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13
14 **UNITED STATES DISTRICT COURT**
15 **SOUTHERN DISTRICT OF CALIFORNIA**
16

17 MAX MORRIS HARARI, Individually
18 and on Behalf of All Others Similarly
19 Situated,

20 Plaintiff,

21 v.

22 PRICESMART, INC., JOSE LUIS
23 LAPARTE, JOHN M. HEFFNER, and
24 MAARTEN O. JAGER,

25 Defendant.
26
27
28

Case No. '19CV0958 JM LL

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

JURY TRIAL DEMANDED

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

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 PriceSmart securities between October 26, 2017 and October 25,
14 2018, inclusive (the “Class Period”), seeking to pursue remedies under the
15 Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. PriceSmart owns and operates membership-shopping warehouse clubs
17 in Central America, the Caribbean, and Colombia.

18 3. On October 25, 2018, the Company disclosed poor operating results for
19 the fourth quarter and year ended August 31, 2018. The Company also announced
20 that its Chief Executive Officer had resigned, and also disclosed that certain
21 financial statements would be restated to correct a balance sheet misclassification of
22 certain assets.

23 4. On this news, the Company’s share price fell \$12.41, or more than
24 15%, to close at \$69.16 per share on October 26, 2018, on unusually heavy trading
25 volume.

26 5. Throughout the Class Period, Defendants made materially false and/or
27 misleading statements, as well as failed to disclose material adverse facts about the
28 Company’s business, operations, and prospects. Specifically, Defendants failed to

1 disclose to investors: (1) that the Company's omni-channel business strategy had
2 failed to reach key operating goals; (2) that the Company's South America
3 distribution strategy had failed to realize key cost saving goals; (3) that the
4 Company had invested Trinidad and Tobago dollars into certificates of deposits with
5 financial institutions; (4) that these investments had been improperly classified as
6 cash and cash equivalents; (5) that the relevant corrections would materially impact
7 financial statements; (6) that there was a material weakness in the Company's
8 internal controls over financial reporting; (7) that increasing competition negatively
9 impacted the Company's revenue and profitability; and (8) that, as a result of the
10 foregoing, Defendants' positive statements about the Company's business,
11 operations, and prospects were materially misleading and/or lacked a reasonable
12 basis.

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

16 **JURISDICTION AND VENUE**

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

20 8. This Court has jurisdiction over the subject matter of this action
21 pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. §
22 78aa).

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

1 Judicial District. In addition, the Company’s principal executive offices are located
2 in this district.

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

7 **PARTIES**

8 11. Plaintiff Max Morris Harari, as set forth in the accompanying
9 certification, incorporated by reference herein, purchased PriceSmart securities
10 during the Class Period, and suffered damages as a result of the federal securities
11 law violations and false and/or misleading statements and/or material omissions
12 alleged herein.

13 12. Defendant PriceSmart is incorporated under the laws of Delaware with
14 its principal executive offices located in San Diego, California. PriceSmart’s
15 common stock trades on the NASDAQ exchange under the symbol “PSMT.”

16 13. Defendant Jose Luis Laparte (“Laparte”) was the President, Chief
17 Executive Officer, and a Director of the Company at all relevant times.

18 14. Defendant John M. Heffner (“Heffner”) was the Chief Financial
19 Officer of the Company from 2004 to April 24, 2018.

20 15. Defendant Maarten O. Jager (“Jager”) has been the CFO of the
21 Company since April 24, 2018.

22 16. Defendants Laparte, Heffner, and Jager, (collectively the “Individual
23 Defendants”), because of their positions with the Company, possessed the power
24 and authority to control the contents of the Company’s reports to the SEC, press
25 releases and presentations to securities analysts, money and portfolio managers and
26 institutional investors, *i.e.*, the market. The Individual Defendants were provided
27 with copies of the Company’s reports and press releases alleged herein to be
28 misleading prior to, or shortly after, their issuance and had the ability and

1 opportunity to prevent their issuance or cause them to be corrected. Because of their
2 positions and access to material non-public information available to them, the
3 Individual Defendants knew that the adverse facts specified herein had not been
4 disclosed to, and were being concealed from, the public, and that the positive
5 representations which were being made were then materially false and/or
6 misleading. The Individual Defendants are liable for the false statements pleaded
7 herein.

