FINANCIAL INSTITUTIONS INC
Form S-3
March 16, 2015
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As filed with the Securities and Exchange Commission on March 16, 2015

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FINANCIAL INSTITUTIONS, INC.

(Exact name of registrant as specified in its charter)

New York	**16-0816610**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

220 Liberty Street

Warsaw, New York 14569

(585) 786-1100

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

William L. Kreienberg, Esq.

Executive Vice President and General Counsel

220 Liberty Street

Warsaw, New York 14569

(585) 786-1100

(Name, address, including zip code and telephone number, including area code, of agent for service)

COPIES TO:

Craig S. Wittlin, Esq.

Alexander R. McClean, Esq.

Harter Secrest & Emery LLP

1600 Bausch & Lomb Place

Rochester, New York 14604

(585) 232-6500

Approximate date of commencement of proposed sale of the securities 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 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: x

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 this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box: ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box: ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Senior Debt Securities (3)				
Subordinated Debt Securities (3)				
Common stock, par value $0.01 per share (3)				
Preferred Stock, par value $100.00 per share (3)				
Depositary Shares (3)				

Warrants (4)			
Purchase Contracts (5)			
Units (6)			
Total	$100,000,000	$100,000,000	$11,620

(1) Information as to each class of security has been omitted pursuant to General Instruction II.D of Form S-3 under the Securities Act.
(2) Estimated for the sole purpose of computing the registration fee in accordance with Rule 457(o) under the Securities Act and exclusive of accrued interest, distributions and dividends, if any.
(3) Such indeterminate principal amount of debt securities, preferred stock or common stock as may, from time to time, be issued (i) at indeterminate prices or (ii) without separate consideration upon conversion, redemption, exercise or exchange of securities registered hereunder, to the extent any such securities are, by their terms, convertible into or exchangeable for other securities registered hereunder, or as shall be issuable pursuant to anti-dilution provisions. In the event we elect to offer to the public fractional interests in our shares of preferred stock registered hereunder, depositary shares, evidenced by depositary receipts issued pursuant to a deposit agreement, will be distributed to those persons purchasing fractional interests and the shares of preferred stock will be issued to the depositary under any such agreement.
(4) Warrants may be sold separately or together with our debt securities, preferred stock, common stock or depositary shares. Includes an indeterminate number of our debt securities, shares of preferred stock, shares of common stock or depositary shares to be issuable upon the exercise of warrants for such securities.
(5) Such indeterminate number of purchase contracts as may, from time to time, be issued at indeterminate prices obligating holders to purchase from or sell to us, and obligating us to sell or purchase from the holders, a specific number of our shares of common stock, preferred stock, debt securities or depositary shares at a future date or dates.
(6) Such indeterminate number of units as may, from time to time, be issued at indeterminate prices, each representing ownership of one or more of the securities described herein.

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, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We 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 it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, dated March 16, 2015

PROSPECTUS

$100,000,000

Financial Institutions, Inc.

Debt Securities

Common Stock

Preferred Stock

Depositary Shares

Warrants

Purchase Contracts

Units

We may offer and sell from time to time up to $100,000,000 of unsecured debt securities, which may consist of: notes, debentures, or other evidences of indebtedness; shares of common stock; shares of preferred stock; depositary shares; warrants to purchase other securities; purchase contracts; and units consisting of any combination of the above securities. The debt securities and preferred stock may be convertible into or exchangeable for other securities of ours.

This prospectus provides you with a general description of the securities listed above. Each time we offer any securities pursuant to this prospectus, we will provide a prospectus supplement and, if necessary, a pricing supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus may not be used to offer or sell our securities without a prospectus supplement describing the method and terms of the offering. You should read this prospectus and any prospectus supplement together with the information described under the heading Incorporation of Certain Information by Reference before you make your investment decision.

Our common stock is traded on the Nasdaq under the symbol FISI. On March 13, 2015, the last reported per share sale price of our common stock was $23.44.

Investing in our common stock involves risk. You should carefully read the information included and incorporated by reference into this prospectus for a discussion of the factors you should carefully consider in determining whether to invest in our securities, including the discussion of risks described under Risk Factors on page 7 of this prospectus.

The offered securities are not deposits or obligations of a bank or savings association and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2015.

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IMPORTANT NOTICE ABOUT INFORMATION PRESENTED IN THIS PROSPECTUS AND THE ACCOMPANYING PROSPECTUS SUPPLEMENT

We may provide information to you about the securities we are offering in three separate documents that progressively provide more detail:

- this prospectus, which provides general information, some of which may not apply to your securities;
- the accompanying prospectus supplement, which describes the terms of the securities, some of which may not apply to your securities; and
- if necessary, a pricing supplement, which describes the specific terms of your securities.

If the terms of your securities vary among the pricing supplement, the prospectus supplement and the accompanying prospectus, you should rely on the information in the following order of priority:

- the pricing supplement, if any;
- the prospectus supplement; and
- the prospectus.

We include cross-references in this prospectus and the accompanying prospectus supplement to captions in these materials where you can find further related discussions. The following Table of Contents and the Table of Contents included in the accompanying prospectus supplement provide the pages on which these captions are located.

Unless indicated in the applicable prospectus supplement, we have not taken any action that would permit us to publicly sell these securities in any jurisdiction outside the United States. If you are an investor outside the United States, you should inform yourself about, and comply with, any restrictions as to the offering of the securities and the distribution of this prospectus.

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC. Under the shelf registration process, we may from time to time offer and sell the debt securities, common stock, preferred stock, depositary shares, warrants, purchase contracts, or units consisting of a combination of any of the securities described in this prospectus in one or more offerings, up to a total dollar amount of $100,000,000. This prospectus provides a general description of the securities that we may offer and sell. Each time we offer these securities, we will provide a prospectus supplement and, if necessary, a pricing supplement, containing specific information about the terms of the offer. The prospectus supplement and any pricing supplement may add, update or change the information contained in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you should rely on the information in the prospectus supplement and any pricing supplement. Before investing in our securities, you should carefully review this prospectus, any prospectus supplement and any pricing supplement, together with the additional information described under the heading Where You Can Find More Information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements in this prospectus that are based on other than historical data are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

- statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Financial Institutions, Inc. (the parent or FII) and its subsidiaries (collectively the Company, we, our or us); and
- statements preceded by, followed by or that include the words may, could, should, would, believe, an estimate, expect, intend, plan, projects, or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management s views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, in this prospectus, any prospectus supplement, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the Form 10-K), which is incorporated by reference into this prospectus, including, but not limited to, those presented in the Management s Discussion and Analysis of Financial Condition and Results of Operations. Factors that might cause such differences include, but are not limited to:

- If we experience greater credit losses than anticipated, earnings may be adversely impacted;
- Our tax strategies and the value of our deferred tax assets could adversely affect our operating results and regulatory capital ratios;
- Geographic concentration may unfavorably impact our operations;

We depend on the accuracy and completeness of information about or from customers and counterparties;

Our insurance brokerage subsidiary is subject to risk related to the insurance industry;

We are subject to environmental liability risk associated with our lending activities;

Our indirect lending involves risk elements in addition to normal credit risk;

We are highly regulated and may be adversely affected by changes in banking laws, regulations and regulatory practices;

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New or changing tax and accounting rules and interpretations could significantly impact our strategic initiatives, results of operations, cash flows, and financial condition;

Legal and regulatory proceedings and related matters could adversely affect us and banking industry in general;

A breach in security of our information systems, including the occurrence of a cyber incident or a deficiency in cyber security, may result in a loss of customer business or damage to our brand image;

We need to stay current on technological changes in order to compete and meet customer demands;

We rely on other companies to provide key components of our business infrastructure;

We use financial models for business planning purposes that may not adequately predict future results;

We may not be able to attract and retain skilled people;

Acquisitions may disrupt our business and dilute shareholder value;

We are subject to interest rate risk;

Our business may be adversely affected by conditions in the financial markets and economic conditions generally;

Our earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies;

The soundness of other financial institutions could adversely affect us;

We may be required to recognize an impairment of goodwill;

We operate in a highly competitive industry and market area;

Severe weather, natural disasters, acts of war or terrorism, and other external events could significantly impact our business;

Liquidity is essential to our businesses;

We may need to raise additional capital in the future and such capital may not be available on acceptable terms or at all;

We rely on dividends from our subsidiaries for most of our revenue;

We may not pay or may reduce the dividends on our common stock;

We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our common stock as to distributions and in liquidation, which could dilute our current shareholders or negatively affect the value of our common stock;

The market price of our common stock may fluctuate significantly in response to a number of factors; and

Our certificate of incorporation, our bylaws, and certain banking laws may have an anti-takeover effect.

We caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and advise readers that various factors, including those described above, could affect our financial performance and could cause our actual results or circumstances for future periods to differ materially from those anticipated or projected. See also Item 1A, Risk Factors, in the Form 10-K, which is incorporated herein by reference, for further information. Except as required by law, we do not undertake, and specifically disclaim any obligation to publicly release any revisions to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

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FINANCIAL INSTITUTIONS, INC.

Financial Institutions, Inc. is a financial holding company organized in 1931 under the laws of New York State. We offer a broad array of deposit, lending and other financial services to individuals, municipalities and businesses in Western and Central New York through our wholly-owned New York-chartered banking subsidiary, Five Star Bank (the Bank). The Bank has also expanded its indirect lending network to include relationships with franchised automobile dealers in the Capital District of New York and Northern Pennsylvania. Additionally, the Bank has formed a wholly-owned subsidiary, Five Star REIT, Inc., which is a special purpose real estate investment trust. We also offer insurance services through our wholly-owned insurance subsidiary, Scott Danahy Naylon, LLC, a full service insurance agency. Our executive offices are located at 220 Liberty Street, Warsaw, New York.

