BODISEN BIOTECH, INC
Form SB-2/A
August 02, 2006

As filed with the Securities and Exchange Commission on August 2, 2006
Registration No. 333-133177

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

Amendment No. 2 to
FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BODISEN BIOTECH, INC.
(Name of small business issuer in its charter)

Delaware	**5191**	**98-0381367**
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

North Part of Xinquia Road, Yang Ling Agricultural High-Tech
Industries Demonstration Zone, Yang Ling,
People's Republic of China 712100
(Address and telephone number of principal executive offices and principal place of business)

Qiong Wang, Chief Executive Officer
Bodisen Biotech, Inc.
North Part of Xinquia Road, Yang Ling Agricultural High-Tech
Industries Demonstration Zone, Yang Ling,
People's Republic of China 712100
86-29-87074957
(Name, address and telephone number of agent for service)

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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:
From time to time after this Registration Statement becomes effective.

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. _________

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Number of Shares to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, $0.0001 par value	380,179	$ 16.77 (1)	$ 6,375,601.83	$ 682.19
Common Stock, $0.0001 par value issuable upon exercise of Warrants	133,333	$ 7.50 (2)	$ 999,997.50	$ 107.00
	513,512		$ 7,375,599.33	$ 789.19

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) and Rule 457(g) under the Securities Act of 1933, using the average of the high and low price as reported on the American Stock Exchange on April 7, 2006, which was $16.77 per share.

(2) Calculated in accordance with Rule 457(g)(1).

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this Prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement is filed with the Securities and Exchange Commission and becomes effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED AUGUST 2, 2006

BODISEN BIOTECH, INC.
513,512 SHARES OF
COMMON STOCK

This prospectus relates to the resale by the selling stockholders of up to 513,512 shares of our common stock including up to 133,333 shares of common stock issuable upon the exercise of common stock purchase warrants. The selling stockholders may sell common stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions. The selling stockholders may be deemed underwriters of the shares of common stock, which they are offering. We will pay the expenses of registering these shares.

We are not selling any shares of common stock in this offering and therefore will not receive any proceeds from the sale of common stock hereunder. We may receive proceeds from any exercise of outstanding warrants. The warrants may also be exercised by surrender of the warrants in exchange for an equal value of shares in accordance with the terms of the warrants.

Our common stock is listed on the American Stock Exchange under the symbol "BBC." The last reported sales price per share of our common stock as reported by the American Stock Exchange on July 31, 2006, was $13.40.

Investing in these securities involves significant risks. See "Risk Factors" beginning on page 7.

No other underwriter or person has been engaged to facilitate the sale of shares of common stock in this offering. None of the proceeds from the sale of stock by the selling stockholders will be placed in escrow, trust or any similar account.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read the entire prospectus and any amendments or supplements carefully before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is ________, 2006.

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PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "risk factors" section, the financial statements and the notes to the financial statements. As used throughout this prospectus, the terms “Bodisen Biotech,” “BBC,” the “Company,” “we,” “us,” and “our” refer to Bodisen Biotech, Inc.

BODISEN BIOTECH, INC.

We are primarily engaged in developing, manufacturing and selling organic fertilizers and pesticides in the People’s Republic of China.

For the fiscal year ended December 31, 2005, we had revenue of $30,975,350, with gross profits of $11,504,229 and for the quarter ended March 31, 2006 we had revenue of $10,535,360, with gross profits of $4,236,239.

We were incorporated on January 14, 2000 in Delaware and our principal place of business is based in the People’s Republic of China. We are located at: Bodisen Biotech, Inc., North Part of Xinquia Road, Yang Ling AG, High-Tech Industries Demonstration Zone, Yang Ling, China 712100, Telephone: +862987074957.

The Offering

Common stock offered by selling stockholders	513,512 shares, including up to 133,333 shares of common stock issuable upon the exercise of common stock purchase warrants at an exercise price of $7.50 per share
Common stock to be outstanding after the offering	18,310,250 shares
Use of proceeds	We will not receive any proceeds from the sale of the common stock hereunder. See “Use of Proceeds” for a complete description.
AMEX Symbol	BBC

<u>Summary of Recent Transaction</u>

On March 15, 2006, we completed a private placement offering of 380,179 shares our common stock, par value $0.0001 per share, to accredited investors for an aggregate purchase price of approximately $5,322,506. The aforementioned securities were sold in reliance upon the exemption afforded by the provisions of Regulation S, as promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

RISK FACTORS

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

Risks Related To Our Business

Our management owns a significant amount of the Common Stock, giving them influence or control in corporate transactions and other matters, and their interests could differ from those of other stockholders.

Our principal executive officers, Wang Qiong and Chen Bo, own approximately 40.3% of the Existing Common Stock. As a result, they are in a position to significantly influence or control the outcome of matters requiring a stockholder vote, including the election of directors, the adoption of any amendment to the Certificate of Incorporation and By-Laws, and the approval of significant corporate transactions. Their control may delay or prevent a change of control on terms favorable to our other stockholders and may adversely affect your voting and other stockholders rights.

We may require additional financing in the future and a failure to obtain such required financing will inhibit our ability to grow.

The continued growth of our business may require additional funding from time to time. Funding would be used for general corporate purposes, which may include acquisitions, investments, repayment of debt, capital expenditures, repurchase of our capital stock and any other purposes that we may specify in any supplement to this admission document. Obtaining additional funding would be subject to a number of factors, including market conditions, operational performance and investor sentiment. These factors may make the timing, amount, terms and conditions of additional funding unattractive, or unavailable, to us.

The terms of any future financing may adversely affect your interest as stockholders.

If we require additional financing in the future, we may be required to incur indebtedness or issue equity securities, the terms of which may adversely affect your interests in us. For example, the issuance of additional indebtedness may be senior in right of payment to your shares upon our liquidation. In addition, indebtedness may be under terms that make the operation of its business more difficult because the lender’s consent will be required before we can take certain actions. Similarly, the terms of any equity securities we issue may be senior in right of payment of dividends to your Common Stock and may contain superior rights and other rights as compared to your Common Stock. Further, any such issuance of equity securities may dilute your interest in us.

Our corporate structure may subject our stockholders to two levels of taxation on the payment of dividends or the disposition of its operating subsidiary, thereby substantially reducing the return on its stockholders’ investment.

If Yang Ling Bodisen Biology Science and Technology Development Company Limited, our wholly-owned subsidiary, pays a dividend to us, its parent company, for distribution to the stockholders as a dividend, or if Yang Ling (rather than us, its parent company) is ultimately sold, the dividend or the proceeds of that transaction would be subject to two levels of tax - one at the parent corporate level and one at the parent stockholder level. Because our operations are conducted through Yang Ling in China, any dividends payable by us must come from Yang Ling and it is more likely that Yang Ling, rather than the parent company, will ultimately be sold. Thus, if Yang Ling pays a dividend to us in the future or if Yang Ling is sold in the future, those proceeds may be subject to two levels of taxation: (i) we will pay tax on the dividend or sale proceeds received from Yang Ling, and (ii) our stockholders will pay tax on the distribution of the dividend or the proceeds of the sale. These two levels of taxation will effectively reduce the financial return on your investment in us.

We do not anticipate paying dividends on the Common Stock.

We have never paid dividends on our Common Stock and do not anticipate paying dividends in the foreseeable future. Our Directors intend to follow a policy of retaining all of our earnings, if any, to finance the development and expansion of our business.

We may not be able to adequately protect and maintain our intellectual property.

Our success will depend on our ability to continue to develop and market fertilizer and pesticide products. We protect our proprietary technology and formulae by keeping such technology or formulae confidential. If such technology or formulae are disclosed to a third party that is not under an obligation to keep the technology confidential or are accidentally disclosed, we may not be able to protect our technology or formulae against being exploited by third parties. We currently have not applied for patents for our technology products or formulae as our Directors believe an application for such patents would result in public knowledge of our proprietary technology and formulae.

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations.