8 **SUBSTANTIVE ALLEGATIONS**

9 **Background**

10 17. PriceSmart owns and operates membership-shopping warehouse clubs
11 in Central America, the Caribbean, and Colombia.

12 **Materially False and Misleading**

13 **Statements Issued During the Class Period**

14 18. The Class Period begins on October 26, 2017. On that day, the
15 Company filed its annual report for the period ended August 31, 2017 (the “2017
16 10-K”). Therein, the Company reported \$3.0 billion revenue and \$90.7 million net
17 income.

18 19. The 2017 10-K also discussed that the Company experienced a lack of
19 availability of U.S. dollars in certain markets, including Trinidad. The report stated,
20 in relevant part:

21 From time to time we have experienced a lack of availability of U.S.
22 dollars in certain markets (U.S. dollar illiquidity). This impedes our
23 ability to convert local currencies obtained through warehouse sales
24 into U.S. dollars to settle the U.S. dollar liabilities associated with our
25 imported products, increasing our foreign exchange exposure to any
26 devaluation of the local currency relative to the U.S. dollar. During
27 fiscal year 2017 and continuing into fiscal year 2018, we
28 experienced this situation in Trinidad (“TT”). We have been and
continue to work with our banks in Trinidad to source tradable
currencies (including Euros and Canadian dollars), but until the central
bank in Trinidad makes more U.S. dollars available,

1 this illiquidity condition is likely to continue. During part of the first
2 half of fiscal year 2017 we limited shipments of merchandise to
3 Trinidad from our distribution center in Miami to levels that generally
4 aligned with our Trinidad subsidiary's ability to source U.S. dollars
5 to pay for that merchandise. This resulted in a reduced level of
6 shipments, which negatively affected sales in the second quarter,
7 particularly December, although by less than our initial estimate. These
8 actions did not impact the level of merchandise we obtain locally in
9 Trinidad. Starting in the third quarter of fiscal year 2017, we were able
10 to improve our sourcing of tradeable currencies, which, in addition to
11 other steps we took, allowed for a more normalized flow of imported
12 merchandise during the third and fourth fiscal quarters. As of August
13 31, 2017, our Trinidad subsidiary had net U.S. dollar denominated
14 assets of approximately \$4.0 million. However, the illiquidity situation
remains in the Trinidad market, and we could face similar issues in
sourcing U.S. dollars during the first and second quarters of fiscal year
2018, which may require us to limit shipments from the U.S. to
Trinidad in line with our ability to exchange Trinidad dollars for
tradeable currencies to manage our exposure to any potential
devaluation.

15 20. On January 4, 2018, the Company filed its quarterly report on Form 10-
16 Q for the period ended November 30, 2017. Therein, the Company reported \$767.1
17 million revenue, \$22.5 million net income, and \$129.18 million cash and cash
18 equivalents.

19 21. On April 5, 2018, the Company filed its quarterly report on Form 10-Q
20 for the period ended February 28, 2018. Therein, the Company reported \$839.6
21 million revenue, \$14.1 million net income, and \$152.13 million cash and cash
22 equivalents.

23 22. On July 5, 2018, the Company filed its quarterly report on Form 10-Q
24 for the period ended May 31, 2018. Therein, the Company reported \$782.2 million
25 revenue, \$18.7 million net income, and \$141.16 million cash and cash equivalents.

26 23. The above statements identified in ¶¶18-22 were materially false and/or
27 misleading, and failed to disclose material adverse facts about the Company's
28 business, operations, and prospects. Specifically, Defendants failed to disclose to

1 investors: (1) that the Company's omni-channel business strategy had failed to reach
2 key operating goals; (2) that the Company's South America distribution strategy had
3 failed to realize key cost saving goals; (3) that the Company had invested Trinidad
4 and Tobago dollars into certificates of deposits with financial institutions; (4) that
5 these investments had been improperly classified as cash and cash equivalents; (5)
6 that the relevant corrections would materially impact financial statements; (6) that
7 there was a material weakness in the Company's internal controls over financial
8 reporting; (7) that increasing competition negatively impacted the Company's
9 revenue and profitability; and (8) that, as a result of the foregoing, Defendants'
10 positive statements about the Company's business, operations, and prospects were
11 materially misleading and/or lacked a reasonable basis.