Our Business Strategy

Our business strategy has been to maintain a community bank philosophy, which consists of focusing on and understanding the individualized banking needs of individuals, municipalities and businesses of the local communities surrounding our banking centers. We believe this focus allows us to be more responsive to our customers needs and provide a high level of personal service that differentiates us from larger competitors, resulting in long-standing and broad-based banking relationships. Our core customers are primarily comprised of small- to medium-sized businesses, individuals and community organizations who prefer to build a banking relationship with a community bank that offers and combines high quality, competitively-priced banking products and services with personalized service. Because of our identity and origin as a locally operated bank, we believe that our level of personal service provides a competitive advantage over larger banks, which tend to consolidate decision-making authority outside local communities.

A key aspect of our current business strategy is to foster a community-oriented culture where our customers and employees establish long-standing and mutually beneficial relationships. We believe that we are well-positioned to be a strong competitor within our market area because of our focus on community banking needs and customer service, our comprehensive suite of deposit and loan products typically found at larger banks, our highly experienced management team and our strategically located banking centers. A central part of our strategy is generating core deposits to support growth of a diversified and high-quality loan portfolio.

REGULATION AND SUPERVISION

The Bank is a New York-chartered commercial bank and its deposit accounts are insured by the Deposit Insurance Fund (the DIF) of the Federal Deposit Insurance Corporation (the FDIC). The Bank is a member of the Federal Reserve Bank and Federal Home Loan Bank systems and is regulated by the New York State Department of Financial Services (NYSDFS). The Company and the Bank are subject to extensive regulation under federal and state laws. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of shareholders and creditors. Asset growth, deposits, reserves, investments, loans, consumer law compliance, issuance of securities, payment of dividends, establishment of banking offices, mergers and consolidations, changes in control, electronic funds transfer, management practices and other aspects of operations are subject to regulation by the appropriate federal and state supervisory authorities.

As a bank holding company, we are subject to the Bank Holding Company Act of 1956, as amended (BHCA), and the rules and regulations of the Board of Governors of the Federal Reserve System (Federal Reserve Board). We are required to file reports with, and otherwise comply with the rules and regulations of the Federal Reserve Board and the SEC.

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The Bank must file reports with the NYSDFS and Federal Reserve Board concerning its activities and financial condition, in addition to obtaining regulatory approvals before entering into certain transactions such as mergers with, or acquisitions of, other depositary institutions. Furthermore, the Bank is periodically examined by the NYSDFS and the Federal Reserve Board to assess compliance with various regulatory requirements, including safety and soundness considerations. This regulation and supervision establishes a comprehensive framework of activities in which the Bank can engage, and is intended primarily for the protection of the DIF and depositors rather than for the protection of security holders. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of loan loss allowances for regulatory purposes.

These regulatory authorities have extensive enforcement authority over the institutions that they regulate to prohibit or correct activities that violate law, regulation or a regulatory agreement or which are deemed to be unsafe or unsound banking practices. Enforcement actions may include the appointment of a conservator or receiver, the issuance of a cease and desist order, the termination of deposit insurance, the imposition of civil money penalties on the institution, its directors, officers, employees and institution-affiliated parties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the removal of or restrictions on directors, officers, employees and institution-affiliated parties, and the enforcement of any such mechanisms through restraining orders or other court actions. Any change in laws and regulations, whether by the NYSDFS, the FDIC, the Federal Reserve Board or through legislation, could have a material adverse impact on us, our operations and our stockholders.

Because we are a holding company, our rights and the rights of our creditors and the holders of the securities we are offering under this prospectus to participate in the assets of any of our subsidiaries upon the subsidiary s liquidation or reorganization will be subject to the prior claims of the subsidiary s creditors, except to the extent that we may ourselves be a creditor with recognized claims against the subsidiary.

In addition, dividends, loans and advances from the Bank to us are restricted by federal law.

The preceding was a brief summary of the regulatory framework applicable to us and our subsidiaries. For a more detailed discussion of the material elements of the regulatory framework applicable to bank holding companies and their subsidiaries, and specific information relevant to us and the Bank, you should refer to the Form 10-K, and any other subsequent reports filed by us with the SEC, which are incorporated by reference in this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may access and read our SEC filings, including the complete registration statement and all of the exhibits to it, through the SEC s website located at http://www.sec.gov. This site contains reports and other information that we file electronically with the SEC. The registration statement and other reports or information can be inspected, and copies may be obtained, at the SEC s Public Reference Room, 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room of the SEC may be obtained by calling the SEC at 1-800-SEC-0330.

We have filed a registration statement, of which this prospectus is a part, and related exhibits with the SEC under the Securities Act of 1933, as amended (the Securities Act). This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our securities, we refer you to the registration statement and its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other documents are not

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necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement, with each such statement being qualified in all respects by reference to the document to which it refers. You may inspect the registration statement and exhibits without charge at the SEC s Public Reference Room or at the SEC s web site listed above, and you may obtain copies from the SEC at prescribed rates.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE THAT ARE NOT PRESENTED IN OR DELIVERED WITH THIS PROSPECTUS. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS AND IN THE DOCUMENTS THAT WE HAVE INCORPORATED BY REFERENCE INTO THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM OR IN ADDITION TO THE INFORMATION CONTAINED IN THIS DOCUMENT AND INCORPORATED BY REFERENCE INTO THIS PROSPECTUS.

We incorporate information into this prospectus by reference, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. We incorporate by reference the documents listed below and all documents subsequently filed with the SEC pursuant to Section 13(a), 14 or 15(d) of the Exchange Act, after the date of this prospectus and prior to the date this offering is terminated or we issue all of the securities under this prospectus:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on March 6, 2015.
- Our Current Reports on Form 8-K filed on January 20, 2015 and February 25, 2015.
- The description of our common stock set forth in the registration statement on Form 8-A, filed with the SEC on June 23, 1999.

Nothing in this prospectus shall be deemed to incorporate information furnished, but not filed, with the SEC pursuant to Item 2.02 or Item 7.01 of Form 8-K and corresponding information furnished under Item 9.01 of Form 8-K or included as an exhibit.

Information in this prospectus supersedes related information in the documents listed above and information in subsequently filed documents supersedes related information in both this prospectus and the incorporated documents.

You may request orally or in writing, and we will provide you with, a copy of these filings, at no cost, by calling us at (585) 786-1100 or by writing to us at the following address:

General Counsel

Financial Institutions, Inc.

220 Liberty Street

Warsaw, New York 14569

These filings and reports can also be found on our website, located at http://www.fiiwarsaw.com, by following the links to Investor Relations and SEC Filings.

The information contained on our website does not constitute a part of this prospectus.

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RISK FACTORS

Investing in our securities involves risks. Before making an investment decision, you should carefully consider the specific risks set forth under the caption Risk Factors in the applicable prospectus supplement and under the caption Risk Factors in our filings with the SEC, which are incorporated by reference into this prospectus.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our historical ratio of earnings to fixed charges and our ratio of combined fixed charges and preferred stock dividends to earnings. You should read this table in conjunction with the consolidated financial statements and notes to the consolidated financial statements that are incorporated by reference into this prospectus.

A statement setting forth details of the computation of the ratios below is included as Exhibit 12.1 to the registration statement.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
Ratio of Earnings to Fixed Charges					
Including interest on deposits	5.94	5.79	4.63	3.49	2.68
Excluding interest on deposits	26.49	29.80	31.88	15.78	10.17
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends					
Including interest on deposits	4.77	4.54	3.77	2.90	2.12
Excluding interest on deposits	11.67	11.23	10.84	7.12	4.16

We have computed the ratio of earnings to combined fixed charges and preferred stock dividends set forth above by dividing pre-tax income before fixed charges and preferences by fixed charges and preference dividends. Fixed charges are the sum of:

- interest expensed and capitalized;
- amortized premiums, discounts and capitalized expenses related to indebtedness;
- an estimate of the interest within rental expense; and
- preference security dividend requirements of consolidated subsidiaries.

THE SECURITIES WE MAY OFFER

This prospectus contains a summary of the debt securities, common stock, preferred stock, depositary shares, warrants, purchase contracts, and units that we may offer under this prospectus. The particular material terms of the securities offered by a prospectus supplement will be described in that prospectus supplement. The descriptions herein and in the applicable prospectus supplement do not contain all of the information that you may find useful or that may

be important to you. However, this prospectus, the prospectus supplement and the pricing supplement, if applicable, contain the material terms and conditions for each security. The prospectus supplement will also contain information, where applicable, about material U.S. federal income tax considerations relating to the offered securities, and the securities exchange, if any, on which the offered securities will be listed. You should read these documents as well as the documents filed as exhibits to or incorporated by reference to this registration statement. Capitalized terms used in this prospectus that are not defined will have the meanings given them in these documents.

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DESCRIPTION OF DEBT SECURITIES

General

We may issue senior debt securities or subordinated debt securities. Senior debt securities will be issued under an indenture, referred to as the senior indenture, and subordinated debt securities will be issued under a separate indenture, referred to in this section as the subordinated indenture. The senior indenture and the subordinated indenture are collectively referred to in this section as the indentures. The senior debt securities and the subordinated debt securities are collectively referred to in this section as the debt securities. The debt securities will be our direct unsecured general obligations.

This prospectus describes the general terms and provisions of the debt securities. When we offer to sell a particular series of debt securities, we will describe the specific terms of the securities in a supplement to this prospectus. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of debt securities.

The following briefly describes the general terms and provisions of the debt securities and the indentures. We have not restated these indentures in their entirety in this description. We have filed the forms of the indentures, including the forms of debt securities, as exhibits to the registration statement of which this prospectus is a part. We urge you to read the indentures, because they, and not this description, control your rights as holders of the debt securities. The following description of the indentures is not complete and is subject to, and qualified in its entirety by reference to, all the provisions in the respective indentures. Capitalized terms used in the summary have the meanings specified in the indentures.