Our future success will depend in substantial part on the continued service of our senior management, including Mrs. Wang Qiong, our Chairman and Chief Executive Officer, Chen Bo, our President, and Wang Chunsheng, our Chief Operational Officer. The loss of the services of one or more of our key personnel could impede implementation of our business plan and result in reduced profitability. We do not carry key person life or other insurance in respect of any of our officers or employees. Our future success will also depend the continued ability to attract, retain and motivate highly qualified technical sales and marketing customer support. Because of the rapid growth of the economy in the People’s Republic of China, competition for qualified personnel is intense. We cannot guarantee that we will be able to retain our key personnel or that we will be able to attract, assimilate or retain qualified personnel in the future.

Restrictions on making distributions

The Company is a legal entity separate and distinct from its operating subsidiary, Yang Ling, which is an indirect subsidiary of the Company. The Company’s revenues (on a parent company only basis) would be derived entirely from dividends paid to the Company by Yang Ling. The Chinese government exerts significant influence over the economy of the People’s Republic of China, and there may be regulatory restrictions on Yang Ling’s ability to make distributions of cash to the Company.

Risks Related To Agricultural Industry in the People’s Republic of China

Our success depends upon the development of the People’s Republic of China’s agricultural industry.

The People’s Republic of China is currently the world’s most populous country and one of the largest producers and consumers of agricultural products. Roughly half of the People’s Republic of China’s labour force is engaged in agriculture, even though only about 10% of the land is suitable for cultivation. Although the People’s Republic of China hopes to further increase agricultural production, incomes for Chinese farmers are stagnating. Despite the Chinese government’s continued emphasis on agricultural self-sufficiency, inadequate port facilities and a lack of warehousing and cold storage facilities impedes the domestic agricultural trade. Where we rely on the local farmer to purchase our products, which are generally purchased under a “Cash on Delivery” or on 9-12 months credit, a farmer’s inability to sell his agricultural goods could therefore hinder his ability to timely pay his credit obligations to us.

We do not have supplier contracts with all of our trade vendors.

Typically for the agricultural industry in the People's Republic of China, we do not have supplier contracts with all of our trade vendors. Where we do not have contracts in place, business is conducted on an order-by-order basis. Despite our not having supplier contracts in place in every case, the Directors believe that we have very good relations with the agricultural vendor community.

Risks Related To the People's Republic of China

The People's Republic of China's Economic Policies could affect our Business.

Substantially all of our assets are located in the People's Republic of China and substantially all of our revenue is derived from our operations in the People's Republic of China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in the People's Republic of China.

While the People's Republic of China's economy has experienced significant growth in the past twenty years, such growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of the People's Republic of China, but they may also have a negative effect on us. For example, operating results and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations.

The economy of the People's Republic of China has been changing from a planned economy to a more market-oriented economy. In recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform and the reduction of state ownership of productive assets, and the establishment of corporate governance in business enterprises; however, a substantial portion of productive assets in the People's Republic of China are still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over the People's Republic of China's economic growth through the allocation of resources, the control of payment of foreign currency- denominated obligations, the setting of monetary policy and the provision of preferential treatment to particular industries or companies.

Capital outflow policies in the People's Republic of China may hamper our ability to remit income to the United States.

The People's Republic of China has adopted currency and capital transfer regulations. These regulations may require us to comply with complex regulations for the movement of capital. Although our Directors believe that we are currently in compliance with these regulations, should these regulations or the interpretation of them by courts or regulatory agencies change; we may not be able to remit all income earned and proceeds received in connection with its operations or from the sale of its operating subsidiary to our stockholders.

Although the Company does not import goods into or export goods out of the People's Republic of China, fluctuation of the Renminbi may indirectly affect our financial condition by affecting the volume of cross-border money flow.

The value of the Renminbi fluctuates and is subject to changes in the People's Republic of China's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including United States dollars, has been based on rates set by the People's Bank of China which are set based upon the interbank foreign exchange market rates and current exchange rates of a basket of currencies on the world financial markets. As of July 31, 2006, the exchange rate between the Renminbi and the United States dollar was 7.969 Renminbi to every one United States dollar.

We may face obstacles from the communist system in the People's Republic of China.

Foreign companies conducting operations in the People's Republic of China face significant political, economic and legal risks. The Communist regime in the People's Republic of China, including a cumbersome bureaucracy, may hinder Western investment.

We may have difficulty establishing adequate management, legal and financial controls in the People’s Republic of China.

The People's Republic of China historically has not adopted a Western style of management and financial reporting concepts and practices, modern banking, computer or other control systems. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in the People's Republic of China. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards.

It will be extremely difficult to acquire jurisdiction and enforce liabilities against our officers, directors and assets based in the People's Republic of China.

Because our Executive Officers and several of our Directors, including, the chairman of our Board of Directors, are Chinese citizens it may be difficult, if not impossible, to acquire jurisdiction over these persons in the event a lawsuit is initiated against us and/or our officers and directors by a stockholder or group of stockholders in the United States. Also, because the majority of our assets are located in the People's Republic of China it would also be extremely difficult to access those assets to satisfy an award entered against us in a United States court.

We may face judicial corruption in the People's Republic of China.

Another obstacle to foreign investment in the People's Republic of China is corruption. There is no assurance that we will be able to obtain recourse, if desired, through the People's Republic of China's poorly developed and sometimes corrupt judicial systems.

The admission of the People's Republic of China into the World Trade Organization could lead to increased foreign competition for us.

Domestic competition in the compound fertilizer industry is largely fragmented and foreign competition is minimal. However, as a result of the People's Republic of China becoming a member of the World Trade Organization ("WTO"), import restrictions on agricultural products are expected to be reduced. With the lowering of import restrictions and the WTO's requirement for a reduction of import tariffs as condition of membership, such reduced import restrictions and tariffs for us may result in an increase of foreign products and could in turn lead to increased competition in the domestic agricultural market.

The Company may not be able to obtain regulatory approvals for its products.

The manufacture and sale of agricultural products in the People's Republic of China is regulated by the People's Republic of China and the Shaanxi Provincial Government. Although our licenses and regulatory filings are current, the uncertain legal environment of the People's Republic of China and its industry may be vulnerable to local government agencies or other parties who wish to renegotiate the terms and conditions of, or terminate their agreements or other understandings with us.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares to be offered by the selling stockholders. The proceeds from the sale of each selling stockholders' common stock will belong to that selling stockholder. However, we may receive the sale price of any common stock we sell to the selling stockholders upon exercise of outstanding warrants.

Unless otherwise indicated in the applicable prospectus supplement, we anticipate that any net proceeds from the sale of the securities that we may offer under this prospectus and any accompanying prospectus supplement will be used for general corporate purposes. General corporate purposes may include acquisitions, investments, repayment of debt, capital expenditures, repurchase of our capital stock and any other purposes that we may specify in any prospectus supplement. We may invest the net proceeds temporarily until we use them for their stated purpose.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the American Stock Exchange under the symbol "BBC." Prior to August 29, 2005, our common stock traded on the Over-the-Counter Bulletin Board under the symbol "BBOI." The following table sets forth the high and low bid prices of our Common Stock for the periods indicated. The quotations set forth below reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

	2006	
	High*	**Low***
1st Quarter	$ 21.97	$ 13.14
2nd Quarter	18.05	8.11

	2005	
	High*	**Low***
1st Quarter	$ 6.30	$ 5.05
2nd Quarter	6.25	5.04
3rd Quarter	7.87	5.10
4th Quarter	15.94	6.12

	272,799	(631,301)	(88,694)	
COMPREHENSIVE INCOME	$906,646	$1,834,631	$4,617,158	$4,688,812

The accompanying notes are an integral part of these financial statements.