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

13 24. On October 25, 2018, the Company announced fourth quarter and full
14 year 2018 results. The Company disclosed total revenues of \$777.9 million,
15 operating income of \$27.2 million, compared to operating income of \$30.8 million
16 from the prior year. The Company also announced the resignation of Chief
17 Executive Officer Jose Luis Laparte, and further disclosed that certain financial
18 statements would be restated to correct a balance sheet misclassification of certain
19 assets. The Company stated:

20 During the preparation process for the 2018 Annual Report on Form
21 10-K for PriceSmart, Inc. (the "Company"), a balance sheet
22 misclassification (with no impact on earnings per share, revenue,
23 operating income, net income, cash flow from operations, total assets or
24 total current assets) within current assets was identified involving the
25 Company's presentation of short-term investments as cash and cash
26 equivalents in its previously issued unaudited interim consolidated
27 financial statements for fiscal year 2018; specifically, the three, six and
28 nine month periods ended November 30, 2017, February 28, 2018, May
31, 2018 (collectively, the "Relevant Periods").

In the past, the Company has disclosed a lack of availability of U.S.
dollars in certain markets (U.S. dollar illiquidity), which impedes our

1 ability to convert local currencies obtained through merchandise sales
2 into U.S. dollars to settle the U.S. dollar liabilities associated with our
3 imported products. Also, as we have previously disclosed, during fiscal
4 year 2017 and fiscal year 2018, we experienced this situation in
5 Trinidad. We are working with our banks in Trinidad to source
6 tradeable currencies (including Euros and Canadian dollars), but until
7 the central bank in Trinidad makes more U.S. dollars available, this
8 condition is likely to continue. As part of the actions taken in Trinidad,
9 the Company began investing the excess Trinidad and Tobago (TT)
10 dollars into Certificates of Deposit or similar time-based deposits with
11 financial institutions (referred to collectively herein as “CDs”) with
12 terms of three months or less, which the Company correctly presented
13 as Cash and cash equivalents on the consolidated balance sheet. As the
14 Company’s balance of TT dollars increased, the Company began
15 investing in CDs with terms of four months and up to twelve
16 months. The Company entered into these four to twelve month CDs to
17 gain priority with the respective financial institutions to make more
18 U.S. dollars available for conversion of TT dollars, as well as in order
19 to take advantage of the higher interest rates on these CDs for cash that
20 was not otherwise needed for operations, capital commitments or debt
21 service. ***During the first three quarters of fiscal 2018, the Company
presented these four to twelve month CDs as Cash and cash
equivalents in its consolidated balance sheet. However, in
accordance with generally accepted accounting principles, these four
to twelve month CDs should have been presented as Short-term
investments. The correction of the misclassification of these
investments within the Total current assets section of the consolidated
balance sheets also requires the Company to disclose in the Cash
provided by (used in) investing activities section of the consolidated
statements of cash flows the cash used in Investments in and
Settlements of short-term investments.***

22 On October 24, 2018, the Audit Committee of the Company’s Board of
23 Directors met and determined that, as a result of the misclassification
24 described above, the financial statements included in the Company’s
25 Quarterly Reports on Form 10-Q for the Relevant Periods should no
26 longer be relied upon. The required restatements will be included in a
27 footnote to the Company’s timely filed Form 10-K as of and for the
28 year ended August 31, 2018, which the Company expects to file after
the close of the market on October 25, 2018. ***The Company also
expects to include in this Form 10-K a conclusion that there was a***

1 the market price of the Company's securities and market information relating to
2 PriceSmart, and have been damaged thereby.

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

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

23 **LOSS CAUSATION**

24 35. Defendants' wrongful conduct, as alleged herein, directly and
25 proximately caused the economic loss suffered by Plaintiff and the Class.