Neither indenture limits the amount of debt securities that we may issue under the indenture from time to time in one or more series. We may in the future issue debt securities under either indenture. As of the date of this prospectus, we had not issued any debt securities under either indenture.

Neither indenture contains provisions that would afford holders of debt securities protection in the event of a sudden and significant decline in our credit quality or a takeover, recapitalization or highly leveraged or similar transaction. Accordingly, we could in the future enter into transactions that could increase the amount of indebtedness outstanding at that time or otherwise adversely affect our capital structure or credit rating.

The debt securities will be exclusively our obligations. Neither indenture requires our subsidiaries to guarantee the debt securities. As a result, the holders of debt securities will generally have a junior position to claims of all creditors and preferred shareholders of our subsidiaries.

Terms of Each Series of Debt Securities Provided in the Prospectus Supplement

A prospectus supplement and any supplemental indenture relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

- the form and title of the debt securities;

whether the debt securities are senior debt securities or subordinated debt securities and the terms of subordination;

the principal amount of the debt securities;

the denominations in which the debt securities will be issued;

the portion of the principal amount which will be payable if the maturity of the debt securities is accelerated;

the currency or currency unit in which the debt securities will be paid, if not U.S. dollars;

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any right we may have to defer payments of interest by extending the dates payments are due and whether interest on those deferred amounts will be payable as well;

the place where the principal of, and premium, if any, and interest on any debt securities will be payable;

the date or dates on which the debt securities will be issued and the principal, and premium, if any, of the debt securities will be payable;

the rate or rates which the debt securities will bear interest and the interest payment dates for the debt securities;

any mandatory or optional redemption provisions;

the terms, if any, upon which the debt securities are convertible into other securities of ours or another issuer and the terms and conditions upon which any conversion will be effected, including the initial conversion price or rate, the conversion period and any other provisions in addition to or instead of those described in this prospectus;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities;

any deletion from, changes of or additions to the covenants or the Events of Default (as defined below) under *Provisions in Both Indentures Events of Default and Remedies* ;

any changes to the terms and conditions upon which the debt securities can be defeased or discharged;

any restriction or other provision with respect to the transfer or exchange of the debt securities;

the identity of any other trustee, paying agent and security registrar, if other than the trustee; and

any other terms of the debt securities.

We will maintain in each place specified by us for payment of any series of debt securities an office or agency where debt securities of that series may be presented or surrendered for payment, where debt securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon us in respect of the debt securities of that series and the related indenture may be served.

Debt securities may be issued under an indenture as original issue discount securities to be offered and sold at a substantial discount below their principal amount. Material federal income tax, accounting and other considerations applicable to any such original issue discount securities will be described in any related prospectus supplement.

Original issue discount security means any security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof as a result of the occurrence of an Event of Default and the continuation thereof.

Provisions Only in the Senior Indenture

Payment of the principal, premium, if any, and interest on the unsecured senior debt securities will rank equally in right of payment with all of our other unsecured senior debt.

Provisions Only in the Subordinated Indenture

Payment of the principal, premium, if any, and interest on the subordinated debt securities will be unsecured and will be subordinate and junior in priority of payment to prior payment in full of all of our senior indebtedness, including senior debt securities and other debt to the extent described in a prospectus supplement.

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Provisions in Both Indentures

Consolidation, Merger or Asset Sale

Each indenture generally allows us to consolidate or merge with a domestic person, association or entity. They also allow us to sell, lease or transfer our property and assets substantially as an entirety to a domestic person, association or entity. If this happens, the remaining or acquiring person, association or entity must assume all of our responsibilities and liabilities under the indentures including the payment of all amounts due on the debt securities and performance of the covenants in the indentures.

However, we will only consolidate or merge with or into any other person, association or entity, or sell, lease or transfer our assets substantially as an entirety according to the terms and conditions of the indentures, which require that:

- the remaining or acquiring person, association or entity is organized under the laws of the United States, any state within the United States or the District of Columbia;
- the remaining or acquiring person, association or entity assumes our obligations under the indentures; and
- immediately after giving effect to the transaction, no Default or Event of Default, as defined below, shall have occurred and be continuing.

The remaining or acquiring person, association or entity will be substituted for us in the indentures with the same effect as if it had been an original party to the indentures. Thereafter, the successor may exercise our rights and powers under the indentures, in our name or in its own name. If we sell or transfer all or substantially all of our assets, we will be released from all our liabilities and obligations under any indenture and under the debt securities. If we lease all or substantially all of our assets, we will not be released from our obligations under the indentures.

Events of Default and Remedies

Pursuant to the indentures, Default with respect to any series of debt securities means any event which is an Event of Default, or any event that, after notice is given or lapse of time or both, would become an Event of Default. The term Event of Default with respect to any series of debt securities means any of the following:

- failure to pay the principal of or any premium on any debt security of that series when due;
- failure to pay interest on any debt security of that series for 30 days;
- subject to certain exceptions, failure to perform any other covenant in the indenture, other than a covenant default in the performance of which has expressly been included in the indenture solely for the benefit of series of debt securities other than that series, that continues for 90 days after being given written notice as

specified in the indenture;

our bankruptcy, insolvency or reorganization; or

any other Event of Default included in any indenture or supplemental indenture.

If an Event of Default with respect to a series of debt securities occurs and is continuing, the trustee or the holders of at least 25% in principal amount of all of the outstanding debt securities of a particular series may declare the principal of all the debt securities of that series to be due and payable. When such declaration is made, such amounts will be immediately due and payable. The holders of a majority in principal amount of the outstanding debt securities of such series may rescind such declaration and its consequences if all existing Events of Default have been cured or waived, other than nonpayment of principal or interest that has become due solely as a result of acceleration. Upon a bankruptcy event of us, the principal amount of all debt securities shall be immediately due and payable.

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Holders of a series of debt securities may not enforce the indenture or the series of debt securities, except as provided in the indenture or a series of debt securities. The trustee may require indemnity satisfactory to it before it enforces the indenture or such series of debt securities. Subject to certain limitations, the holders of a majority in principal amount of the outstanding debt securities of a particular series may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power of the trustee. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal or interest, if it considers such withholding of notice to be in the best interests of the holders.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under an indenture. Further, an Event of Default under the debt securities of any series will not necessarily constitute an event of default under our other indebtedness or vice versa.

Modification of Indentures

Under each indenture, generally we and the trustee may modify our rights and obligations and the rights of the holders with the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of any series affected by the modification, voting as one class. No modification of the principal or interest payment terms, no modification reducing the percentage required for modifications and no modification impairing the right to institute suit for the payment on debt securities of any series when due, is effective against any holder without its consent.

In addition, we and the trustee may amend the indentures without the consent of any holder of the debt securities to make certain technical changes, such as:

curing ambiguities or correcting defects or inconsistencies;

evidencing the succession of another person to us, and the assumption by that successor of our obligations under the applicable indenture and the debt securities of any series;

providing for a successor trustee;

qualifying the indentures under the Trust Indenture Act of 1939, as amended, which we refer to in this prospectus as the Trust Indenture Act ;

complying with the rules and regulations of any securities exchange or automated quotation system on which debt securities of any series may be listed or traded; or

adding provisions relating to a particular series of debt securitiector level roles at Circuit City Stores from 1999 to 2009. Earlier in his career, Mr. Davis served in customer-facing and management level positions for Tire Kingdom and Sears Holdings Corporation.

E. Livingston B. Haskell, 41, has been our secretary and general corporate counsel since July 2006. Prior to assuming this position, Mr. Haskell was a partner at Williams Mullen and, before February 2006, was an associate at that firm. Mr. Haskell holds a B.S. in finance and marketing from the McIntire School of Commerce at the University of Virginia and a J.D. from Washington and Lee University.

Marco Q. Pescara, 49, has been our chief marketing officer since April 2006. Prior to assuming this position, Mr. Pescara served for more than five years as the vice president of direct response and marketing integration at Hickory Farms, Inc. Mr. Pescara holds a B.S. in history from the University of Toledo, an M.S. in public relations and media planning from Boston University and an M.B.A. from the University of Pittsburgh.

William K. Schlegel, 56, has been our chief merchandising officer since March 2011. Prior to assuming this position, Mr. Schlegel served as vice president of merchandising at Harbor Freight Tools, Inc. from 2009 to 2010. He served as vice president of merchandising at Gander Mountain Company between 2007 and 2009. He was president of Pine Creek Consultin from 2002 to 2007. Mr. Schlegel also held global procurement and merchandising roles during nearly 10 years of service at The Home Depot, Inc. He holds a B.S.B.A. in business and marketing from Roosevelt University.

Charles A. Schwartz, 46, has been our chief information officer and senior vice president, business development since Janua 2014. Prior to assuming this position, Mr. Schwartz had served as our vice president, operations and strategy since March 2012. Before joining us, he served as executive vice president, business development at The Tensar Corporation from 2011 to 2012 and as president, Environmental Site Solutions Division from 2008 to 2011. He also held various director roles at The Home Depot and was a management consultant at Accenture. Mr. Schwartz holds a B.A. in political science from Vanderbilt University and an M.B.A. from The Wharton School at the University of Pennsylvania. He also served as a Captain in the U. Army.

Daniel E. Terrell, 49, has been our chief financial officer since October 2006. Prior to assuming this position, Mr. Terrell served as our controller from November 2004. He served as the vice president, controller & credit of Peebles Inc., a specialty apparel retailer that he joined in 1990 and where he continued to work after it was acquired in 2003 by Stage Stores, Inc. Before joining Peebles, Mr. Terrell worked for Ernst & Young. Mr. Terrell holds a B.S. in accounting from Virginia Tech.

