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13
14 **UNITED STATES DISTRICT COURT**
15 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**
16

17 MICHAEL CHUPA, Individually and
18 On Behalf of All Others Similarly
19 Situated,

20 Plaintiff,

21 v.

22 ARMSTRONG FLOORING, INC.,
23 MICHEL VERMETTE, DONALD
24 MAIER, LARRY McWILLIAMS,
25 DOUGLAS BINGHAM, and RONALD
26 FORD,

27 Defendants.
28

Case No. 19-cv-09840

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

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

11 **NATURE OF THE ACTION AND OVERVIEW**

12 1. This is a class action on behalf of persons and entities that purchased or
13 otherwise acquired Armstrong Flooring securities between March 6, 2018 and
14 November 4, 2019, inclusive (the “Class Period”). Plaintiff pursues claims against
15 the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. Armstrong Flooring manufactures and sells resilient and wood flooring
17 products primarily used in the construction and renovation of commercial,
18 residential, and institutional buildings.

19 3. On May 3, 2019, Armstrong Flooring’s Chief Executive Officer
20 abruptly resigned.

21 4. On this news, the Company’s stock price fell \$1.75, nearly 12%, to
22 close at \$13.14 per share on May 3, 2019, on unusually heavy trading volume.

23 5. On November 5, 2019, before the market opened, the Company
24 reported \$165.6 million net sales for third quarter 2019, a nearly 21% decline year-
25 over-year, and a net loss of \$31.4 million. The Company also cut its full year 2019
26 guidance for adjusted EBITDA to a range of \$20 million to \$25 million, from prior
27 guidance range of \$46 million to \$54 million.

1 6. On this news, the Company's stock price fell \$2.90 per share, or nearly
2 44%, to close at \$3.70 per share on November 5, 2019, on unusually heavy trading
3 volume.

4 7. Throughout the Class Period, Defendants made materially false and/or
5 misleading statements, as well as failed to disclose material adverse facts about the
6 Company's business, operations, and prospects. Specifically, Defendants failed to
7 disclose to investors: (1) that the Company had engaged in channel stuffing to
8 artificially boost sales; (2) that the Company's internal control over inventory levels
9 was not effective; and (3) that, as a result of the foregoing, Defendants' positive
10 statements about the Company's business, operations, and prospects, were
11 materially misleading and/or lacked a reasonable basis.

12 8. As a result of Defendants' wrongful acts and omissions, and the
13 precipitous decline in the market value of the Company's securities, Plaintiff and
14 other Class members have suffered significant losses and damages.

15 **JURISDICTION AND VENUE**

16 9. The claims asserted herein arise under Sections 10(b) and 20(a) of the
17 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated
18 thereunder by the SEC (17 C.F.R. § 240.10b-5).

19 10. This Court has jurisdiction over the subject matter of this action
20 pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. §
21 78aa).

22 11. Venue is proper in this Judicial District pursuant to 28 U.S.C. §
23 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts
24 in furtherance of the alleged fraud or the effects of the fraud have occurred in this
25 Judicial District. Many of the acts charged herein, including the dissemination of
26 materially false and/or misleading information, occurred in substantial part in this
27 Judicial District. The Company has offices and a manufacturing facility in this
28 District.

12. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

13. Plaintiff Michael Chupa, as set forth in the accompanying certification, incorporated by reference herein, purchased Armstrong Flooring securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

14. Defendant Armstrong Flooring is incorporated under the laws of Delaware with its principal executive offices located in Lancaster, Pennsylvania. Armstrong Flooring’s common stock trades on the New York Stock Exchange (“NYSE”) under the symbol “AFI.”

15. Defendant Michel Vermette (“Vermette”) has been the Company’s Chief Executive Officer (“CEO”) since September 11, 2019.

16. Defendant Donald Maier (“Maier”) was the CEO from March 2016 to May 2, 2019.

17. Defendant Larry McWilliams (“McWilliams”) was the Interim CEO from May 3, 2019 to September 11, 2019.

18. Defendant Douglas Bingham (“Bingham”) has been the Company’s Chief Financial Officer (“CFO”) since January 4, 2019.

19. Defendant Ronald Ford (“Ford”) was the CFO from September 2017 to January 4, 2019.

20. Defendants Vermette, Maier, McWilliams, Bingham, and Ford (collectively the “Individual Defendants”), because of their positions with the Company, possessed the power and authority to control the contents of the Company’s reports to the SEC, press releases and presentations to securities

analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

21. Armstrong Flooring manufactures and sells resilient and wood flooring products primarily used in the construction and renovation of commercial, residential, and institutional buildings.