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Tandy Leather Factory, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
For the Nine Months Ended September 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$5,248,459	$4,777,506
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,088,758	889,395
Loss on disposal or abandonment of assets	8,603	89,531
Non-cash stock-based compensation	48,441	11,686
Deferred income taxes	(227,486)	190,144
Other	(606,442)	(70,330)
Net changes in assets and liabilities, net of effect of business acquisitions:		
Accounts receivable-trade, net	60,403	(122,953)
Inventory	(13,064,374)	(3,629,704)
Income taxes	(735,527)	(119,811)
Prepaid expenses	(11,683)	(1,069,399)
Other current assets	380,013	(276,072)
Accounts payable-trade	57,471	686,823
Accrued expenses and other liabilities	131,224	(15,234)
Total adjustments	(12,870,599)	(3,435,924)
Net cash provided by (used in) operating activities	(7,622,140)	1,341,582
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,719,464)	(2,415,484)
Proceeds from sale of assets	19,935	515
Decrease (increase) in other assets	6,968	(420)
Net cash used in investing activities	(1,692,561)	(2,415,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in revolving credit loans	6,000,000	-
Payments on notes payable and long-term debt	(405,000)	(455,625)
Proceeds from issuance of common stock	52,722	113,800
Payment of cash dividend	(2,549,684)	-
Net cash provided by (used in) financing activities	3,098,038	(341,825)
NET CHANGE IN CASH	(6,216,663)	(1,415,632)
CASH, beginning of period	11,082,679	7,705,182
CASH, end of period	$4,866,016	$6,289,550

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid during the period	$154,367	$158,659
Income tax paid during the period, net of (refunds)	$3,690,817	$2,507,842

The accompanying notes are an integral part of these financial statements.

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Tandy Leather Factory, Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)
For the Nine Months Ended September 30, 2014 and 2013

	Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2012	10,162,442	$26,775	$5,767,508	$(2,894,068)	$34,241,875	$378,927	$37,521,017
Shares issued – stock options exercised	36,291	87	113,713	-	-	-	113,800
Stock-based compensation	-	-	11,686	-	-	-	11,686
Net income	-	-	-	-	4,777,506	-	4,777,506
Translation adjustment	-	-	-	-	-	(88,694)	(88,694)
BALANCE, September 30, 2013	10,198,733	$26,862	$5,892,907	$(2,894,068)	$39,019,381	$290,233	$42,335,315

	Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2013	10,198,733	$26,862	$5,892,907	$(2,894,068)	$41,507,592	$88,249	$44,621,542
Shares issued – stock options exercised	12,200	29	52,693	-	-	-	52,722
Stock-based compensation	34,601	88	48,353	-	-	-	48,441
Cash dividend	-	-	-	-	(2,549,684)	-	(2,549,684)
Net income	-	-	-	-	5,248,459	-	5,248,459
Translation adjustment	-	-	-	-	-	(631,301)	(631,301)
BALANCE, September 30, 2014	10,245,534	$26,979	$5,993,953	$(2,894,068)	$44,206,367	$(543,052)	$46,790,179

The accompanying notes are an integral part of these financial statements.

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TANDY LEATHER FACTORY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND CERTAIN SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the accompanying consolidated financial statements for Tandy Leather Factory, Inc. and its consolidated subsidiaries contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly its financial position as of September 30, 2014 and December 31, 2013, and its results of operations and cash flows for the three and/or nine-month periods ended September 30, 2014 and 2013. Operating results for the three and nine-month periods ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Inventory. Inventory is stated at the lower of cost or market and is accounted for on the “first in, first out” method. Based on negotiations with vendors, title generally passes to us when merchandise is put on board. Merchandise to which we have title but which we have not yet received is recorded as inventory in transit. In addition, the value of inventory is periodically reduced for slow-moving or obsolete inventory based on management's review of items on hand compared to their estimated future demand.

The components of inventory consist of the following:

	As of	
	September 30, 2014	December 31, 2013
Inventory on hand:		
Finished goods held for sale	$36,593,039	$24,546,771
Raw materials and work in process	1,196,573	853,200
Inventory in transit	1,575,592	900,859
	$39,365,204	$26,300,830

Goodwill and Other Intangibles. Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill is required to be evaluated for impairment on an annual basis, absent indicators of impairment during the interim. Application of the goodwill impairment test requires exercise of judgment, including the estimation of future cash flows, determination of appropriate discount rates and other important assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

A two-step process is used to test for goodwill impairment. The first phase screens for impairment, while the second phase (if necessary) measures the impairment. We have elected to perform the annual analysis during the fourth calendar quarter of each year. As of December 31, 2013, management determined that the present value of the discounted estimated future cash flows of the stores associated with the goodwill is sufficient to support their respective goodwill balances. No indicators of impairment were identified during the first nine months of 2014.

A summary of changes in our goodwill for the periods ended September 30, 2014 and 2013 is as follows:

	Leather Factory	Tandy Leather	Total
Balance, December 31, 2012	$607,319	$383,406	$990,725
Acquisitions and adjustments	-	-	-
Foreign exchange gain/loss	(4,572)	-	(4,572)
Impairments	-	-	-
Balance, September 30, 2013	$602,747	$383,406	$986,153
	Leather Factory	Tandy Leather	Total
Balance, December 31, 2013	$598,579	$383,406	$981,985
Acquisitions and adjustments	-	-	-
Foreign exchange gain/loss	(6,328)	-	(6,328)
Impairments	-	-	-
Balance, September 30, 2014	$592,251	$383,406	$975,657

Other intangibles consist of the following:

	As of September 30, 2014			As of December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks, Copyrights	$544,369	$510,815	$33,554	$544,369	$487,891	$56,478
Non-Compete Agreements	179,768	144,018	35,750	181,216	134,466	46,750
	$724,137	$654,833	$69,304	$725,585	$622,357	$103,228

We recorded amortization expense of $33,924 during the first nine months of 2014 compared to $30,890 during the same period of 2013. All of our intangible assets are subject to amortization under U.S. GAAP. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding 5 years is as follows:

	Wholesale Leathercraft	Retail Leathercraft	Total
2014	$198	$45,004	$45,202
2015	108	$40,302	$40,410
2016	108	5,667	5,775
2017	90	1,000	1,090
2018	-	750	750

Revenue Recognition. Our sales generally occur via two methods: (1) at the counter in our stores, and (2) shipment by common carrier. Sales at the counter are recorded and title passes as transactions occur. Otherwise, sales are recorded and title passes when the merchandise is shipped to the customer. Our shipping terms are FOB shipping point.

We offer an unconditional satisfaction guarantee to our customers and accept all product returns. Net sales represent gross sales less negotiated price allowances, product returns, and allowances for defective merchandise.

Comprehensive Income (loss) and Accumulated Other Comprehensive Income (loss). Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-stockholder sources and includes all changes in equity during a period except those resulting from investments by and dividends to stockholders. Our comprehensive income (loss) consists of our net income and foreign currency translation adjustments from our international operations.

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Recent Accounting Pronouncements. In July 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exists" to eliminate the diversity in practice associated with the presentation of unrecognized tax benefits in instances where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 generally requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a material impact on our consolidated financial statements.

In April 2014, FASB issued Accounting Standards Update 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under the new guidance, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This guidance also changes an entity's requirements when presenting, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation. A discontinued operation may include a component of an entity, or a business or nonprofit activity. The guidance is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of the new requirements is not expected to have a material impact on our consolidated earnings, financial position or cash flows.

In May 2014, FASB issued Accounting Standards Update 2014-09 which creates a new topic in the Accounting Standards Codification ("ASC") Topic 606, "Revenue From Contracts With Customers." In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 establishes a new control-based revenue recognition model; changes the basis for deciding when revenue is recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. In addition, ASU 2014-09 adds a new Subtopic to the Codification, ASC 340-40, "Other Assets and Deferred Costs: Contracts with Customers," to provide guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. The guidance is effective for interim and annual reporting periods beginning after December 15, 2016. Companies are permitted to apply the guidance in ASC 606 using one of the following two methods: retrospectively to each prior period presented in accordance with ASC 250, subject to certain practical expedients; or retrospectively with a cumulative effect adjustment to opening retained earnings in the period of initial adoption. If applying this transition method, an entity should apply the new revenue recognition guidance only to contracts not completed under existing U.S. GAAP at the date of adoption. We are currently evaluating the adoption method to apply and the impact that the update will have on its financial position, results of operations, cash flows and financial statement disclosures.

2. NOTES PAYABLE AND LONG-TERM DEBT

On July 31, 2007, we entered into a Credit Agreement and Line of Credit Note with JPMorgan Chase Bank, N.A., pursuant to which the bank agreed to provide us with a credit facility of up to $5,500,000 to facilitate our purchase of real estate consisting of a 191,000 square foot building situated on 30 acres of land located at 1900 SE Loop 820 in Fort Worth, Texas. Under the terms of the Line of Credit Note, we could borrow from time to time until April 30, 2008, up to the lesser of $5,500,000 or 90% of the cost of the property and make monthly interest payments. Proceeds in the amount of $4,050,000 were used to fund the purchase of the property from Standard Motor Products, Inc. under an Agreement of Purchase and Sale, dated June 25, 2007, which closed on July 31, 2007. No further borrowings were drawn. On April 30, 2008, the principal balance was rolled into a 10-year term note with an interest rate of 7.10% per annum.