Sandra C. Whitehouse, 59, has been our senior vice president, chief human resources officer since June 2013. Prior to assuming this position, Ms. Whitehouse served as chief human resources officer for Earthbound Farm from 2011 to 2013. Previously, Ms. Whitehouse led the human resources department at Orchard Supply Hardware from 2004 to 2011, and held various human resources and store operations roles at Sears Holdings Corporation over a 29 year period. She holds a B.A. in English from San Francisco State University.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

Our overall compensation philosophy is to maintain effective compensation programs that are as simple and flexible as possible, and permit us to make responsive adjustments to changing market conditions. We strive to provide our executives with compensation that is competitive within our industry, considering, among other things, geographic location. In doing so we seek to attract and retain the key employees necessary to achieve the continued growth and success of our business while remaining mindful of our desire to control costs. Further, it is our intent to align executive pay with stockholders interests recognize individual accomplishments, unite executive management behind common objectives and strike a balance betwee risk and reward in designing our executive compensation programs.

The Compensation Committee of the Board is responsible for implementing and administering our compensation plans and programs. In that role, the Compensation Committee reviews our executive compensation program every year and may conduct market analyses of executive compensation as it determines are necessary to ensure that our compensation program meet our objectives. Decisions relating to the compensation of our executive officers are made by the Compensation Committee. These decisions are also reported to and approved by the full Board. The Compensation Committee consults, an expects to continue to consult, with the chief executive officer, the chairman and other members of management in the exercise of its duties. Notwithstanding such consultation, the Compensation Committee retains absolute discretion over all compensation decisions with respect to the executive officers, including the chief executive officer and the chairman.

In determining the compensation of our executive officers, the Compensation Committee evaluates total overall compensatio as well as the mix of salary, cash bonus incentives and equity incentives, using a number of factors including the following:

our financial and operating performance, measured by attainment of specific strategic objectives and operating results;
the duties, responsibilities and performance of each executive officer, including the achievements of the areas of our operations for which the executive is personally responsible and accountable;
historical cash and equity compensation levels; and
compensation competitiveness, internal equity factors and retention considerations.

Compensation levels for executives are differentiated based on the principle that total compensation should increase with an executive s position and responsibilities, while at the same time, a greater percentage of total compensation should be tied corporate and individual performance as position and responsibilities increase.

Compensation Consultant and Peer Group

The Compensation Committee engaged in a review and assessment of our executive compensation program in preparation fo its determination of compensation components and levels for 2013. In connection with that review and assessment, the Compensation Committee retained Pearl Meyer & Partners (PMP) in 2012 to provide a market-based perspective and rep on executive compensation. The Compensation Committee, after considering SEC and NYSE standards and other factors, determined that PMP was independent and that its engagement did not present any conflicts of interest. PMP also determine that it was independent and free from conflict with respect to the engagement and confirmed this in a written statement delivered to the Chair of the Compensation Committee. The Compensation Committee considered PMP s report to, amon other things, gather insight regarding the compensation practices at other companies.

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As part of the compensation review and assessment process, the Compensation Committee selected a peer group based on an analysis by PMP and the Compensation Committee s own independent judgment. These peers are generally specialty retailers that fell within a reasonable range (both above and below the Company) of comparative factors such as revenue, EBITDA, operating margin and market capitalization. The list of peers is as follows:

hhgregg, Inc.	rue21, Inc.	West Marine, Inc.
Pier 1 Imports, Inc.	Select Comfort Corp.	Haverty Furniture Companies, Inc.
Jos. A. Bank Clothiers, Inc.	Hibbett Sports, Inc.	Zumiez, Inc.
Vitamin Shoppe, Inc.	Mattress Firm Holding Corp.	Kirkland s, Inc.
Conn s, Inc.	Monro Muffler Brake, Inc.	
Shoe Carnival, Inc.	Orchard Supply Hardware	

2013 Compensation Program

As part of its deliberations and evaluation of our compensation program, the Compensation Committee considered the following objectives:

maintaining a straightforward and flexible program that incents and rewards performance;
offering competitive compensation packages necessary to attract and retain key executives;
providing non-equity incentive compensation that depends on our financial performance as compared against established goals and compensates executives for outstanding results; and
providing an appropriate link between compensation and the creation of stockholder value through equity awards tied to our long-term performance.

After considering these objectives and the results of the compensation review, including information on the peer group and PMP s report, the Compensation Committee recommended, and the Board agreed, to continue to utilize a mix of base salary, annual cash bonus awards and equity incentive awards in 2013. These components of executive compensation were designed to be used together to strike an appropriate balance between cash and equity compensation and between short-term and long-term value creation. As a result of the Compensations Committee s evaluation and assessment, however, certain changes were implemented in our compensation structure in 2013 that were structured to assist us in meeting our executive compensation objectives. Those changes included:

The annual cash bonus continued to be used to incentivize our executives to successfully coordinate efforts, in both the short and long terms, to enhance our business, and therefore stockholder value. In contrast to prior years, however, the annual cash bonuses were awarded based only on our achievement of certain objective financial performance measures relating to our operating income. The personal goals component was eliminated.

We reviewed the annual cash bonus targets for our executives, which are expressed as a percentage of base salary, and made certain adjustments to reflect, among other things, the individual s responsibilities, ability to influence performance and internal equity considerations.

The Compensation Committee identified an opportunity to modify the approach to cash bonuses because the annual cash bonus had historically limited the upside potential to reward outstanding performance and appeared uncompetitive in the marketplace. Accordingly, with the exception of Mr. Sullivan, we increased the maximum potential annual cash bonus award that our executives could achieve in 2013 from 120% of their bonus target to 200% of their bonus target in order to incent and reward exceptional results.

We included a mix of stock options and restricted stock awards (at a ratio of 75% options and 25% restricted stock) with multi-year vesting restrictions for our executives, which was a contrast to our historical approach of primarily utilizing stock options. Through such awards in 2013, we continued to seek to align management s interests with long-term stockholder interests and encourage retention of key performers.

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Base Salary. Base salary levels for our executive officers are reviewed each year and adjusted based upon a variety of factor including the executive s tenure with us, scope of responsibility and influence on our operations, individual performance ar accomplishments, internal equity, experience, and changes in the competitive marketplace as well as the economic environment and expense considerations. The factors impacting base salary levels are not independently assigned specific weights. In early 2013, Mr. Lynch reviewed the base salary for each executive officer, including Mr. Sullivan and himself, ar presented the Compensation Committee with recommendations regarding changes in the base salaries for such executive officers.

The Compensation Committee considered Mr. Lynch s recommendations as well as the results of the compensation progra review and factors noted in the preceding paragraph in determining the base salaries for the executive officers. Specifically, with regard to Mr. Lynch, his increased base salary in 2013 reflects, among other things, his contributions to the Company, th performance of our business and market considerations. With regard to Mr. Terrell and Mr. Schlegel, their increased base salary in 2013 reflects, among other things, their involvement in and contributions to our business, market considerations an internal equity factors.

For our named executive officers, the following adjustments to their base salaries were recommended by the Compensation Committee and approved by the Board:

Executive	2012 Base Salary[1] ($)	2013 Base Salary[2] ($)	Percentage Change
Mr. Lynch	575,000	675,000	17.4 %
Mr. Terrell	294,525	341,649	16.0 %
Mr. Schlegel	316,250	368,842	16.6 %
Mr. Pescara	298,013	312,914	5.0 %
Mr. Daniels	290,700	302,328	4.0 %

(1) These figures represent the annualized base salary for each individual after his 2012 review.

(2) These figures represent the annualized base salary for each individual after his 2013 review.

Annual Cash Bonus Awards. In 2013, our executive officers had the opportunity to earn an annual cash bonus under our Annual Bonus Plan for Executive Management (the Bonus Plan). The amounts payable under the Bonus Plan are expresse a percentage of annual base salary for each participant (the Target Bonus). The Target Bonuses are reviewed annually and among the Bonus Plan participants based upon, among other things, their responsibilities, ability to influence operations and performance, internal equity considerations, and position. As noted above, historically, the maximum potential annual cash bonus award that our executives could achieve was 120% of their Target Bonus. In 2013, we increased the maximum potenti annual cash bonus award for our named executive officers to 200% of their Target Bonus in order to incent and reward outstanding performance and results.

Further, our annual cash bonus plan historically had two components: one based upon our performance against financial goa and a second relating to each individual participant s performance against a set of personal goals. As noted above, in 2013, eliminated the personal goals component and determined to award annual cash bonuses for our executives based only on ou achievement of certain objective financial performance measures. In making this change, we determined that, among other things, it encourages and promotes integration, teamwork, collaboration and unity among our executives.

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For the 2013 Bonus Plan, the Compensation Committee determined that operating income represented the most comprehensive financial measure in evaluating executive performance. A scale was established which set percentages of the Target Bonuses that would be paid out depending on our actual operating income for the year. The scale was designed to provide incentive bonuses for superior achievement, while being consistent with the Compensation Committee s views on t appropriate levels of total compensation. The applicable scale for 2013 is set forth below:

Actual 2013 Operating Income	Percentage of Target Bonus
Below $78,346,010	Zero
$78,346,010 $82,263,310	25 %
$82,263,311 $86,180,610	50 %
$86,180,611 $90,097,126	75 %
$90,097,127 $93,231,751	100 %
$93,231,752 $96,365,591	125 %
$96,365,592 $99,499,432	150 %
$99,499,433 $101,852,763	175 %
Above $101,852,763	200 %

In 2013, our actual operating income was $126,022,580. Accordingly, Bonus Plan participants were awarded 200% of their respective Target Bonuses. Specifically, the following sets forth the Target Bonus for our named executive officers and the amounts awarded and paid to each under the Bonus Plan for 2013:

Executive	2013 Base Salary[1] ($)	Target Bonus Percentage	Target Bonus Amount ($)	Percentage of Target Bonus Awarded for 2013	Bonus Amount Awarded for 2013[2] ($)
Mr. Lynch	675,000	100 %	675,000	200 %	1,350,000
Mr. Terrell	341,649	60 %	204,989	200 %	409,979
Mr. Schlegel	368,842	60 %	221,305	200 %	442,610
Mr. Pescara	312,914	60 %	187,748	200 %	375,497
Mr. Daniels	302,328	60 %	181,397	200 %	362,794

(1) These figures represent the annualized base salary for each individual after his 2013 review.