26 36. During the Class Period, Plaintiff and the Class purchased PriceSmart's
27 securities at artificially inflated prices and were damaged thereby. The price of the
28 Company's securities significantly declined when the misrepresentations made to

1 the market, and/or the information alleged herein to have been concealed from the
2 market, and/or the effects thereof, were revealed, causing investors' losses.

3 **SCIENTER ALLEGATIONS**

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

16 **APPLICABILITY OF PRESUMPTION OF RELIANCE**

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

18 38. The market for PriceSmart's securities was open, well-developed and
19 efficient at all relevant times. As a result of the materially false and/or misleading
20 statements and/or failures to disclose, PriceSmart's securities traded at artificially
21 inflated prices during the Class Period. On June 25, 2018, the Company's share
22 price closed at a Class Period high of \$93.83 per share. Plaintiff and other members
23 of the Class purchased or otherwise acquired the Company's securities relying upon
24 the integrity of the market price of PriceSmart's securities and market information
25 relating to PriceSmart, and have been damaged thereby.

26 39. During the Class Period, the artificial inflation of PriceSmart's shares
27 was caused by the material misrepresentations and/or omissions particularized in
28 this Complaint causing the damages sustained by Plaintiff and other members of the

1 Class. As described herein, during the Class Period, Defendants made or caused to
2 be made a series of materially false and/or misleading statements about PriceSmart's
3 business, prospects, and operations. These material misstatements and/or omissions
4 created an unrealistically positive assessment of PriceSmart and its business,
5 operations, and prospects, thus causing the price of the Company's securities to be
6 artificially inflated at all relevant times, and when disclosed, negatively affected the
7 value of the Company shares. Defendants' materially false and/or misleading
8 statements during the Class Period resulted in Plaintiff and other members of the
9 Class purchasing the Company's securities at such artificially inflated prices, and
10 each of them has been damaged as a result.

11 40. At all relevant times, the market for PriceSmart's securities was an
12 efficient market for the following reasons, among others:

13 (a) PriceSmart shares met the requirements for listing, and was listed and
14 actively traded on the NASDAQ, a highly efficient and automated market;

15 (b) As a regulated issuer, PriceSmart filed periodic public reports with the
16 SEC and/or the NASDAQ;

17 (c) PriceSmart regularly communicated with public investors via
18 established market communication mechanisms, including through regular
19 dissemination of press releases on the national circuits of major newswire services
20 and through other wide-ranging public disclosures, such as communications with the
21 financial press and other similar reporting services; and/or

22 (d) PriceSmart was followed by securities analysts employed by brokerage
23 firms who wrote reports about the Company, and these reports were distributed to
24 the sales force and certain customers of their respective brokerage firms. Each of
25 these reports was publicly available and entered the public marketplace.

26 41. As a result of the foregoing, the market for PriceSmart's securities
27 promptly digested current information regarding PriceSmart from all publicly
28 available sources and reflected such information in PriceSmart's share price. Under

1 these circumstances, all purchasers of PriceSmart’s securities during the Class
2 Period suffered similar injury through their purchase of PriceSmart’s securities at
3 artificially inflated prices and a presumption of reliance applies.

4 42. A Class-wide presumption of reliance is also appropriate in this action
5 under the Supreme Court’s holding in *Affiliated Ute Citizens of Utah v. United*
6 *States*, 406 U.S. 128 (1972), because the Class’s claims are, in large part, grounded
7 on Defendants’ material misstatements and/or omissions. Because this action
8 involves Defendants’ failure to disclose material adverse information regarding the
9 Company’s business operations and financial prospects—information that
10 Defendants were obligated to disclose—positive proof of reliance is not a
11 prerequisite to recovery. All that is necessary is that the facts withheld be material
12 in the sense that a reasonable investor might have considered them important in
13 making investment decisions. Given the importance of the Class Period material
14 misstatements and omissions set forth above, that requirement is satisfied here.