On July 12, 2012, we executed a Line of Credit Note with JPMorgan Chase Bank, N.A., pursuant to which the bank agreed to provide us with a revolving credit facility of up to $4 million. The revolver bears interest at LIBOR plus 2% (2.24% at September 30, 2014) and was to mature on June 30, 2014. On June 23, 2014, we executed a Note Modification Agreement which increased the maximum amount available from $4 million to $6 million and extended the maturity date from June 30, 2014 to June 30, 2015. All other terms remain unchanged. Interest is paid monthly. The note was obtained for working capital purposes and is secured by the real estate and improvements located at 1900 Southeast Loop 820, Fort Worth, Texas.

At September 30, 2014 and December 31, 2013, the amount outstanding under the above agreements consisted of the following:

	September 30, 2014	December 31, 2013
Credit Agreement with JPMorgan Chase Bank – collateralized by real estate; payable as follows:		
Line of Credit Note dated July 31, 2007, converted to a 10-year term note on April 30, 2008; $16,875 monthly principal payments plus interest at 7.1% per annum; matures April 30, 2018	$2,193,750	$2,598,750
Line of Credit Note with JPMorgan Chase Bank – collateralized by real estate; payable as follows:		
Line of Credit Note dated July 12, 2012, as amended on June 23, 2014, in the maximum principal amount of $6,000,000 with revolving features as more fully described above – interest due monthly at LIBOR plus 2%; matures June 30, 2015	$6,000,000	-
	8,193,750	2,598,750
Less - Current maturities	(6,202,500)	(202,500)
	$1,991,250	$2,396,250

3. STOCK-BASED COMPENSATION

We have one stock option plan which provides for annual stock option grants to non-employee directors with an exercise price equal to the fair market value of the shares at the date of grant. Under this plan, 12,000 options were awarded to directors in the first nine months of 2013, while no options were awarded in 2014. These options vest and become exercisable six months from the option grant date. Options outstanding and exercisable were granted at a stock option price which was not less than the fair market value of our common stock as of closing on the date the option was granted, and no option has a term in excess of ten years. We recognized share-based compensation expense of $0 and $11,686, respectively, for the quarter and nine months ended September 30, 2013 as a component of operating expenses. No share based compensation expense pertaining to stock options grants was recognized in 2014.

During the nine months ended September 30, 2014 and 2013, the stock option activity under our stock option plans was as follows:

	Weighted Average Exercise Price	# of shares	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value

Outstanding, January 1, 2013	$4.53	121,600		
Granted	6.87	12,000		
Cancelled	-	-		
Exercised	4.23	(49,000)		
Outstanding, September 30, 2013	$5.04	84,600	7.22	$104,656
Exercisable, September 30, 2013	$5.04	84,600	7.22	$104,656
Outstanding, January 1, 2014	$5.04	84,600		
Granted	-	-		
Cancelled	-	-		
Exercised	4.32	(12,200)		
Outstanding, September 30, 2014	$5.78	72,400	6.42	$89,840
Exercisable, September 30, 2014	$5.78	72,400	6.42	$89,840

Other information pertaining to option activity during the nine-month periods ended September 30, 2014 and 2013 are as follows:

	September 30, 2014	September 30, 2013
Weighted average grant-date fair value of stock options granted	N/A	$0.97
Total fair value of stock options vested	N/A	$11,686
Total intrinsic value of stock options exercised	$14,816	$113,790

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The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2014	2013
Volatility	N/A	19.1%
Expected option life	N/A	3 years
Interest rate (risk free)	N/A	0.80%
Dividends	None	None

There was no unrecognized compensation cost as of September 30, 2014 or 2013.

We have a restricted stock plan that was adopted by our Board of Directors in January 2013 and approved by our stockholders in June 2013. The plan reserves up to 300,000 shares of our common stock for restricted stock awards to our executive officers, non-employee directors and other key employees. Awards granted under the plan may be stock awards or performance awards, and may be subject to a graded vesting schedule with a minimum vesting period of four years.

In February 2014, our Chief Executive Officer, Chief Financial Officer and Senior Vice President were awarded restricted stock grants consisting of 9,375 shares each. In addition, four of our independent directors were awarded restricted stock grants consisting of 1,619 shares each. The grants will vest in equal annual amounts over a four-year period. The fair value of nonvested restricted common stock awards is the market value of our common stock on the date of grant. Compensation costs for these awards will be recognized on a straight-line basis over the four year vesting period.

A summary of the activity for nonvested restricted common stock awards as of September 30, 2014 is presented below:

	Shares	Grant Fair Value
Balance, January 1, 2014	-	-
Granted	34,601	$8.96
Forfeited	-	-
Vested	-	-
Balance, September 30, 2014	34,601	$8.96

Pertaining to restricted stock awards, we recognized share based compensation expense of $19,376 and $48,441, respectively, during the three and nine months ended September 30, 2014 as a component of operating expenses. As of September 30, 2014, there was unrecognized compensation cost related to non-vested restricted stock awards of $261,584 to be recognized in equal amounts through the first quarter of 2018.

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share ("EPS") for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator:				
Net income	$1,628,562	$1,561,832	$5,248,459	$4,777,506
	1,628,562	1,561,832	5,248,459	4,777,506

Numerator for basic and diluted earnings per share				
Denominator:				
Weighted-average shares outstanding-basic	10,203,711	10,176,744	10,200,411	10,163,490
Effect of dilutive securities:				
Stock options	36,294	44,768	38,133	41,858
Restricted stock	1,405	-	1,565	-
Dilutive potential common shares	37,699	44,768	39,698	41,858
Denominator for diluted earnings per share-weighted-average shares	10,241,410	10,221,512	10,240,109	10,205,348
Basic earnings per share	$0.16	$0.15	$0.51	$0.47
Diluted earnings per share	$0.16	$0.15	$0.51	$0.47

The net effect of exercising stock options to purchase 84,600 and 111,600 shares of common stock at exercise prices less than the average market prices has been included in the computations of diluted earnings per share for the quarter ended September 30, 2014 and 2013, respectively. In addition, the net effect of the restricted stock awards consisting of 34,601 shares has been included in the computation of diluted earnings per share for the quarter ended September 30, 2014.

5. CASH DIVIDEND

On June 9, 2014, our Board of Directors authorized a $0.25 per share special one-time cash dividend to be paid to stockholders of record at the close of business on July 7, 2014. The cash dividend, totaling approximately $2.5 million, was paid to stockholders on August 8, 2014. Our Board will determine future cash dividends after giving consideration to our then existing levels of profit and cash flow, capital requirements, current and forecasted liquidity, as well as financial and other business conditions existing at the time.

6. COMMITMENTS AND CONTINGENCIES

Legal Proceedings. On March 16, 2011, two former employees of ours filed a lawsuit, entitled Mark Barnes and Jerry Mercante on behalf of themselves and all other similarly situated v. Tandy Leather Company, Inc., Tandy Leather Factory, and Does 1-50, in the US District Court for the District of Nevada. The lawsuit was subsequently transferred to the United States District Court, Northern District of Texas, Fort Worth Division (“Court”), and an amended complaint was filed on May 9, 2011 by plaintiffs to add another former employee, Donna Cavota, as a third named plaintiff. The suit alleged that we violated requirements of the Fair Labor Standards Act (FLSA) as well as various state wage laws. Plaintiffs sought to represent themselves and all similarly situated U.S. current and former store managers of ours. A Settlement Agreement was reached between the parties, and on September 24, 2012, the Court issued an Order Preliminarily Approving the Settlement of all federal and state claims asserted by the plaintiffs in the litigation. We continue to deny any violation of any statute, law, rule or regulation, any liability or wrongdoing, and the truth of plaintiffs’ allegations. We agreed to enter into the Settlement Agreement to avoid further expense and inconvenience, end the disruption and burden of the litigation, avoid any other present or future litigation arising out of the facts that gave rise to the litigation, avoid the risk inherent in uncertain complex litigation, and to put to rest the controversy underlying the litigation.