(2) The bonus awards for 2013 were determined in January 2014 and paid in February 2014.

Long-Term Equity Incentive Awards. The long-term component of our compensation program consists of the grant of equity awards that are intended to create a mutuality of interest with stockholders by motivating our executive officers to manage ou business so that our stockholders investment will grow in value over time. The equity awards are also intended to reward longevity and increase retention, as we do not maintain a defined benefit pension plan or provide other post-retirement medic or life benefits. Because the benefit received depends upon the performance of our stock price over the term of the equity incentive award, such awards are intended to provide incentives for executive officers to enhance our long-term performance as reflected in stock price appreciation over the long term, thereby increasing stockholder value.

We currently provide equity awards pursuant to the Lumber Liquidators Holdings, Inc. 2011 Equity Compensation Plan (the 2011 Plan), from which we may, among other things, grant stock options, restricted stock awards and other equity awards intend equity awards to be a meaningful portion of our executive officers total compensation in order to align their interes with our long-term growth and the creation of stockholder value. In the past, it has generally been our practice to award equit

to our executives entirely in the form of non-qualified stock options which vest ratably over four years with terms of ten year
As noted above, in 2013, as part of our review and assessment of our compensation practices, we decided to include a mix o
stock options and restricted stock awards for our executives. We concluded that the utilization of restricted stock was
consistent with our desire to retain key executives and maintain consistency between management and long-term stockholde
interests. Further, we concluded that a ratio of 75% stock

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options and 25% restricted stock for the equity grants, which vest ratably over four years, was appropriate and consistent wit our objectives for the long-term equity component of our compensation program for most grant situations.

In 2013, we awarded Mr. Lynch an equity grant which included a combination of stock options (75%) and restricted stock (25%) and vests ratably over a period of three years beginning in March 2017. In structuring this grant, the Compensation Committee considered the amount, timing and vesting of prior equity grants to Mr. Lynch, the Company s performance, retention issues, Mr. Lynch s total compensation, and market factors. In determining the amounts of the equity awards for t other named executive officers, the Compensation Committee considered recommendations submitted by Mr. Lynch and an evaluation of the fair value of the equity award in relation to the individual s total compensation. Additionally, the equity awards for the other named executive officers were based upon their respective responsibilities and performance as well as retention considerations and compensation levels among our other executive officers. The following is a list of the equity awards approved by the Compensation Committee and the Board and awarded to our named executive officers in 2013, exclusive of the special restricted stock award described below:

Executive	2013 Option Awards ($)[1]	2013 Restricted Stock Awards ($)[2]
Mr. Lynch	3,374,996[3]	1,124,953[3]
Mr. Terrell	224,976 [4]	74,965 [4]
Mr. Schlegel	262,481 [4]	87,469 [4]
Mr. Pescara	187,498 [4]	62,460 [4]
Mr. Daniels	187,498 [4]	62,460 [4]

(1) The amounts in this column reflect the aggregate grant date fair value of option awards granted during the year computed accordance with ASC 718, *Compensation-Stock Compensation*. For a discussion of the assumptions relating to these valuations, see Note 7 Stock-Based Compensation to our audited financial statements included in Item 8 of the Form 10 filed with the SEC on February 19, 2014.

(2) The amounts in this column reflect the aggregate grant date fair value of stock awards granted computed in accordance wi ASC 718, *Compensation-Stock Compensation*.

(3) The grants provided for vesting in equal amounts on March 1, 2017, March 1, 2018 and March 1, 2019.

(4) The grants provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 1, 2013.

Special Equity Awards

The Compensation Committee recommended, and the Board approved, a special restricted stock grant in 2013 to the Company s executives for their exceptional performance in 2012. Among other things, the Company achieved record results net sales, gross and operating margin, net income and free cash flow and successfully implemented a number of new initiatives. This special award was designed to address the historic limitations in the Bonus Plan as they relate to the recognition of such outstanding results. Further, the special award was made in restricted stock with a one-year vesting requirement to enhance retention in an environment with increasing competition.

The following is a list of the special restricted stock awards approved by the Compensation Committee and the Board and awarded to our named executive officers:

Executive	2013 Special Restricted Stock Awards for 2012 Performance ($)[1]
Mr. Lynch	344,958
Mr. Terrell	105,982
Mr. Schlegel	94,874
Mr. Pescara	89,350
Mr. Daniels	87,165

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(1) The amounts in this column reflect the aggregate grant date fair value of stock awards granted computed in accordance wi ASC 718, *Compensation-Stock Compensation*.

Claw Back Provisions

Under our equity award agreements, in the event the Compensation Committee determines that an executive willfully engage in conduct harmful to us, the equity award may be forfeited and/or the executive may be required to repay any stock acquire or received as a result of the award or any sums realized as a result of the sale of stock acquired or received as a result of the award. Likewise, under the Bonus Plan, the Compensation Committee may require an executive to repay all or any portion o an award issued under the Bonus Plan if the Compensation Committee determines that the award was earned based on inaccurate financial objectives, performance data, metrics or other information or that the participant willfully engaged in conduct harmful to us. Furthermore, our equity award agreements and our Bonus Plan contain clawback provisions that are intended to comply with Section 954 of Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and all regulations and rulemaking thereunder. Specifically, if, as a result of material non-compliance with any financial informatio required to be reported under securities laws, the Company is required to prepare a restatement of its financial statements, the any awards or payments will be forfeited or repaid with the amount of such forfeiture or repayment to be equal to the difference between the award or payment received and the amount, if any, of the award or payment that would have been granted or issued based on the restated financial statements.

Prohibition on Pledging or Hedging Company Stock

In 2013, our Board revised our Insider Trading Policy to provide that no insider, which includes our officers and directors, may pledge the Company s securities or hold the Company s securities in a margined account. Further, our policy prohibits insiders and employees from buying or selling options, warrants, puts and calls or similar instruments on the Company s securities, selling the Company s securities short or entering into hedging or monetizing transactions or similar arrangemen with respect to the Company s securities. For purposes of our Insider Trading Policy, a copy of which can be found on ou website, insiders include, among others, our officers and directors.

2014 Compensation Program

Under the leadership of the Compensation Committee, we intend to continue our management of executive compensation wi the following objectives:

to maintain a straightforward and flexible program that allows us to make adjustments in response to changes in market conditions and reward performance;
to provide compensation packages necessary to attract and retain key executives to help ensure that we remain competitive;
to provide non-equity incentive compensation that depends on our financial performance, as compared against established goals, and promotes collaboration and unified focus among our executives; and
to provide an appropriate link between compensation and the creation of stockholder value through equity awards tied to our long-term performance.

To achieve these objectives, we will continue to utilize a mix of base salary, annual cash bonus awards and equity incentive awards. These components of executive compensation will be used together to strike an appropriate balance between cash an stock compensation and between short-term and long-term incentives. Base salary will remain a key part of our executive compensation, allowing us to attract and retain qualified executives. The annual cash bonus will be used to incentivize our executives to successfully coordinate efforts, in both the short and long terms, to enhance our business, and therefore stockholder value. The annual cash bonuses will continue to be awarded solely on the basis of our achievement of certain objective financial performance measures to maintain alignment and consistency among our executives. Finally, equity awar

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will continue to be awarded to executives in the form of stock options and restricted stock in a manner that seeks to align management s interests with long-term stockholder interests and encourage retention of key performers.

Compensation Risk Assessment

Among other things, the Compensation Committee reviews our compensation policies and practices to determine whether the subject us to unnecessary or excessive risk. In so doing, the Compensation Committee considers whether such policies and practices are appropriately structured to promote the achievement of goals without encouraging the taking of unwarranted o undue risk. Additionally, the Compensation Committee reviews the relationship between our risk management policies and practices and compensation, and evaluates compensation policies and procedures that could mitigate risks relating to our compensation program.

We believe that our compensation programs discussed above are designed with the appropriate balance of risk and reward in relation to our overall business strategy and do not incent executives or other employees to engage in conduct that creates unnecessary or unjustifiable risks. Specifically, our mix of rewards for short term performance through base salary and annua cash bonus awards and for long term performance through equity incentive awards supports these compensation objectives. Moreover, we believe that our utilization of these different compensation components allows us to manage the risks inheren with performance-based compensation. Additionally, our use of mitigation tools such as claw back provisions, oversight by a independent committee of non-employee directors and significant vesting periods for equity awards, provide additional risk protection.

Based upon the review of our compensation practices and policies, we have concluded that they do not create risks that are reasonably likely to have a materially adverse effect on the Company.

Tax Deductibility Under Section 162(m)

Section 162(m) of the Internal Revenue Code imposes a limitation on the deductibility of non-performance based compensation in excess of $1 million paid to named executive officers of public companies. We intend to design our executiv compensation arrangements to be consistent with our best interests and the interests of our stockholders. Because our corpora objectives may not always be consistent with the requirements of full deductibility, we may have compensation arrangement under which payments are not deductible under Section 162(m). We currently believe that we should be able to continue to manage our executive compensation program for our named executive officers to preserve the related federal income tax deductions, although individual exceptions occur from time to time.

