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LEATHER FACTORY INC
Form S-3
July 16, 2004

As filed with the Securities and Exchange Commission on July 15, 2004
Registration No. 333-_____

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

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

THE LEATHER FACTORY, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE

75-2543540

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification N

3847 EAST LOOP 820 SOUTH
FORT WORTH, TEXAS 76119
(817) 496-4414
(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

WRAY THOMPSON
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
THE LEATHER FACTORY, INC.
3847 EAST LOOP 820 SOUTH
FORT WORTH, TEXAS 76119
(817) 496-4414
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code,
of Agent For Service)

COPY TO:

PATRICK A. REARDON
ATTORNEY-AT-LAW
210 WEST 6TH STREET, SUITE 401
FORT WORTH, TEXAS
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Approximate date of commencement of proposed sale to the public:
From time to time after this registration statement becomes effective

If the only securities being registered on this form are being offered
pursuant to dividend or interest reinvestment plans, please check the following

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box.

If any of the 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.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please 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 delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

| TITLE OF CLASS OF SECURITIES TO BE REGISTERED | PROPOSED MAXIMUM OFFERING AMOUNT TO BE REGISTERED(1) | PRICE PER SHARE(2) |
|---|--|--------------------|
| Common Stock, \$.0024 par value | 350,000 | \$ 4.19 |
| Total Registration Fee | 350,000 | \$ 4.19 |

| TITLE OF CLASS OF SECURITIES TO BE REGISTERED | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE | AMOUNT |
|---|---|--------|
| Common Stock, \$.0024 par value | \$ 1,466,500.00 | \$ |
| Total Registration Fee | \$ 1,466,500.00 | \$ |

(1) In the event of a stock split, stock dividend or similar transaction involving the Common Stock, in order to prevent dilution, the number of shares registered shall be automatically increased to cover the additional shares in accordance with Rule 416(a) under the Securities Act of 1933.

(2) Estimated solely for the purpose of computing the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(c) under the Securities Act based upon the average (\$4.19) of the high (\$4.20) and low (\$4.18) prices of the common stock on July 13, 2004, as quoted on the American Stock Exchange. It is not known how many shares will be purchased under this registration statement or at what price shares will be purchased.

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 THIS REGISTRATION STATEMENT SHALL BECOME

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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 FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND THE SELLING STOCKHOLDERS ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY 15, 2004
PROSPECTUS

THE LEATHER FACTORY, INC.
350,000 Shares of Common Stock

This prospectus may be used only for the resale of up to 350,000 shares already issued or to be issued of our Common Stock, \$0.0024 par value, by the selling stockholders listed in this prospectus under the section "Selling Stockholders". These shares include 200,000 shares held by certain stockholders and 150,000 shares issued by us to affiliates of Westminster Securities Corporation upon exercise of warrants. The selling stockholders will receive all of the proceeds from the sale of shares of Common Stock hereunder and will pay all underwriting discounts and selling commissions, if any, applicable to the sale of such shares. We will pay the expenses incurred in registering the shares, including legal and accounting fees.

The prices at which the selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Our common stock is quoted on the American Stock Exchange under the symbol "TLF." On July 13, 2004, the last reported sale price for our common stock on the American Stock Exchange was \$4.18 per share.

THE SECURITIES OFFERED INVOLVE A DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 5 FOR A DISCUSSION OF SOME IMPORTANT RISKS YOU SHOULD CONSIDER BEFORE BUYING ANY SHARES OF OUR COMMON STOCK.

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 _____, 2004

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You should rely only on the information we have provided or incorporated by reference in this prospectus. Neither we nor the selling stockholders have authorized anyone to provide you with additional or different information. The selling stockholders are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. In this prospectus, unless otherwise indicated, "TLF", "Leather Factory", "we", "us" or "our" refer to The Leather Factory, Inc. and its subsidiaries.