The Settlement Agreement preliminarily approved by the Court required us to establish a fund designated as a Qualified Settlement Fund (Escrow Account) in the amount of $993,386 to fund (1) settlement payments to the plaintiffs, (2) settlement payments to the other members of the settlement class who joined the case, (3) plaintiffs’ attorneys’ fees and expenses, and (4) and the claim administrator (Escrow Agent’s) fees and expenses. The foregoing description is not complete and is qualified in its entirety by reference to the full text of the Settlement Agreement which was attached as Exhibit 10.1 to a Current Report on Form 8-K, as filed with the Securities and Exchange Commission on October 1, 2012.

The deadline established by the Court for any persons employed by us as store managers between November 23, 2008 and September 24, 2012 to join the lawsuit as class members expired on May 24, 2013. On June 28, 2013, the Court issued two orders: (1) an Order Approving Class and Collective Action Settlement and Dismissing Case with Prejudice, and (2) a Final Judgment, Approving Class and Collective Action Settlement and Dismissing Case with Prejudice. Pursuant to the Court's June 28, 2013 orders, the claims administrator (Escrow Agent) was required to make payments to the plaintiffs and those existing and former store managers who joined the lawsuit by signing and returning Consent to Join Forms, which contained a release of us from the claims asserted in plaintiffs' lawsuit.

The settlement payments to the class members and the plaintiffs were made from the Escrow Account pursuant to the formula set forth in the Settlement Agreement by the claims administrator, as well as the payment of the plaintiffs' attorney's fees and the fees and expenses of the claims administrator (Escrow Agent). The total payment from the Escrow Account, including our required FICA payments based on the settlement payments, was $744,273 from the total Escrow Account of $993,386. All payments were made by the claims administrator and the balance of the Escrow Account (approximately $249,000) was returned to us in the first quarter of 2014.

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In connection with the settlement, we recorded a charge to operations of $993,386 during the quarter ended September 30, 2012 as this amount, as ordered by the Court, covered the full settlement of all claims of the plaintiffs and the class members, plaintiffs' attorneys' fees, and the fees and expenses of the claims administrator (Escrow Agent) in accordance with the terms of the Settlement Agreement. In the quarter ended June 30, 2013, we recorded a benefit of approximately $312,000, which was the expected remaining balance in the Escrow Account after all payments have been made. Payroll taxes associated with the payments to claimants of approximately $63,000 was recorded in the fourth quarter of 2013.

We are periodically involved in various other litigation matters that arise in the ordinary course of our business and operations. There are no such matters pending that we expect will have a material impact on our financial position and operating results. Legal costs associated with the resolution of claims, lawsuits and other contingencies are expensed as incurred.

7. SEGMENT INFORMATION

We identify our segments based on the activities of three distinct operations:

a. Wholesale Leathercraft, which consists of a chain of wholesale stores operating under the name, The Leather Factory, located in North America;

b. Retail Leathercraft, which consists of a chain of retail stores operating under the name, Tandy Leather Company, located in North America; and

c. International Leathercraft, which sells to both wholesale and retail customers. We have three stores operating in this segment: one in Northampton, United Kingdom, one in Sydney, Australia, and one in Jerez, Spain. These stores carry the same products as our North American stores.

Our reportable operating segments have been determined as separately identifiable business units, and we measure segment earnings as operating earnings, defined as income before interest and income taxes.

	Wholesale Leathercraft	Retail Leathercraft	Int'l Leathercraft	Total
For the quarter ended September 30, 2014				
Net sales	$6,294,745	$12,068,832	$1,053,657	$19,417,234
Gross profit	4,283,949	7,167,486	723,274	12,174,709
Operating earnings	1,000,329	1,270,884	185,714	2,456,927
Interest expense	(63,684)	-	-	(63,684)
Other income (expense), net	19,556	-	17,969	37,525
Income before income taxes	956,201	1,270,884	203,683	2,430,768
Depreciation and amortization	241,264	114,516	17,058	372,838
Fixed asset additions	489,660	279,829	893	770,382
Total assets	$44,943,519	$16,439,542	$2,578,444	$63,961,505
For the quarter ended September 30, 2013				
Net sales	$6,476,676	$11,128,646	$919,282	$18,524,604
Gross profit	4,358,097	6,752,739	590,107	11,700,943
Operating earnings	956,721	1,351,062	97,570	2,405,353
Interest expense	(51,021)	-	-	(51,021)
Other income (expense), net	33,372	-	(19,595)	13,777

Income before income taxes	939,072	1,351,062	77,975	2,368,109
Depreciation and amortization	241,864	71,496	13,325	326,685
Fixed asset additions	290,087	162,697	-	452,784
Total assets	$40,445,814	$11,150,004	$2,589,503	$54,185,321

	Wholesale Leathercraft	Retail Leathercraft	Int'l Leathercraft	Total
For the nine months ended September 30, 2014				
Net sales	$19,576,180	$36,226,810	$3,156,317	$58,959,307
Gross profit	13,588,209	21,973,975	2,107,854	37,670,038
Operating earnings	3,479,908	4,171,500	428,459	8,079,867
Interest expense	(154,367)	-	-	(154,367)
Other income (expense), net	44,730	-	(527)	44,203
Income before income taxes	3,370,271	4,171,500	427,932	7,969,703
Depreciation and amortization	705,902	332,276	50,580	1,088,758
Fixed asset additions	886,718	781,795	50,951	1,719,464
Total assets	$44,943,519	$16,439,542	$2,578,444	$63,961,505
For the nine months ended September 30, 2013				
Net sales	$19,934,996	$33,930,587	$2,869,861	$56,735,444
Gross profit	13,171,368	20,584,324	1,796,201	35,551,893
Operating earnings	2,853,219	4,243,006	276,052	7,372,277
Interest expense	(158,659)	-	-	(158,659)
Other income (expense), net	108,077	26	30,697	138,800
Income before income taxes	2,802,637	4,243,032	306,749	7,352,418
Depreciation and amortization	655,022	193,118	41,255	889,395
Fixed asset additions	1,858,985	554,831	1,668	2,415,484
Total assets	$40,445,814	$11,150,004	$2,589,503	$54,185,321

Net sales for geographic areas were as follows for the three and nine months ended September 30, 2014 and 2013:

Three months ended September 30,	2014	2013
United States	$16,219,193	$15,466,317
Canada	1,908,966	1,889,696
All other countries	1,289,075	1,168,591
	$19,417,234	$18,524,604

Nine months ended September 30,	2014	2013
United States	$49,298,035	$47,404,281
Canada	5,835,776	5,728,405
All other countries	3,825,496	3,602,758
	$58,959,307	$56,735,444

Geographic sales information is based on the location of the customer. No single foreign country, except for Canada, accounted for any material amount of our consolidated net sales for the three or nine-month periods ended September 30, 2014 and 2013. We do not have any significant long-lived assets outside of the United States.

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8. SUBSEQUENT EVENT – STORE CLOSING

On October 31, 2014, we closed our Chattanooga, Tennessee store, which is part of our Wholesale Leathercraft segment. We anticipate incurring expenses associated with the store closing in the fourth quarter totaling less than $10,000, which will be included in operating expenses.

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

Our Business

We are the world's largest specialty retailer and wholesale distributor of leather and leathercraft related items. We market our products to our growing list of customers through company-owned retail and wholesale stores. We are a Delaware corporation, and our common stock trades on the NASDAQ Global Market under the symbol "TLF." We operate our business in three segments: Wholesale Leathercraft, which operates wholesale stores in North America under the trade name, The Leather Factory, Retail Leathercraft, which operates retail stores in North America under the trade name, Tandy Leather Company, and International Leathercraft, which operates combination retail/wholesale stores outside of North America under the trade name, Tandy Leather Factory. See Note 7 to the Consolidated Financial Statements for additional information concerning our segments, as well as our foreign operations.