Retirement, Deferred Compensation and Pension Plans

Our executive officers who are eligible may participate at their election in our 401(k) retirement savings plan that provides a employees with an opportunity to contribute up to 17% of their eligible compensation, subject to Internal Revenue Service limitations, to the plan on a tax-deferred basis to be invested in specified investment options and distributed upon their retirement. Consistent with the 401(k) plan, in 2013, we matched 100% of the first 3% of employee contributions and 50% o the next 2% of employee contributions. Employees are immediately 100% vested in the Company s matching contributions. 2013, Mr. Lynch, Mr. Schlegel, Mr. Pescara and Mr. Daniels contributed to the 401(k) plan.

The Board has not adopted any plans for the deferral of executive compensation or for the payment of defined benefits or pensions based on an executive officer s salary and/or years of service. In addition, we have not adopted a supplemental executive retirement plan or other excess plan that pays benefits to highly compensated executives whose salaries exceed Internal Revenue Service s maximum allowable salary for qualified plans.

Say-on-Pay Advisory Vote on Executive Compensation

At the 2011 Annual Meeting, the shareholders of the Company voted in favor of an annual say-on-pay vote and the Compan has elected to follow such advisory vote. Accordingly, at the Company s 2013 Annual Meeting of Stockholders, the Compensation Committee considered the results of the advisory vote by stockholders on executive compensation, or the say-on-pay vote. There was strong support at the 2013

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Annual Meeting for the compensation program offered to the Company s named executive officers with more than 85.6% votes cast in favor. The Compensation Committee believes that these results evidence the overall belief of the Company s stockholders that our compensation policies are working and that such policies are aligned with our stockholders interests

As discussed above, we made certain changes to the Company s executive compensation program in 2013, the structure o which was discussed in our 2013 Proxy Statement. We believe that these changes are consistent with our prior compensation philosophy and we will continue to reward outstanding performance and the creation of shareholder value.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based upon that review and discussion, the Committee has recommended to the Board tha the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in our Annua Report on Form 10-K for the fiscal year ended December 31, 2013, for filing with the Securities and Exchange Commission

COMPENSATION COMMITTEE

Martin F. Roper, *Chairperson*
Macon F. Brock, Jr.
Peter B. Robinson

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee will be or have ever been one of our officers or employees. None of our executive officers serves or has served as a member of the Board, compensation committee or other Board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on ou Compensation Committee.

Annual Compensation of Executive Officers

Summary Compensation Table

The following table and descriptions set forth information concerning compensation paid to or earned by our chief executive officer, chief financial officer, and the three other most highly compensated individuals who were serving as our executive officers at the end of the 2013 fiscal year and whose annual salary and bonus exceeded $100,000 during the 2013 fiscal year We refer to these individuals throughout this Proxy Statement as our named executive officers.

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Summary Compensation Table

(1) The amounts in this column reflect the aggregate grant date fair value of stock and option awards granted during the year computed in accordance with ASC 718, *Compensation-Stock Compensation*. For a discussion of the assumptions relating these valuations, see Note 7 Stock-Based Compensation to our audited financial statements included in Item 8 of the Fo 10-K filed with the SEC on February 19, 2014.

(2) The amounts in the column reflect annual cash bonus awards through our non-equity incentive plan, referred to as our Bonus Plan, earned in the year noted but typically paid in the first quarter of the following year.

(3) Mr. Lynch became our President and Chief Operating Officer effective January 17, 2011, and became Chief Executive Officer on January 1, 2012. Mr. Lynch was paid a signing bonus of $60,000. All other compensation includes $11,784, $14,195 and $7,191 in health benefits, group health plan contributions and life insurance premiums for 2013, 2012 and 2011, respectively, and $4,423 in matching contributions to our 401(k) plan for 2013.

(4) All other compensation includes $3,872, $7,278 and $3,356 in health benefits, group health plan contributions and life insurance premiums for 2013, 2012 and 2011, respectively.

(5) Mr. Schlegel became our Chief Merchandising Officer on March 14, 2011. His 2011 option awards were granted to him i connection with his hiring. All other compensation includes $13,010, $14,671 and $5,743 in health benefits, group health plan contributions and life insurance premiums for 2013, 2012 and 2011, respectively, $12,456 in matching contributions our 401(k) plan for 2013 and $21,830 in relocation expense reimbursement for 2011.

(6) All other compensation includes $15,344, $10,356 and $14,286 in health benefits, group health plan contributions and life insurance premiums for 2013, 2012 and 2011, respectively, and $10,074, $4,168 and $7,350 in matching contributions to our 401(k) plan for 2013, 2012 and 2011, respectively.

(7) Mr. Daniels was not a named executive officer in 2012 or 2011. All other compensation includes $5,881 in group health plan contributions and life insurance premiums for 2013 and $14,232 in matching contributions to our 401(k) plan for 2013.

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Grants of Plan-Based Awards

The following table provides information on grants of plan-based awards made to our named executive officers during fisca 2013:

Grants of Plan-Based Awards for Fiscal Year 2013

(1) These amounts reflect the potential range of payments for 2013 under the Bonus Plan. The actual payments are reflected i the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) The amounts reflect the threshold payments under the Bonus Plan, which are 25% of the Target Bonus.

(3) The amounts reflect the greatest potential payments under the Bonus Plan, which are 200% of the Target Bonus.

(4) The grants provided for vesting in equal amounts on March 1, 2017, March 1, 2018 and March 1, 2019.

(5) The grants provided for full vesting on March 1, 2014.

(6) The grants provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 1, 2013.

Discussion of the Summary Compensation Table and Grants of Plan-Based Award Table

Employment Agreement with Robert M. Lynch. In December 2010, we entered into an agreement with Mr. Lynch whereby h agreed to serve as our president and chief operating officer for a five-year term commencing January 17, 2011. The agreeme provides for an annual base salary of $500,000, with an

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increase to $550,000 on or about March 12, 2012. The agreement also provides for a $60,000 signing bonus. In addition, the Board, in its discretion, may award Mr. Lynch an annual performance bonus, based on our financial performance and Mr. Lynch s job performance. Under the agreement, Mr. Lynch was granted options to purchase 325,203 shares of our commo stock (approximately 1% of our outstanding shares at that time) at the fair market value as of January 17, 2011. The options vest 20% on each of the first five anniversaries of the grant. Mr. Lynch was also granted 12,345 restricted stock units on January 17, 2011. One-third of the restricted stock units vested on January 17, 2011, July 17, 2011 and January 17, 2012.

Pursuant to an amendment entered by the parties in December 2011, Mr. Lynch agreed to serve as our president and chief executive officer effective January 1, 2012. The amended agreement provides for an initial annual base salary of $550,000 beginning January 1, 2012. The agreement remains scheduled to expire on January 17, 2016.

The agreement also provides for certain payments in the event of termination, as described below. Mr. Lynch is bound unde the agreement by a confidentiality provision and non-competition and non-solicitation clauses that apply to his employment and for a period of two years following the later of the date of termination of his employment and the date (if any) that a cou enters a judgment enforcing the relevant provision.

On February 5, 2014, we entered into a Relocation Assistance Agreement (the Agreement) with Mr. Lynch to facilitate permanent relocation to the Central Virginia area, within daily driving distance of the Company s headquarters. Pursuant to Agreement, Mr. Lynch will receive $125,000, less required withholding and employment taxes and applicable 401(k) plan deferrals (the Relocation Payment), if Mr. Lynch closes on the purchase of a residence on or before October 1, 2014. T Relocation Payment is in lieu of the relocation benefits provided by Mr. Lynch s Executive Employment Agreement, date December 17, 2010.

If Mr. Lynch voluntarily terminates his employment within twelve months following receipt of the Relocation Payment, he will be required to repay the full amount of the Relocation Payment and, if the same occurs between twelve and twenty-fou months, 50% of the Relocation Payment.

Letter Agreement with Marco Q. Pescara. At the time of his hire, we entered into an offer letter agreement with Mr. Pescar which set forth his base starting salary, other compensation matters in connection with his hire and certain initial terms relati to his employment.

Other than the letter agreement with Mr. Pescara and the agreements with Mr. Lynch, we have not entered into employment agreements with any of the named executive officers. For additional information concerning our executive compensation policies, see Compensation Discussion and Analysis above.

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Outstanding Equity Awards at Fiscal Year-End 2013

The following table sets forth the outstanding equity awards as of the end of the 2013 fiscal year for each of our named executive officers:

Outstanding Equity Awards at Fiscal Year-End 2013

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)
Robert M. Lynch	80 (1)	195,123 (1)	26.73	1/17/2021		
		113,141 (2)	60.70	3/1/2023	18,533 (2)	1,906,860
					5,683 (3)	584,724
Daniel E. Terrell		3,552 (4)	24.19	3/11/2020		
	2,254 (6)	6,118 (5)	23.49	3/3/2021		
	3,112 (6)	9,336 (6)	24.35	3/22/2022		
		8,116 (7)	60.70	3/1/2023	1,235 (7)	127,069
					1,746 (3)	179,646
William K. Schlegel		11,858 (8)	24.25	3/14/2021		
		11,203 (6)	24.35	3/22/2022		
		9,469 (7)	60.70	3/1/2023	1,441 (7)	148,264
					1,563 (3)	160,817
Marco Q. Pescara	485 (4)	2,960 (4)	24.19	3/11/2020		
	116 (5)	6,118 (5)	23.49	3/3/2021		
	(6)	9,336 (6)	24.35	3/22/2022		
	(7)	6,764 (7)	60.70	3/1/2023	1,029 (7)	105,874
					1,472 (3)	151,454
Carl R. Daniels	(9)	18,051 (9)	16.75	11/17/2021		
	(7)	6,764 (7)	60.70	3/1/2023	1,029 (7)	105,874
					1,436 (3)	147,750

(1) The grant provided for vesting in equal annual amounts on the first five anniversary dates following the date of grant of January 17, 2011.