Materially False and Misleading Statements Issued During the Class Period

22. The Class Period begins on March 6, 2018. On that day, the Company filed its annual report on Form 10-K for the period ended December 31, 2017 (the "2017 10-K") in which it reported \$1.13 billion net sales and \$41.8 million net loss.

23. Regarding industry capacity for products, the 2017 10-K stated, in relevant part:

We compete with numerous flooring manufacturers in highly competitive markets. Competition can affect customer preferences, reduce demand for our products, negatively affect our product sales mix, leverage greater financial resources, or cause us to lower prices.

Our markets are highly competitive. We compete for sales of flooring products with many manufacturers of resilient and wood flooring as well as with manufacturers who also produce other types of flooring products. Some of our competitors have greater financial resources than we do. Competition can reduce demand for our products, negatively affect our product sales mix or cause us to lower prices. Our failure to compete effectively through management of our product portfolio, by

1 meeting consumer preferences, maintaining market share positions in
2 our legacy product categories and gaining market leadership in growth
3 product categories such as LVT, could have a material adverse effect
4 on our financial condition, liquidity or results of operations. Our
5 customers consider our products' performance, product styling,
6 customer service and price when deciding whether to purchase our
7 products. Shifting consumer preference in our highly competitive
8 markets whether for performance or styling preferences or our inability
9 to develop and offer new competitive performance features, could have
10 an adverse effect on our sales.

11 In addition, excess industry capacity for certain products in several
12 geographic markets could lead to industry consolidation and/or
13 increased price competition. We are also subject to potential increased
14 price competition from overseas competitors, which may have lower
15 cost structures.

16 24. The 2017 10-K also stated that the Company's CEO and CFO had
17 concluded Armstrong Flooring's disclosure controls and procedures were effective.

18 25. On May 8, 2018, the Company filed its quarterly report on Form 10-Q
19 with the SEC for the period ended March 31, 2018, reporting \$257.9 million net
20 sales and \$10.4 million net loss. It also stated that the Company's CEO and CFO
21 had concluded Armstrong Flooring's disclosure controls and procedures were
22 effective.

23 26. On August 7, 2018, the Company filed its quarterly report on Form 10-
24 Q with the SEC for the period ended June 30, 2018, reporting \$306 million net sales
25 and \$10.5 million net income. It also stated that the Company's CEO and CFO had
26 concluded Armstrong Flooring's disclosure controls and procedures were effective.

27 27. On November 6, 2018, the Company filed its quarterly report on Form
28 10-Q with the SEC for the period ended September 30, 2018, reporting \$309.7
million net sales and \$7.9 million net income. It also stated that the Company's CEO
and CFO had concluded Armstrong Flooring's disclosure controls and procedures
were effective.

29 28. On March 5, 2019, the Company filed its annual report on Form 10-K
with the SEC for the period ended December 31, 2018 (the "2018 10-K"), reporting
\$728.2 million net sales and \$163.0 million net loss.

1 29. Regarding industry capacity for products, the 2018 10-K stated, in
2 relevant part:

3 *We compete with numerous flooring manufacturers in highly*
4 *competitive markets. Competition can affect customer preferences,*
5 *reduce demand for our products, negatively affect our product sales*
6 *mix, leverage greater financial resources, or cause us to lower prices.*

7 Our markets are highly competitive. We compete for sales of flooring
8 products with many manufacturers and independent distributors of
9 resilient flooring as well as with manufacturers who also produce other
10 types of flooring products. Some of our competitors have greater
11 financial resources than we do. Competition can reduce demand for our
12 products, negatively affect our product sales mix or cause us to lower
13 prices. Our failure to compete effectively through management of our
14 product portfolio, by meeting consumer preferences, maintaining
15 market share positions in our traditional categories and gaining market
16 leadership in growth product categories such as LVT, could have a
17 material adverse effect on our financial condition, liquidity or results of
18 operations. Our customers consider our products' performance, product
19 styling, customer service and price when deciding whether to purchase
20 our products. Shifting consumer preference in our highly competitive
21 markets whether for performance or styling preferences or our inability
22 to develop and offer new competitive performance features, could have
23 an adverse effect on our sales.

24 In addition, excess industry capacity for certain products in several
25 geographic markets could lead to industry consolidation and/or
26 increased price competition. We are also subject to potential increased
27 price competition from overseas competitors, which may have lower
28 cost structures.