Our Wholesale Leathercraft segment operates 29 company-owned wholesale stores in 19 states and three Canadian provinces. These stores are engaged in the wholesale distribution of leather and related items, including leatherworking tools, buckles and belt adornments, leather dyes and finishes, saddle and tack hardware, and do-it-yourself kits, to retailers, manufacturers, and end users. Our Wholesale Leathercraft segment also includes our National Account sales group, whose only customers are national craft chains.

Our Retail Leathercraft segment operates company-owned Tandy Leather Company retail stores in 37 states and six Canadian provinces. Tandy Leather Company, one of the best-known suppliers of leather and related supplies used in the leathercraft industry, has been a primary leathercraft resource for decades. Tandy Leather Company's products include quality tools, leather, accessories, kits and teaching materials. In 2002, we began expanding Tandy Leather Company's industry presence by opening retail stores. As of August 1, 2014, we were operating 80 Tandy Leather Company retail stores located throughout the United States and Canada.

Our International Leathercraft segment operates 3 company-owned stores, all located outside of North America. These stores operate as combination retail / wholesale stores and consist of one store in Northampton, United Kingdom, one store in Sydney, Australia, and one store in Jerez, Spain. We expect to continue opening international stores in the future, but do not intend to open any new international stores in 2014.

Critical Accounting Policies

A description of our critical accounting policies appears in Item 7 "Management's Discussions and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Forward-Looking Statements

Certain statements contained in this report and other materials we file with the Securities and Exchange Commission, as well as information included in oral statements or other written statements made or to be made by us, other than statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally are accompanied by words such as “may,” “will,” “could,” “should,” “anticipate,” “believe,” “budgeted,” “intend,” “plan,” “project,” “potential,” “estimate,” “continue,” or “future” variations thereof or other similar statements. Th certain important risks that could cause results to differ materially from those anticipated by some of the forward-looking statements. Some, but not all, of the important risks, including, without limitation, those described below, could cause actual results to differ materially from those suggested by the forward-looking statements. Please refer to our Annual Report on Form 10-K for fiscal year ended December 31, 2013 for additional information concerning risks and uncertainties that could negatively impact the Company.

Ø Our business may be negatively impacted by general economic conditions in the United States and abroad.

Our performance is subject to worldwide economic conditions and their impact on levels of consumer spending that affect not only the ultimate consumer, but also small businesses and other retailers. Specialty retail, and retail in general, is heavily influenced by general economic cycles. Purchases of non-essential products tend to decline in periods of recession or uncertainty regarding future economic prospects, as disposable income declines. During periods of economic uncertainty, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, open and operate new stores, maintain sales levels at our existing stores, maintain or increase our international operations on a profitable basis, or maintain our earnings from operations as a percentage of net sales. The United States and global economies have suffered from economic uncertainty for the past several years. Consumer spending in the United States appears to have stabilized recently, but could deteriorate in the future. As a result, our operating results may be adversely and materially affected by downward trends or uncertainty in the United States or global economies.

Ø Our profitability may decline as a result of increasing pressure on margins.

Our industry is subject to significant pricing pressure caused by many factors, including fluctuations in the cost of the leather and metal products that we purchase and changes in consumer spending patterns and acceptance of our products. Changes in consumers’ product preferences or lack of acceptance of our products with respect to which costs have increased may prohibit us from passing cost increases on to customers which could cause our gross margin to decline. If our product costs increase and our sale prices do not, our future operating results could be adversely affected unless we are able to offset such gross margin declines with comparable reductions in operating costs.

Ø We may be unsuccessful in implementing our planned international expansion, which could impair the value of our brand, harm our business and negatively affect our results of operations.

We plan to grow our net sales and net earnings from our International Leathercraft segment by opening stores in various international markets. As we expand outside of North America, we may incur significant costs relating to starting up, maintaining and expanding foreign operations. Such costs may include, but are not limited to, obtaining locations for stores, hiring personnel, and travel expenses. We may be unable to open and operate new stores successfully and as a result, our growth may be limited, unless we are able to identify desirable sites for store locations, negotiate acceptable lease terms, hire, train and retain competent store personnel; manage inventory effectively to meet the needs and demands of customers on a timely basis, manage foreign currency risk effectively, and achieve acceptable operating margins from the new stores. We cannot be sure that we can successfully open new stores or that those new stores will be profitable. If we are unable to successfully open new stores or our new stores are not profitable, our business and our results of operations could be adversely affected.

As we continue to increase our international operations, we face the possibility of greater losses from a number of risks inherent in doing business in international markets and from a number of factors which are beyond our control, such as political instability or acts of terrorism, which disrupt trade with the countries in which our suppliers or customers are located; local business practices that do not conform to legal or ethical guidelines; restrictions or regulations relating to imports or exports; additional or increased customs duties, tariffs, taxes and other charges on imports; significant fluctuations in the value of the dollar against foreign currencies; social, legal or economic instability in the foreign markets in which we do business, which could influence our ability to sell our products in these markets; and restrictions on the transfer of funds between the United States and foreign jurisdictions. The occurrence of any of these events could adversely affect our business and our results of operations.

We assume no obligation to update or otherwise revise our forward-looking statements even if experience or future changes make it clear that any projected results, express or implied, will not be realized.

Results of Operations

Three Months Ended September 30, 2014 and 2013

The following tables present selected financial data of each of our three segments for the quarters ended September 30, 2014 and 2013.

	Quarter Ended September 30, 2014		Quarter Ended September 30, 2013	
	Sales	Operating Income	Sales	Operating Income
Wholesale Leathercraft	$6,294,745	$1,000,329	$6,476,676	$956,721
Retail Leathercraft	12,068,832	1,270,884	11,128,646	1,351,062
Int'l Leathercraft	1,053,657	185,714	919,282	97,570
Total Operations	$19,417,234	$2,456,927	$18,524,604	$2,405,353

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Consolidated net sales for the quarter ended September 30, 2014 increased approximately $893,000, or 5%, compared to the same period in 2013. International Leathercraft reported the largest percentage sales gain of 15%, followed by Retail Leathercraft, reporting a sales gain of 8%. Wholesale Leathercraft reported a sales decrease of 3%. Operating income on a consolidated basis for the quarter ended September 30, 2014 increased 2%, or approximately $52,000, compared to the third quarter of 2013, due to the improvement in gross profit margin, partially offset by an increase in operating expenses.

The following table shows in comparative form our consolidated net income for the third quarters of 2014 and 2013:

	2014	2013	% change
Net income	$1,628,562	$1,561,832	4.3%

All segments contributed to our consolidated net income. Additional information appears below for each segment.

Wholesale Leathercraft

Our Wholesale Leathercraft segment consists of 29 wholesale stores and our National Account sales group. The National Account sales group's customers consist of only national craft chains. The following table presents the combined sales mix by customer categories for the quarters ended September 30, 2014 and 2013:

	Quarter Ended	
Customer Group	09/30/14	09/30/13
RETAIL (end users, consumers, individuals)	41%	38%
INSTITUTION (prisons, prisoners, hospitals, schools, youth organizations, etc.)	4%	5%
WHOLESALE (resellers & distributors, saddle & tack shops, authorized dealers, etc.)	48%	43%
MANUFACTURERS	7%	7%
NATIONAL ACCOUNTS	-	7%
	100%	100%

Net sales decreased 2.8%, or approximately $182,000, for the third quarter of 2014 compared to the third quarter of 2013 as follows:

	# Stores	Qtr Ended 09/30/14	Qtr Ended 09/30/13	$ Change	% Change
Same store sales	29	$6,294,745	$6,105,137	$189,608	3.1%
National account group		-	371,539	(371,539)	(100.0)%
Total sales	29	$6,294,745	$6,476,676	(181,931)	(2.8)%

Our same store sales increased 3.1% in the third quarter of 2014, as compared with the same period in 2013. Compared to the third quarter of 2013, we achieved sales dollar increases in our retail and wholesale customer categories, which were offset somewhat by minimal decreases in our institution, manufacturing, and national account customer categories. Sales to our national account customers ended in April – the result of a decision we made to eliminate certain products from our product line that these customers were buying. These products were eliminated due to unacceptable gross profit margins. Our focus is on sales through our stores, rather than National Accounts, as we believe our stores represent the greatest potential for continued and consistent sales growth.