(2) The grants provided for vesting in equal amounts on March 1, 2017, March 1, 2018 and March 1, 2019.

(3) The grants provided for full vesting on March 1, 2014.

(4) The grants provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 11, 2010.

(5) The grants provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 3, 2011.

(6)

The grants provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 22, 2012.

(7) The grant provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 1, 2013.

(8) The grant provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of March 14, 2011.

(9) The grants provided for vesting in equal annual amounts on the first four anniversary dates following the date of grant of November 17, 2011.

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Option Exercises for 2013

The following table provides information concerning the exercises of stock options during the fiscal year 2013 on an aggregated basis for each of our named executive officers:

Option Exercises and Stock Vested for Fiscal Year-End 2013

	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)
Robert M. Lynch	130,000	8,525,924
Daniel E. Terrell	21,750	1,692,589
William K. Schlegel	15,591	1,076,998
Marco Q. Pescara	44,511	3,375,071
Carl R. Daniels	9,025	925,514

Potential Payments Upon Termination or Change of Control

Mr. Lynch s employment agreement provides for the termination of his employment by the Company without Cause, termination by him as the result of a Good Reason Event and termination by him following a Change of Control ar resulting material reduction in his compensation or job responsibilities (as those terms are defined in the employment agreement). Termination under any of these circumstances entitles Mr. Lynch to receive the following:

his salary earned through the date of termination and accrued but unused paid time off;

an amount, paid in twelve equal monthly installments, equal to his current rate of annual salary then in effect; and

for a period of twelve months, if Mr. Lynch elects to continue health, vision and dental insurance through COBRA continuation coverage, an amount equal to that portion of the COBRA premium the Company would have paid had Mr. Lync maintained such insurance while employed by the Company.

If Mr. Lynch s employment had been terminated under one of these three circumstances as of December 31, 2013, Mr. Lyn would have been entitled to receive $687,945. Mr. Lynch will not be entitled to any compensation or other benefits under th employment agreement if his employment is terminated by the Company for Cause or by him in the absence of either a Goo Reason Event or a Change of Control and resulting material reduction in his compensation or job responsibilities.

Under Mr. Pescara s offer letter agreement, if he is terminated other than for cause (as defined in his agreement), he wou entitled to receive a severance payment equal to one year s base salary and bonus. If Mr. Pescara s employment had bee terminated other than for cause as of December 31, 2013, this amount would have been $688,411, which includes one ye base salary and his 2013 payment under the Bonus Plan.

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We do not have any agreements with any of the other named executive officers that provide for severance payments upon termination of their employment or in connection with a change in control of us. The agreements pursuant to which equity awards have been granted to the named executive officers, however, contain provisions for accelerated vesting upon a chang in control of the Company.

The following table shows the value, as of the end of the 2013 fiscal year, to our named executive officers of unvested stock awards where the vesting would accelerate upon a change in control:

Name	Unvested Stock Options at 12/31/2013[1] (#)	Unvested Stock Awards at 12/31/2013[1] (#)	Exercise Price ($)	Total Value of Stock Options or Award that may Accelerate Upon Change in Control ($)[2]
Robert M. Lynch	195,123		26.73	14,860,568
	113,141		60.70	4,773,419
		24,216		2,491,584
Daniel E. Terrell	3,552		24.19	279,542
	6,118		23.49	485,769
	9,336		24.35	733,249
	8,116		60.70	342,414
		2,981		306,715
William K. Schlegel	11,858		24.25	932,513
	11,203		24.35	879,884
	9,469		60.70	399,497
		3,004		309,082
Marco Q. Pescara	2,960		24.19	232,952
	6,118		23.49	485,769
	9,336		24.35	733,249
	6,764		60.70	285,373
		2,501		257,328
Carl R. Daniels	18,051		16.75	1,554,913
	6,764		60.70	285,373
		2,465		253,624

(1) Upon change in control, 100% of the unvested options or awards vest.

(2) Represents the value of unvested stock options and awards based on the closing price of our common stock on December 31, 2013 which was $102.89.

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Equity Compensation Plan Information

The following table sets forth information as of December 31, 2013, with respect to compensation plans under which shares o our common stock are authorized for issuance:

	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (#)		Weighted-average Exercise Price of Outstanding Options and Rights ($)		Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (#)
Equity Compensation Plans Approved by Security Holders					
2004 Stock Option and Grant Plan[1][2]	25,511		7.58		
2006 Equity Plan for Non-Employee Directors[1][3]	38,974		7.58		
2007 Equity Compensation Plan[1][4]	382,277	(5)	23.62	(6)	
2011 Equity Compensation Plan[1][7]	404,927	(8)	46.93	(6)	1,511,059
Equity Compensation Plans Not Approved by Security Holders					
Total	**851,689**		**33.04**[6]		**1,511,059**

(1) In 2011, the Board adopted, and the stockholders approved, the 2011 Equity Compensation Plan to succeed the 2007 Equity Compensation Plan. In 2007, the Board adopted, and the stockholders approved, the 2007 Equity Compensation Plan to succeed the 2004 Stock Option and Grant Plan and the 2006 Equity Plan for Non-Employee Directors. As a result, no further awards will be granted under the 2004 Stock Option and Grant Plan, the 2006 Equity Plan for Non-Employee Directors or the 2007 Equity Compensation Plan.

(2) The 2004 Stock Option and Grant Plan, which we refer to as the 2004 Plan, permitted the grant of incentive and non-qualified stock options and restricted and unrestricted stock awards to our officers, employees, consultants and other key persons (including prospective employees).

(3) The 2006 Equity Plan for Non-Employee Directors, which we refer to as the 2006 Director Plan, permitted the grant of non-qualified stock options and restricted and unrestricted stock awards to our non-employee directors.

(4) The 2007 Equity Compensation Plan, which we refer to as the 2007 Plan, permitted the grant of non-qualified and incentiv stock options and other stock-based awards to our employees, non-employee directors and other service providers.

(5) Includes stock options to purchase 337,583 shares and 44,694 unvested shares of restricted stock.

(6) Weighted average exercise price of outstanding options; excludes restricted stock awards.

(7) The 2011 Equity Compensation Plan, which we refer to as the 2011 Plan, permits the grant of non-qualified and incentive stock options and other stock-based awards, including, without limitation, restricted stock, restricted stock units, unrestricted stock awards and stock appreciation rights, to our employees, non-employee directors and other service providers. Award grants may be made with the intention of qualifying under the requirements of Section 162(m) of the Internal Revenue Code as performance-based compensation. The 2011 Plan is administered by our Compensation Committee. There are 5,300,000 shares of our common stock authorized for issuance, subject to adjustment and reduced b

(i) any shares that have been issued under the 2007 Plan, and (ii) any shares that are subject to outstanding awards under the 2007 Plan that have not been forfeited or cancelled. No more than 900,000 shares may be issued under the 2011 Plan a restricted stock (either as a separate award or to settle restricted stock awards) or unrestricted stock.

(8) Includes stock options to purchase 347,421 shares and 57,506 unvested shares of restricted stock.

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DIRECTOR COMPENSATION

Directors who are our employees do not receive compensation for their service on the Board or any Board committee. In 201 we increased the annual retainer paid to our non-employee directors to $110,000 per year. In making this change, we considered, among other things, our growth, the development and expansion of our business operations, the lack of any increase in retainer amounts since our IPO and market information regarding compensation paid to directors at other companies. In addition, our non-employee directors received the following annual retainers for serving on the specified committees:

$15,000 for serving as the chairperson of the Audit Committee;
$7,500 for serving as the chairperson of the Compensation Committee;
$5,000 for serving as the chairperson of the Nominating and Corporate Governance Committee;
$7,500 for serving as a member (but not the chairperson) of the Audit Committee;
$3,750 for serving as a member (but not the chairperson) of the Compensation Committee; and
$2,500 for serving as a member (but not the chairperson) of the Nominating and Corporate Governance Committee.

In 2013, our non-employee directors elected to have the retainers paid in restricted stock. The restricted stock was granted o the date of the 2013 Annual Meeting and it vests on the date of the 2014 Annual Meeting. In calculating the number of share of restricted stock reflecting the value of the retainers for our non-employee directors, we used the closing price of our common stock on the date of the grant. Directors were reimbursed for expenses incurred in connection with their service as directors, including travel expenses for meeting attendance.

Mr. Sullivan s Compensation

Mr. Sullivan, our founder and the chairman of the Board, is an employee of the Company and receives a salary and other compensation for his services. In 2013, he did not receive an increase in his base salary. Mr. Sullivan participated in the Bonu Plan and his target bonus amount was 100% of his base salary based on 2013 corporate performance against financial goals with a maximum potential annual cash bonus award of 120% of his target bonus amount. Mr. Sullivan received an award of $397,127 for 2013 under the Bonus Plan based on achievement of the maximum bonus award, which was paid in the first quarter of 2014.

Mr. Sullivan did not receive any equity incentive awards in 2013. He does not receive an annual retainer or other compensation for serving as a director or on any committee.