29 30. The 2018 10-K also stated that the Company's CEO and CFO had
30 concluded Armstrong Flooring's disclosure controls and procedures were effective.

31 31. The above statements identified in ¶¶ 22-30 were materially false
32 and/or misleading, and failed to disclose material adverse facts about the Company's
33 business, operations, and prospects. Specifically, Defendants failed to disclose to
34 investors: (1) that the Company had engaged in channel stuffing to artificially boost
35 sales; (2) that the Company's internal control over inventory levels was not
36 effective; and (3) that, as a result of the foregoing, Defendants' positive statements
37 about the Company's business, operations, and prospects, were materially
38 misleading and/or lacked a reasonable basis

1 32. The truth began to emerge on May 3, 2019 when Defendant Maier
2 abruptly resigned from his positions. In a Form 8-K filed with the SEC, the
3 Company disclosed that “pursuant to a mutual agreement between the Company and
4 Donald R. Maier, Mr. Maier’s employment with the Company ceased and he
5 resigned as a member of the Board of Directors.”

6 33. On this news, the Company’s stock price fell \$1.75, nearly 12%, to
7 close at \$13.14 per share on May 3, 2019, on unusually heavy trading volume.

8 34. On May 7, 2019, the Company filed its quarterly report on Form 10-Q
9 for the period ended March 31, 2019, reporting \$141.7 million net sales and \$16.7
10 million net loss. It also stated that the Company’s CEO and CFO had concluded
11 Armstrong Flooring’s disclosure controls and procedures were effective.

12 35. On August 6, 2019, the Company filed its quarterly report on Form 10-
13 Q with the SEC for the period ended June 30, 2019, reporting \$177.7 million net
14 sales and \$14.7 million net income. It also stated that the Company’s CEO and CFO
15 had concluded Armstrong Flooring’s disclosure controls and procedures were
16 effective.

17 36. The above statements identified in ¶¶ 32, 34-35 were materially false
18 and/or misleading, and failed to disclose material adverse facts about the Company’s
19 business, operations, and prospects. Specifically, Defendants failed to disclose to
20 investors: (1) that the Company had engaged in channel stuffing to artificially boost
21 sales; (2) that the Company’s internal control over inventory levels was not
22 effective; and (3) that, as a result of the foregoing, Defendants’ positive statements
23 about the Company’s business, operations, and prospects, were materially
24 misleading and/or lacked a reasonable basis.

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

26 37. On November 5, 2019, before the market opened, the Company
27 reported \$165.6 million net sales for third quarter 2019, a nearly 21% decline year-
28 over-year, and a net loss of \$31.4 million. The Company also cut its full year 2019

1 guidance for adjusted EBITDA to a range of \$20 million to \$25 million, from prior
 2 guidance range of \$46 million to \$54 million. The Company's press release stated,
 3 in relevant part:

4 In the third quarter of 2019, net sales decreased 20.7% to
 5 \$165.6 million from \$208.9 million in the third quarter of 2018,
 6 including an adverse currency impact of 90 basis points. The decrease
 7 in net sales was primarily due to unfavorable volumes and mix. Lower
 8 volumes in the third quarter of 2019 primarily reflected an unfavorable
 9 comparison in 2018 due to significant customer purchases in the
 10 distribution channel in anticipation of U.S. tariffs along with what the
 11 Company believes to be weaker performance by several distributors in
 12 2019. *Volume was below expectations due to further inventory
 13 reductions combined with share loss in some categories within the
 14 distribution channel, and mix was driven by lower relative LVT sales
 15 as a result of distributor stocking activity in the prior year quarter.*

16 (Emphasis added.)

17 38. The same day, the Company held a conference call to discuss these
 18 results, and, in an exchange with an analyst, defendant Vermette attributed the
 19 lowered guidance to inventory reductions by distributors:

20 **Analyst:** [O]n guidance, can you just bridge for us what specifically
 21 caused the reduction since 2Q?

22 **Vermette:** The biggest piece has been the continued declines that
 23 we've had in sales and I'd point to the further reductions in inventory in
 24 the channel. Some of our distributors, we mentioned have shown
 25 weaker performance than what we expected. And then we've also had
 26 some share loss in some categories, which have combined to make
 27 tougher sales environment than what we anticipated.

28 39. Still, analysts questioned whether the trends had been present when the
 Company previously provided guidance:

Analyst: [T]he last time you gave guidance you were five weeks into
 the quarter. I realize things obviously [don't] work out as expected, but
 the magnitude is fairly large, so I want to go into how, what kind of
 assumptions do you make when you provide forward guidance given
 that you had been through the second quarter you were five weeks
 through the third quarter and you're cutting guidance by a significant
 amount[.]