Operating income for Wholesale Leathercraft during the quarter ended September 30, 2014 increased approximately $44,000, or 5%, from the comparative 2013 quarter. Our gross profit margin increased from 67.3% to 68.1% as our sales to retail customers increased. Those sales bring higher margins than sales to wholesale customers. Operating expenses as a percentage of sales were 52.2%, down approximately $117,000 from the third quarter of 2013. Significant expense decreases occurred in legal and professional fees ($219,000), offset by increases in bad debts ($20,000), dues and subscriptions ($15,000), repairs and maintenance ($10,000), rent and utilities ($20,000) and supplies ($32,000). The decrease in legal fees is attributable to new trademark filing fees incurred last year not repeated this year.

Retail Leathercraft

Our Retail Leathercraft segment consists of 80 and 78 Tandy Leather Company retail stores at September 30, 2014 and 2013, respectively. Net sales increased 8% for the third quarter of 2014 over the same quarter last year. A store is categorized as "new" until it is operating for the full comparable period in the prior year.

	# Stores	Qtr Ended 09/30/14	Qtr Ended 09/30/13	$ Change	% Change
Same store sales	76	$11,664,143	$10,979,163	$684,980	6.2%
New store sales	4	404,689	-	404,689	N/A
Closed store sales	2	-	149,483	(149,483)	(100.0)%
Total sales	80	$12,068,832	$11,128,646	$940,186	8.5%

The following table presents sales mix by customer categories for the quarters ended September 30, 2014 and 2013 for our Retail Leathercraft operation:

	Quarter Ended	
Customer Group	09/30/14	09/30/13
RETAIL (end users, consumers, individuals)	58%	57%
INSTITUTION (prisons, prisoners, hospitals, schools, youth organizations, etc.)	3%	4%
WHOLESALE (resellers & distributors, saddle & tack shops, authorized dealers, etc.)	37%	36%
NATIONAL ACCOUNTS	-	-
MANUFACTURERS	2%	3%
	100%	100%

Monthly sales per store per month averaged approximately $50,000 in the third quarter of 2014, compared to approximately $48,000 in the third quarter of 2013.

Sales to retail and wholesale customer groups increased over the second quarter of 2013, while sales to our institution and manufacturers customer groups declined slightly over the same period. Our gross profit margin decreased from 60.7% to 59.4% due to the increase in sales to our wholesale customer group. Operating income decreased approximately $80,000, or 6%, from the comparative 2013 quarter. Operating income as a percentage of sales declined from 12.1% in the third quarter of 2013 to 10.5% in the third quarter of 2014 due to the increase in operating expenses. Operating expenses as a percentage of sales increased from 48.5% to 48.9% as expenses grew at a slightly higher rate than that of sales during the quarter. Operating expenses increased approximately $495,000 over the third quarter of 2013. Compared to last year's third quarter, employee compensation increased approximately $187,000, advertising and marketing expenses increased approximately $209,000, and rent and utilities expense increased approximately $120,000.

International Leathercraft

International Leathercraft consists of all stores located outside of North America. As of September 30, 2014 and 2013, the segment contained three stores, with one each located in United Kingdom, Australia, and Spain. Net sales increased 14.6% for the third quarter of 2014 over the same quarter last year. A store is categorized as “new” until it is operating for the full comparable period in the prior year.

	# Stores	Qtr Ended 09/30/14	Qtr Ended 09/30/13	$ Change	% Change
Same store sales	3	$1,053,657	$919,282	$134,375	14.6%
New store sales	-	-	-	-	N/A
Total sales	3	$1,053,657	$919,282	$134,375	14.6%

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Gross profit margin as a percentage of sales increased from 64.2% in the third quarter of 2013 to 68.6% in the third quarter of 2014. We determine selling prices taking into consideration the currency conversion between the U.S. dollar and the local currency, as well as local market conditions. Further, the mix of products sold has a direct impact on gross margins. A larger ratio of non-leather items sold to leather sold will raise margins as non-leather items generally bring higher margins. Similarly, a larger ratio of leather sold to non-leather items sold will lower margins as leather generally brings lower margins. Operating expenses totaled approximately $537,000 in the third quarter of 2014, up approximately $45,000 from approximately $492,000 in the third quarter of 2013. Compared to last year's third quarter, advertising and marketing expenses were up approximately $27,000 and employee compensation was up approximately $12,000. Advertising and marketing expenses were this segment's largest expense in the quarter, followed by employee compensation, freight out, legal and professional fees, and rent.

Other Expenses

We paid approximately $64,000 in interest expense in the third quarter of 2014 on our bank debt, related to our building purchase, and the outstanding balance on our line of credit, compared to approximately $51,000 in interest expense in the third quarter last year. We recorded other income, consisting of gas royalties and miscellaneous non-operating income, of approximately $19,000 in the current quarter compared to approximately $33,000 in last year's comparable quarter. We recorded income of approximately $18,000 during the third quarter of 2014 related to currency fluctuations from our international operations. Comparatively, in the third quarter of 2013, we recorded an expense of approximately $20,000 for currency fluctuations.

Nine Months Ended September 30, 2014 and 2013

The following table presents selected financial data of each of our three segments for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Sales	Operating Income	Sales	Operating Income
Wholesale Leathercraft	$19,576,180	$3,479,908	$19,934,996	$2,853,219
Retail Leathercraft	36,226,810	4,171,500	33,930,587	4,243,006
International Leathercraft	3,156,317	428,459	2,869,861	276,052
Total Operations	$58,959,307	$8,079,867	$56,735,444	$7,372,277

Consolidated net sales for the nine months ended September 30, 2014 were up 4% compared to the same period in 2013, increasing $2.2 million. Retail Leathercraft contributed the largest sales increase of approximately $2.3 million, followed by International Leathercraft reporting an increase of approximately $286,000. Wholesale Leathercraft reported a decrease of approximately $359,000. The increase in inventory at the stores, coupled with strong advertising efforts, contributed to the overall sales increase. Operating income on a consolidated basis for the nine months ended September 30, 2014 increased 10%, or approximately $708,000, compared to the first nine months of 2013.

The following table shows in comparative form our consolidated net income for the first three quarters of 2014 and 2013:

	2014	2013	% change
Net income	$5,248,459	$4,777,506	9.9%

Wholesale Leathercraft

Net sales decreased 1.8%, or approximately $359,000, for the first nine months of 2014 as follows:

	# Stores	Nine Months Ended 09/30/14	Nine Months Ended 09/30/13	$ Change	% Change
Same store sales	29	$19,227,530	$18,897,124	$330,406	1.8%
National account group		348,650	1,037,872	(689,222)	(66.4)%
Total sales		$19,576,180	$19,934,996	$(358,816)	(1.8)%

The following table presents the combined sales mix by customer categories for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended	
Customer Group	09/30/14	09/30/13
RETAIL (end users, consumers, individuals)	43%	38%
INSTITUTION (prisons, prisoners, hospitals, schools, youth organizations, etc.)	4%	4%
WHOLESALE (resellers & distributors, saddle & tack shops, authorized dealers, etc.)	42%	44%
MANUFACTURERS	6%	7%
NATIONAL ACCOUNTS	5%	7%
	100%	100%

Operating income for Wholesale Leathercraft for the first nine months of 2014 increased by approximately $627,000 from the comparative 2013 period, a 22% improvement. Comparing the first nine months of 2014 to the first nine months of 2013, gross profit margin increased approximately $417,000, and operating expenses decreased approximately $210,000. As a percentage of sales, gross profit margin improved from 66.1% to 69.4%, and operating expenses decreased from 51.8% to 51.6%. The primary reason for the operating expense decrease was a reduction in legal fees.

Retail Leathercraft

Net sales were up 6.8% for the first nine months of 2014 over the same period last year.

	# Stores	Nine Months Ended 09/30/14	Nine Months Ended 09/30/13	$ Change	% Change
Same store sales	76	$35,086,069	$33,451,109	$1,634,960	4.9%
New store sales	4	1,140,741	-	1,140,741	N/A
Closed store sales	2	-	479,478	(479,478)	(100.0)%
Total sales	80	$36,226,810	$33,930,587	$2,296,223	6.8%

The following table presents sales mix by customer categories for the nine months ended September 30, 2014 and 2013 for our Retail Leathercraft operation:

	Nine Months Ended	
Customer Group	09/30/14	09/30/13

RETAIL (end users, consumers, individuals)	59%	57%
INSTITUTION (prisons, prisoners, hospitals, schools, youth organizations, etc.)	4%	4%
WHOLESALE (resellers & distributors, saddle & tack shops, authorized dealers, etc.)	35%	36%
NATIONAL ACCOUNTS	-	-
MANUFACTURERS	2%	3%
	100%	100%

The retail stores' sales averaged approximately $50,000 per store per month in 2014, compared to approximately $48,000 per store per month in 2013.