15 **NO SAFE HARBOR**

16 43. The statutory safe harbor provided for forward-looking statements
17 under certain circumstances does not apply to any of the allegedly false statements
18 pleaded in this Complaint. The statements alleged to be false and misleading herein
19 all relate to then-existing facts and conditions. In addition, to the extent certain of
20 the statements alleged to be false may be characterized as forward looking, they
21 were not identified as “forward-looking statements” when made and there were no
22 meaningful cautionary statements identifying important factors that could cause
23 actual results to differ materially from those in the purportedly forward-looking
24 statements. In the alternative, to the extent that the statutory safe harbor is
25 determined to apply to any forward-looking statements pleaded herein, Defendants
26 are liable for those false forward-looking statements because at the time each of
27 those forward-looking statements was made, the speaker had actual knowledge that
28 the forward-looking statement was materially false or misleading, and/or the

1 forward-looking statement was authorized or approved by an executive officer of
2 PriceSmart who knew that the statement was false when made.

3 **FIRST CLAIM FOR RELIEF**
4 **(Violation of Section 10(b) of the Exchange Act**
5 **and Rule 10b-5 Promulgated Thereunder)**
6 **Against All Defendants**

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

9 45. During the Class Period, Defendants carried out a plan, scheme and
10 course of conduct which was intended to and, throughout the Class Period, did: (i)
11 deceive the investing public, including Plaintiff and other Class members, as alleged
12 herein; and (ii) cause Plaintiff and other members of the Class to purchase
13 PriceSmart’s securities at artificially inflated prices. In furtherance of this unlawful
14 scheme, plan and course of conduct, Defendants, and each defendant, took the
15 actions set forth herein.

16 46. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)
17 made untrue statements of material fact and/or omitted to state material facts
18 necessary to make the statements not misleading; and (iii) engaged in acts, practices,
19 and a course of business which operated as a fraud and deceit upon the purchasers of
20 the Company’s securities in an effort to maintain artificially high market prices for
21 PriceSmart’s securities in violation of Section 10(b) of the Exchange Act and Rule
22 10b-5. All Defendants are sued either as primary participants in the wrongful and
23 illegal conduct charged herein or as controlling persons as alleged below.

24 47. Defendants, individually and in concert, directly and indirectly, by the
25 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
26 and participated in a continuous course of conduct to conceal adverse material
27 information about PriceSmart’s financial well-being and prospects, as specified
28 herein.

1 48. Defendants employed devices, schemes and artifices to defraud, while
2 in possession of material adverse non-public information and engaged in acts,
3 practices, and a course of conduct as alleged herein in an effort to assure investors of
4 PriceSmart's value and performance and continued substantial growth, which
5 included the making of, or the participation in the making of, untrue statements of
6 material facts and/or omitting to state material facts necessary in order to make the
7 statements made about PriceSmart and its business operations and future prospects
8 in light of the circumstances under which they were made, not misleading, as set
9 forth more particularly herein, and engaged in transactions, practices and a course of
10 business which operated as a fraud and deceit upon the purchasers of the Company's
11 securities during the Class Period.

12 49. Each of the Individual Defendants' primary liability and controlling
13 person liability arises from the following facts: (i) the Individual Defendants were
14 high-level executives and/or directors at the Company during the Class Period and
15 members of the Company's management team or had control thereof; (ii) each of
16 these defendants, by virtue of their responsibilities and activities as a senior officer
17 and/or director of the Company, was privy to and participated in the creation,
18 development and reporting of the Company's internal budgets, plans, projections
19 and/or reports; (iii) each of these defendants enjoyed significant personal contact
20 and familiarity with the other defendants and was advised of, and had access to,
21 other members of the Company's management team, internal reports and other data
22 and information about the Company's finances, operations, and sales at all relevant
23 times; and (iv) each of these defendants was aware of the Company's dissemination
24 of information to the investing public which they knew and/or recklessly
25 disregarded was materially false and misleading.

26 50. Defendants had actual knowledge of the misrepresentations and/or
27 omissions of material facts set forth herein, or acted with reckless disregard for the
28 truth in that they failed to ascertain and to disclose such facts, even though such

1 facts were available to them. Such defendants' material misrepresentations and/or
2 omissions were done knowingly or recklessly and for the purpose and effect of
3 concealing PriceSmart's financial well-being and prospects from the investing
4 public and supporting the artificially inflated price of its securities. As
5 demonstrated by Defendants' overstatements and/or misstatements of the
6 Company's business, operations, financial well-being, and prospects throughout the
7 Class Period, Defendants, if they did not have actual knowledge of the
8 misrepresentations and/or omissions alleged, were reckless in failing to obtain such
9 knowledge by deliberately refraining from taking those steps necessary to discover
10 whether those statements were false or misleading.