Vermette: . . . *I think what we've seen is that there were larger
 distributor movements on inventory.* So we were expecting that it was
 a tough comp with the activity that happened last year but we weren't
 necessarily expecting a kind of sequential reduction in inventory in the
 distribution channel and we did see that in the third quarter.

1 In addition, the performance of our distributors, we believe that they
2 were that they were doing fairly well in the first part of the year and as
3 we've had further conversations and then we'll work it. It's clear that
there is some challenges with some of our distributors that have caused
us to revisit our outlook.

4 **Analyst:** So, during the first five weeks of the third quarter there were
5 not reducing inventory or what change just because you would think,
five weeks then you have some color into those trends.

6 **Vermette:** Yeah. We saw more of the movements it as we got into
7 September.

8 40. On this news, the Company's stock price fell \$2.90 per share, or nearly
9 44%, to close at \$3.70 per share on November 5, 2019, on unusually heavy trading
10 volume.

11 CLASS ACTION ALLEGATIONS

12 41. Plaintiff brings this action as a class action pursuant to Federal Rule of
13 Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and
14 entities that purchased or otherwise acquired Armstrong Flooring securities between
15 March 6, 2018 and November 4, 2019, inclusive, and who were damaged thereby
16 (the "Class"). Excluded from the Class are Defendants, the officers and directors of
17 the Company, at all relevant times, members of their immediate families and their
18 legal representatives, heirs, successors, or assigns, and any entity in which
19 Defendants have or had a controlling interest.

20 42. The members of the Class are so numerous that joinder of all members
21 is impracticable. Throughout the Class Period, Armstrong Flooring's common
22 shares actively traded on the NYSE. While the exact number of Class members is
23 unknown to Plaintiff at this time and can only be ascertained through appropriate
24 discovery, Plaintiff believes that there are at least hundreds or thousands of
25 members in the proposed Class. Millions of Armstrong Flooring common stock
26 were traded publicly during the Class Period on the NYSE. Record owners and
27 other members of the Class may be identified from records maintained by
28 Armstrong Flooring or its transfer agent and may be notified of the pendency of this

1 action by mail, using the form of notice similar to that customarily used in securities
2 class actions.

3 43. Plaintiff's claims are typical of the claims of the members of the Class
4 as all members of the Class are similarly affected by Defendants' wrongful conduct
5 in violation of federal law that is complained of herein.

6 44. Plaintiff will fairly and adequately protect the interests of the members
7 of the Class and has retained counsel competent and experienced in class and
8 securities litigation.

9 45. Common questions of law and fact exist as to all members of the Class
10 and predominate over any questions solely affecting individual members of the
11 Class. Among the questions of law and fact common to the Class are:

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

14 (b) whether statements made by Defendants to the investing public
15 during the Class Period omitted and/or misrepresented material facts about the
16 business, operations, and prospects of Armstrong Flooring; and

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

19 46. A class action is superior to all other available methods for the fair and
20 efficient adjudication of this controversy since joinder of all members is
21 impracticable. Furthermore, as the damages suffered by individual Class members
22 may be relatively small, the expense and burden of individual litigation makes it
23 impossible for members of the Class to individually redress the wrongs done to
24 them. There will be no difficulty in the management of this action as a class action.

25 **UNDISCLOSED ADVERSE FACTS**

26 47. The market for Armstrong Flooring's securities was open, well-
27 developed and efficient at all relevant times. As a result of these materially false
28 and/or misleading statements, and/or failures to disclose, Armstrong Flooring's

1 securities traded at artificially inflated prices during the Class Period. Plaintiff and
2 other members of the Class purchased or otherwise acquired Armstrong Flooring's
3 securities relying upon the integrity of the market price of the Company's securities
4 and market information relating to Armstrong Flooring, and have been damaged
5 thereby.

6 48. During the Class Period, Defendants materially misled the investing
7 public, thereby inflating the price of Armstrong Flooring's securities, by publicly
8 issuing false and/or misleading statements and/or omitting to disclose material facts
9 necessary to make Defendants' statements, as set forth herein, not false and/or
10 misleading. The statements and omissions were materially false and/or misleading
11 because they failed to disclose material adverse information and/or misrepresented
12 the truth about Armstrong Flooring's business, operations, and prospects as alleged
13 herein.

