction Type	Quantity	Unit Price
6/14/2019	Bought	100	\$5.8000

ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Tandy Leather Facing Proposed Securities Suit After Reported Internal Audit Triggered Stock Price Drop](#)