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Operating income for the first nine months of 2014 decreased approximately $72,000, or 2%, from the comparative 2013 period, and decreased as a percentage of sales from 12.5% in the first nine months of 2013 to 11.5% in the first nine months of 2014 due to expenses growing faster than sales. Gross profit margin held steady at 60.7% for both nine month periods in 2014 and 2013. Operating expenses as a percentage of sales were 49.1% for the first nine months of 2014, compared to 48.2% for the first nine months of 2013.

International Leathercraft

International Leathercraft consists of all stores located outside of North America. As of September 30, 2014 and 2013, the segment contained three stores with one each located in United Kingdom, Australia, and Spain. Net sales increased 10% for the first three quarters of 2014 over the same period last year. A store is categorized as "new" until it is operating for the full comparable period in the prior year.

	# Stores	Nine Months Ended 09/30/14	Nine Months Ended 09/30/13	$ Change	% Change
Same store sales	3	$3,156,317	$2,869,861	$286,456	10.0%
New store sales	-	-	-	-	-
Total sales	3	$3,156,317	$2,869,861	$286,456	10.0%

Gross profit margin as a percentage of sales increased from 62.6% in the first nine months of 2013 to 66.8% in the first nine months of 2014. Selling prices are determined based on the currency conversion between the U.S. dollar and the local currency. In addition, gross profit margin is affected by sales mix – the ratio of higher margin products (tools, supplies, etc.) to lower margin products (leather). Operating expenses totaled approximately $1.7 million in the first nine months of 2014, up approximately $159,000 from $1.5 million in the first nine months of 2013. Advertising and marketing expenses increased approximately $129,000 compared to the comparable period last year, while employee compensation increased approximately $35,000. Advertising and marketing expenses is this segment's largest expense, followed by employee compensation, shipping costs to customers, and rent.

Other Expenses

We paid approximately $154,000 in interest on our bank debt in the first nine months of 2014, compared to approximately $159,000 in the first nine months of 2013. We recorded approximately $3,500 in interest income in the nine months ended September 30, 2014 compared to approximately $2,300 in last year's comparable period. We recorded an expense of approximately $300 in the first three quarters of 2014. Comparatively, in the same period of 2013, we recorded income of approximately $31,000 for currency fluctuations.

Capital Resources, Liquidity and Financial Condition

On our consolidated balance sheet, total assets were approximately $64 million at September 30, 2014, up approximately $7.6 million from approximately $56.4 million at year-end 2013. Total stockholders' equity increased from approximately $44.6 million at December 31, 2013 to approximately $46.8 million at September 30, 2014, the increase being attributable to earnings in the first three quarters of this year, partially offset by the special, one-time dividend of approximately $2.5 million that was paid to our stockholders in August 2014. Our current ratio decreased from 5.0 at December 31, 2013 to 3.4 at September 30, 2014 due to the increase in short-term debt, offset partially by the increase in inventory.

Our investment in inventory increased by approximately $13.1 million from year-end 2013 to September 30, 2014. Inventory turnover reached an annualized rate of 2.4 times during the first nine months of 2014, slowing from 2.7 times for the first nine months of 2013. Inventory turnover was 3.0 times for all of 2013. We compute our inventory turns as sales divided by average inventory. We significantly increased the amount of inventory carried in our stores and in our warehouse during 2014 to provide our customers with greater product selection and to promote continued sales growth. Further, an increase in inventory during the third quarter is a normal occurrence as we anticipate fourth quarter demand. We expect our inventory investment to return to more normal levels, which we estimate to be in the $32-33 million range, as we enter 2015.

Trade accounts receivable were approximately $702,000 at September 30, 2014, down approximately $60,000 from $762,000 at year-end 2013. The average days to collect accounts for the first nine months of 2014 were 34 days, improving from 39 days for the first nine months of 2013. We monitor our customer accounts closely in an effort to minimize the risk of uncollectible accounts.

Accounts payable increased approximately $57,000 to $1.9 million at September 30, 2014 compared to $1.8 million at year-end 2013. Accrued expenses increased approximately $131,000 from December 31, 2013 to September 30, 2014.

During the first nine months of 2014, cash flow used by operating activities was approximately $7.6 million. The increase in inventory of approximately $13.1 million, partially offset by net income of approximately $5.2 million accounted for the operating cash used. By comparison, during the first nine months of 2013, cash flow provided by operating activities was $1.3 million. Net income of $4.8 million, offset by the increase in inventory of $3.6 million accounted for the operating cash provided in the first nine months of 2013.

Cash flow used in investing activities totaled approximately $1.7 million in the first nine months of 2014, consisting primarily of purchases of store fixtures and computer equipment. In the first three quarters of 2013, cash flow used in investing activities totaled $2.4 million in the first nine months of 2013, consisting primarily of the building constructed to house our flagship store, which opened in June 2013, and purchases of store fixtures and computer equipment.

Cash flow provided by financing activities totaled approximately $3.1 million in the first nine months of 2014, consisting of borrowings against our line of credit of $6 million, partially offset by bank debt repayments totaling $405,000 and the payment of a special dividend totaling approximately $2.5 million. In the first nine months of 2013, cash flow used in financing activities totaled approximately $342,000 in the first nine months of 2013, consisting of bank debt repayments totaling approximately $456,000, partially offset by the proceeds received from the exercise of stock options of approximately $114,000.

We expect to fund our operating and liquidity needs as well as our store growth from a combination of current cash balances, internally generated funds, and our revolving credit facility with JPMorgan Chase Bank.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For disclosures about market risk affecting us, see Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for fiscal year ended December 31, 2013. We believe that our exposure to market risks has not changed significantly since December 31, 2013. We expect that our exposure to foreign currency exchange risk will increase as our international presence increases.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the last day of the fiscal period covered by this report, September 30, 2014. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that, as of September 30, 2014, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information contained in Note 6 to the consolidated financial statements included in Item 1 of this Report is hereby incorporated into this Item 1 by reference.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of The Leather Factory, Inc., and Certificate of Amendment to Certificate of Incorporation of The Leather Factory, Inc. filed as Exhibit 3.1 to Tandy Leather Factory, Inc.'s Form 10-Q filed with the Securities and Exchange Commission on August 12, 2005 and incorporated by reference herein.
3.2	Bylaws of The Leather Factory, Inc. (n/k/a Tandy Leather Factory, Inc.), filed as Exhibit 3.5 to the Current Report on Form 8-K filed by Tandy Leather Factory, Inc (f/k/a The Leather Factory, Inc.) with the Securities and Exchange Commission on July 14, 2004 and incorporated by reference herein.
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Tandy Leather Factory, Inc. filed as Exhibit 3.1 to Tandy Leather Factory's Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 10, 2013 and incorporated by reference herein.
*31.1	13a-14(a) or 15d-14(a) Certification by Jon Thompson, Chief Executive Officer and President.
*31.2	13a-14(a) or 15d-14(a) Certification by Shannon Greene, Chief Financial Officer and Treasurer.
*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS^	XBRL Instance Document.
101.SCH^	XBRL Taxonomy Extension Schema Document.
101.CAL^	XBRL Taxonomy Extension Calculation Document.
101.DEF^	XBRL Taxonomy Extension Definition Document.
101.LAB^	XBRL Taxonomy Extension Labels Document.
101.PRE^	XBRL Taxonomy Extension Presentation Document.

*Filed herewith.

^ XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

	TANDY LEATHER FACTORY, INC.
	(Registrant)
Date: November 14, 2014	By: /s/ Jon Thompson
	Jon Thompson
	Chief Executive Officer and President
Date: November 14, 2014	By: /s/ Shannon L. Greene
	Shannon L. Greene
	Chief Financial Officer and Treasurer (Chief Accounting Officer)

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