11 51. As a result of the dissemination of the materially false and/or
12 misleading information and/or failure to disclose material facts, as set forth above,
13 the market price of PriceSmart's securities was artificially inflated during the Class
14 Period. In ignorance of the fact that market prices of the Company's securities were
15 artificially inflated, and relying directly or indirectly on the false and misleading
16 statements made by Defendants, or upon the integrity of the market in which the
17 securities trades, and/or in the absence of material adverse information that was
18 known to or recklessly disregarded by Defendants, but not disclosed in public
19 statements by Defendants during the Class Period, Plaintiff and the other members
20 of the Class acquired PriceSmart's securities during the Class Period at artificially
21 high prices and were damaged thereby.

22 52. At the time of said misrepresentations and/or omissions, Plaintiff and
23 other members of the Class were ignorant of their falsity, and believed them to be
24 true. Had Plaintiff and the other members of the Class and the marketplace known
25 the truth regarding the problems that PriceSmart was experiencing, which were not
26 disclosed by Defendants, Plaintiff and other members of the Class would not have
27 purchased or otherwise acquired their PriceSmart securities, or, if they had acquired
28

1 such securities during the Class Period, they would not have done so at the
2 artificially inflated prices which they paid.

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

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

9
10 **SECOND CLAIM FOR RELIEF**
(Violation of Section 20(a) of the Exchange Act)
Against the Individual Defendants

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

13 56. Individual Defendants acted as controlling persons of PriceSmart
14 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By
15 virtue of their high-level positions and their ownership and contractual rights,
16 participation in, and/or awareness of the Company's operations and intimate
17 knowledge of the false financial statements filed by the Company with the SEC and
18 disseminated to the investing public, Individual Defendants had the power to
19 influence and control and did influence and control, directly or indirectly, the
20 decision-making of the Company, including the content and dissemination of the
21 various statements which Plaintiff contends are false and misleading. Individual
22 Defendants were provided with or had unlimited access to copies of the Company's
23 reports, press releases, public filings, and other statements alleged by Plaintiff to be
24 misleading prior to and/or shortly after these statements were issued and had the
25 ability to prevent the issuance of the statements or cause the statements to be
26 corrected.

27 57. In particular, Individual Defendants had direct and supervisory
28 involvement in the day-to-day operations of the Company and, therefore, had the

1 power to control or influence the particular transactions giving rise to the securities
2 violations as alleged herein, and exercised the same.

3 58. As set forth above, PriceSmart and Individual Defendants each violated
4 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this
5 Complaint. By virtue of their position as controlling persons, Individual Defendants
6 are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate
7 result of Defendants' wrongful conduct, Plaintiff and other members of the Class
8 suffered damages in connection with their purchases of the Company's securities
9 during the Class Period.

10 **PRAYER FOR RELIEF**

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

12 (a) Determining that this action is a proper class action under Rule 23 of
13 the Federal Rules of Civil Procedure;

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

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

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

21 **JURY TRIAL DEMANDED**

22 Plaintiff hereby demands a trial by jury.

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1 DATED: May 22, 2019

GLANCY PRONGAY & MURRAY LLP

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By: s/ Lesley F. Portnoy

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SWORN CERTIFICATION OF PLAINTIFF

PRICESMART, INC. SECURITIES LITIGATION

I, MaxMorris Harari individually, and/or in my capacity as trustee and/or principal for accounts listed on Schedule A, 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 PriceSmart, 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 PriceSmart, 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, except for the following:
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.

2/20/2019

Date

DocuSigned by:
Max Morris Harari
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MaxMorris Harari

**Max Morris Harari's Transactions in
PriceSmart, Inc. (PSMT)**

Date	Transaction Type	Quantity	Unit Price
07/09/2018	Bought	700	\$80.9500