SUMMARY

This Summary highlights important features of this offering and the information included or incorporated by reference into this prospectus. This summary does not contain all of the information that you should consider before investing in our Common Stock. You should read the entire prospectus carefully, especially the risks of investing in our Common Stock discussed under the section titled "Risk Factors."

References in this prospectus to "us," "we," the "Company" or "Leather Factory" shall mean The Leather Factory, Inc. and our consolidated subsidiaries, unless the context indicates otherwise.

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission utilizing a "shelf" registration process. Under this shelf process, the selling stockholders may, from time to time, sell their shares of our Common Stock in one or more offerings. This prospectus provides you with a general description of the Common Stock being offered. You should read this prospectus, including any documents incorporated herein by reference, together with additional information described under the heading "Where You Can Find More Information."

The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the securities offered under this prospectus. That registration statement can be read at the Securities and Exchange Commission's offices mentioned under the heading "Where You Can Find More Information."

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and in any accompanying supplement to this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of Common Stock.

THE LEATHER FACTORY, INC.

We are a retailer and wholesale distributor of a broad line of leather and

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related products, including leather, leatherworking tools, buckles and adornments for belts, leather dyes and finishes, saddle and tack hardware, and do-it-yourself kits. We also manufacture leather lacing and kits. During 2003, our consolidated sales totaled \$41.7 million of which approximately 6.6% were export sales. Our Common Stock trades on the American Stock Exchange under the symbol "TLF".

At June 30, 2004, we operated 30 Leather Factory wholesale distribution centers and 32 Tandy Leather retail stores. We also own and operate Roberts, Cushman and Company, Inc., a manufacturer of custom hat trims.

Our three segments can be summarized as shown below:

1. THE LEATHER FACTORY sells to a mixture of customers that include resellers, national accounts, institutional and retail customers and manufacturers. The Leather Factory's products are leather and related products, including leatherworking tools, buckles and adornments for belts, leather dyes and finishes, saddle and tack hardware, and do-it-yourself kits. We have a chain of 30 outlet stores located in the United States and Canada.

2. TANDY LEATHER COMPANY sells primarily to retail customers through a chain of retail stores located in the United States. Products include quality tools, leather, accessories, kits and teaching materials. Tandy Leather is the oldest and best-known supplier of leather and related supplies used in the leathercraft industry. From its founding in 1919, Tandy has been the primary leathercraft resource worldwide. We acquired the assets of Tandy Leather in late 2000, and in early 2002, we initiated a plan to expand Tandy Leather by opening or acquiring retail stores. As of April 15, 2004, we have added 30 Tandy Leather retail stores located in the United States and Canada.

3. ROBERTS, CUSHMAN & COMPANY manufactures decorative hat trims that are sold directly to hat manufacturers and distributors. Its operations are not material to our financial results.

Our growth, measured both by our net sales and net income, occurs as a result of the increase in the number of stores we operate and the increase from year to year of the sales in our existing stores. The following tables provide summary information concerning the additions of facilities for our Leather Factory wholesale centers and Tandy Leather retail stores in each of our fiscal years from 1999 to 2003.

STORE COUNT
YEARS ENDED DECEMBER 31, 1999 THROUGH MAY 31, 2004

| YEAR ENDED DEC. 31, | LEATHER FACTORY WHOLESALE CENTERS | | | TANDY LEATHER RETAIL STORES | | |
|---------------------|-----------------------------------|-----------------|-------|-----------------------------|--------|-------|
| | OPENED | CONVERSIONS (1) | TOTAL | OPENED (2) | CLOSED | TOTAL |
| Balance Fwd | | | 22 | | | N/A |
| 1999 | 4 | 0 | 26 | N/A | N/A | N/A |
| 2000 | 2 | 0 | 28 | 1* | 0 | 1 |
| 2001 | 2 | 0 | 30 | 0 | 0 | 1 |
| 2002 | 1 | 1 | 30 | 14 | 1* | 14 |
| 2003 | 0 | 0 | 30 | 12 | 0 | 26 |
| 2004 (thru May 31) | 0 | 0 | 30 | 6 | 0 | 32 |