14 49. At all relevant times, the material misrepresentations and omissions
15 particularized in this Complaint directly or proximately caused or were a substantial
16 contributing cause of the damages sustained by Plaintiff and other members of the
17 Class. As described herein, during the Class Period, Defendants made or caused to
18 be made a series of materially false and/or misleading statements about Armstrong
19 Flooring's financial well-being and prospects. These material misstatements and/or
20 omissions had the cause and effect of creating in the market an unrealistically
21 positive assessment of the Company and its financial well-being and prospects, thus
22 causing the Company's securities to be overvalued and artificially inflated at all
23 relevant times. Defendants' materially false and/or misleading statements during
24 the Class Period resulted in Plaintiff and other members of the Class purchasing the
25 Company's securities at artificially inflated prices, thus causing the damages
26 complained of herein when the truth was revealed.

1 **LOSS CAUSATION**

2 50. Defendants' wrongful conduct, as alleged herein, directly and
3 proximately caused the economic loss suffered by Plaintiff and the Class.

4 51. During the Class Period, Plaintiff and the Class purchased Armstrong
5 Flooring's securities at artificially inflated prices and were damaged thereby. The
6 price of the Company's securities significantly declined when the
7 misrepresentations made to the market, and/or the information alleged herein to
8 have been concealed from the market, and/or the effects thereof, were revealed,
9 causing investors' losses.

10 **SCIENTER ALLEGATIONS**

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

24 **APPLICABILITY OF PRESUMPTION OF RELIANCE**
25 **(FRAUD-ON-THE-MARKET DOCTRINE)**

26 53. The market for Armstrong Flooring's securities was open, well-
27 developed and efficient at all relevant times. As a result of the materially false
28 and/or misleading statements and/or failures to disclose, Armstrong Flooring's

1 securities traded at artificially inflated prices during the Class Period. On
2 September 20, 2018, the Company's share price closed at a Class Period high of
3 \$20.11 per share. Plaintiff and other members of the Class purchased or otherwise
4 acquired the Company's securities relying upon the integrity of the market price of
5 Armstrong Flooring's securities and market information relating to Armstrong
6 Flooring, and have been damaged thereby.

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

21 55. At all relevant times, the market for Armstrong Flooring's securities
22 was an efficient market for the following reasons, among others:

23 (a) Armstrong Flooring shares met the requirements for listing, and
24 was listed and actively traded on the NYSE, a highly efficient and automated
25 market;

26 (b) As a regulated issuer, Armstrong Flooring filed periodic public
27 reports with the SEC and/or the NYSE;

28

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

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

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

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

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

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

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

26 64. Each of the Individual Defendants' primary liability and controlling
27 person liability arises from the following facts: (i) the Individual Defendants were
28 high-level executives and/or directors at the Company during the Class Period and

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

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

25 66. As a result of the dissemination of the materially false and/or
26 misleading information and/or failure to disclose material facts, as set forth above,
27 the market price of Armstrong Flooring's securities was artificially inflated during
28 the Class Period. In ignorance of the fact that market prices of the Company's

securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Armstrong Flooring's securities during the Class Period at artificially high prices and were damaged thereby.

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

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

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

SECOND CLAIM

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

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

71. Individual Defendants acted as controlling persons of Armstrong Flooring within the meaning of Section 20(a) of the Exchange Act as alleged herein.

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

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

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

24 **PRAYER FOR RELIEF**

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

26 a) Determining that this action is a proper class action under Rule 23 of
27 the Federal Rules of Civil Procedure;

1 b) Awarding compensatory damages in favor of Plaintiff and the other
2 Class members against all defendants, jointly and severally, for all damages
3 sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial,
4 including interest thereon;

5 c) Awarding Plaintiff and the Class their reasonable costs and expenses
6 incurred in this action, including counsel fees and expert fees; and

7 d) Such other and further relief as the Court may deem just and proper.

8 **JURY TRIAL DEMANDED**

9 Plaintiff hereby demands a trial by jury.

10 DATED: November 15, 2019

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22 *Attorneys for Plaintiff Michael Chupa*

SWORN CERTIFICATION OF PLAINTIFF

ARMSTRONG FLOORING, INC. SECURITIES LITIGATION

I, Michael Chupa, certify that:

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

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

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

11/15/2019

Date

DocuSigned by:
Michael Chupa
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Michael Chupa

Michael Chupa's Transactions in Armstrong Flooring, Inc. (AFI)

Date	Transaction Type	Quantity	Unit Price
9/13/2019	Bought	100	\$7.3100