Director Compensation Table

The following table sets forth compensation earned by our directors who are not named executive officers in the fiscal year ended December 31, 2013:

Director Compensation in Fiscal 2013

Name	Stock Awards[1] ($)	Non-Equity Incentive Plan Compensation ($)	Other Compensation ($)	Total ($)

Macon F. Brock, Jr.[2].	116,200				116,200
Douglas T. Moore[3]	122,500				122,500
John M. Presley[4]	127,488				127,488
Peter B. Robinson[5]	113,750				113,750
Martin F. Roper[6]	124,950				124,950
Thomas D. Sullivan		397,127	357,180	[7]	754,307
Jimmie L. Wade[8]	117,425				117,425

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(1) The amounts in this column reflect the aggregate grant date fair value of awards granted during the year computed in accordance with ASC 718, *Compensation-Stock Compensation*. Stock awards granted in 2013 had a grant date fair value o $87.50 per share. For a discussion of the assumptions relating to these valuations, see Note 7 Stock-Based Compensatio to our audited financial statements included in Item 8 of the Form 10-K filed with the SEC on February 19, 2014.

(2) Stock awards include 1,328 shares of restricted stock that were outstanding as of December 31, 2013.

(3) Stock awards include 1,400 shares of restricted stock that were outstanding as of December 31, 2013.

(4) Stock awards include 1,457 shares of restricted stock that were outstanding as of December 31, 2013.

(5) Stock awards include 1,300 shares of restricted stock that were outstanding as of December 31, 2013.

(6) Stock awards include 1,428 shares of restricted stock that were outstanding as of December 31, 2013.

(7) Other compensation includes base salary of $330,939, group health plan contributions and life insurance premiums of $11,464, and matching contributions to our 401(k) plan of $14,777.

(8) Stock awards include 1,342 shares of restricted stock that were outstanding as of December 31, 2013.

Outside Directors Deferral Plan

On November 21, 2008, the Board adopted the Lumber Liquidators Holdings, Inc. Outside Directors Deferral Plan (the Deferral Plan) under which each of our non-employee directors has the opportunity to defer receipt of all or a portion of fees until his departure from the Board. In so doing, the Board intended to provide an incentive to the non-employee director to own shares of our common stock, thereby aligning their interests more closely with the interests of our stockholders. Deferral elections must be made by December 31 for the deferral of fees in the next calendar year.

Under the Deferral Plan, a non-employee director may elect to defer up to 100% of his compensation in 25% increments and have such compensation invested in deferred stock units. Deferred stock units attributable to the deferral of cash compensatio are credited as of the day on which such compensation is otherwise payable in accordance with our then applicable director compensation policies (the Payment Date), and the number of deferred stock units is determined by dividing the deferre compensation payable on the Payment Date by the closing price of our common stock as of the Payment Date. Deferred stoc units credited with respect to restricted stock awards are determined using the closing price as of the grant date of the award o such shares of common stock. Deferred stock units must be settled in common stock upon the director s departure from th Board. There were 57,724 deferred stock units outstanding at December 31, 2013.

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SECURITIES OWNERSHIP

Securities Ownership of Certain Beneficial Owners

The following table sets forth information regarding ownership of our common stock by each person (or group of affiliated persons) known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock and the shares of common stock owned by each director, by each named executive officer, and all of our directors and executive officers as a group as of March 28, 2014. Unless otherwise indicated below, the address of each beneficial owner listed below is c/o Lumber Liquidators Holdings, Inc., 3000 John Deere Road, Toano, Virginia 23168.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percent of Class[2]
5% or Greater Owners		
BlackRock, Inc.[3] 40 East 52nd Street New York, NY 10022	3,508,190	12.8 %
T. Rowe Price Associates, Inc.[4] 100 E. Pratt Street Baltimore, MD 21202	3,322,570	12.1 %
FMR LLC[5] 245 Summer Street Boston, MA 02210	3,278,575	11.9 %
Baron Capital Group, Inc.[6] 767 Fifth Avenue New York, NY 10153	2,332,248	8.5 %
Lone Pine Capital LLC[7] Two Greenwich Plaza Greenwich, CT 06830	2,189,839	8.0 %
The Vanguard Group[8] 100 Vanguard Boulevard Malvern, PA 19355	1,756,018	6.4 %
AllianceBerstein LP[9] 1345 Avenue of the Americas New York, NY 10105	1,553,498	5.6 %
Directors and Executive Officers		
Macon F. Brock, Jr.[10].	46,026	*
Carl Daniels[11].	4,062	*
Robert M. Lynch	24,216	*
Douglas T. Moore[12]	13,989	*
Marco Q. Pescara[13]	14,434	*
John M. Presley[14]	22,491	*
Peter B. Robinson[15]	11,905	*
Martin F. Roper[16]	56,405	*

William K. Schlegel[17]	15,898	*	
Thomas D. Sullivan	608,998	2.2	%
Daniel E. Terrell[18]	70,003	*	
Nancy M. Taylor		*	
Jimmie L. Wade[19]	6,996	*	
All executive officers and directors as a group (17 persons)	959,793	3.5	%

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* Represents beneficial ownership of less than 1%.

(1) Under the rules of the SEC, a person is deemed to be the beneficial owner of a security if that person, directly or indirectly has or shares the power to direct the voting of the security or the power to dispose or direct the disposition of the security. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities. A person is also deemed to be a beneficial owner of any securities if that person has the right to acquire beneficial ownership within 60 day of the relevant date. Unless otherwise indicated by footnote, the named individuals have sole voting and investment power with respect to beneficially owned shares of stock.

(2) Based on 27,510,400 shares of our common stock outstanding as of March 28, 2014. In accordance with SEC rules, percen of class as of March 28, 2014 is calculated for each person and group by dividing the number of shares beneficially owned by the sum of the total shares outstanding plus the number of shares subject to options exercisable by that person or group within 60 days.

(3) According to a Schedule 13G/A filed with the SEC on January 8, 2014, BlackRock, Inc., through certain of its subsidiarie has sole power to vote or direct the vote of 3,350,328 shares and dispose of 3,508,190 shares of our common stock. Relevant subsidiaries of BlackRock, Inc. that are persons described in Rule 13d-1(b) include: (i) BlackRock (Luxembourg S.A.; (ii) BlackRock Advisors (UK) Limited; (iii) BlackRock Advisors, LLC; (iv) BlackRock Asset Management Canada Limited; (v) BlackRock Asset Management Ireland Limited; (vi) BlackRock Capital Management; (vii) BlackRock Financial Management, Inc.; (viii) BlackRock Fund Advisors; (ix) BlackRock Fund Management Ireland Limited; (x) BlackRock Institutional Trust Company, N.A; (xi) BlackRock International Limited; (xii) BlackRock Investment Management (Australia) Limited; (xiii) BlackRock Investment Management (UK) Ltd; (xiv) BlackRock Investment Management, LLC; (xv) BlackRock Japan Co Ltd; and (xvi) BlackRock Life Limited.

(4) According to a Schedule 13G/A filed with the SEC on February 14, 2014, T. Rowe Price Associates, Inc., through certain of its affiliated entities, has sole power to vote or direct the vote of 614,170 shares and dispose of 3,322,570 shares of our common stock. These securities are owned by various individual and institutional investors including T. Rowe Price New Horizons Fund, Inc. which owns 2,378,300 shares, representing 8.6% of the shares outstanding which T. Rowe Price Associates, Inc. serves as an investment advisor with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc. expressly disclaims that it is, in fact, the beneficial owner of such securities.

(5) According to a Schedule 13G/A filed with the SEC on February 13, 2014, FMR LLC has sole power to vote or direct the vote of 47,200 shares and dispose of 3,278,575 shares of our common stock. FMR, LLC s beneficial ownership is derived follows: Fidelity Management & Research Company (Fidelity), 245 Summer Street, Boston, Massachusetts 02210, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Adviser Act of 1940, is the beneficial owner of 3,227,642 shares of our common stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The ownership of one investment company, Fidelity Growth Company Fund, amounted to 2,243,967 shares of our common stock. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 3,227,642 shares owned by the funds. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominan owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds Boards Trustees.

(6)

According to a Schedule 13G/A filed with the SEC on February 14, 2014, Baron Capital Group, Inc. (BCG), through certain of its affiliated entities, has shared power to vote or to direct the vote of 2,192,748 shares and shared power to dispose or to direct the disposition of 2,332,248 shares of our

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common stock. BAMCO, Inc. (BAMCO) and Baron Capital Management, Inc. are subsidiaries of BCG and have shared voting power with respect to 2,147,408 shares and 45,340 shares, respectively, and shared dispositive power with respect to 2,286,908 shares and 45,340 shares of our common stock, respectively. Baron Small Cap Fund is an advisory client of BAMCO and reported shared voting and dispositive power with respect to 950,000 shares of our common stock. Ronald Baro owns a controlling interest in BCG and has shared voting power with respect to 2,192,748 shares and shared dispositive powe with respect to 2,332,248 shares of our common stock.

(7) According to a Schedule 13G filed with the SEC on January 23, 2014, Lone Pine Capital LLC, through certain of its subsidiaries, and Stephen F. Mandel, Jr. has shared power to vote or direct the vote of, and dispose or direct the disposition of, 2,189,839 shares of our common stock. Relevant subsidiaries of Lone Pine Capital LLC that are persons described in Rule 13d-1(b) include: (i) Lone Spruce, L.P.; (ii) Lone Tamarack, L.P.; (iii) Lone Cascade, L.P.; (iv) Lone Sierra, L.P.; (v) Lone Cypress, Ltd.; (vi) Lone Kauri, Ltd.; (vii) Lone Savin Master Fund, Ltd.; and (viii) Lone Monterey Master Fund, Ltd.

(8) According to a Schedule 13G/A filed with the SEC on February 6, 2014, The Vanguard Group (Vanguard), including through certain of its subsidiaries, has sole power to vote or direct the vote of 38,881 shares, sole power to dispose or to direct the disposition of 1,719,037 shares and shared power to dispose or to direct the disposition of 36,981 shares of our common stock. Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. are subsidiaries of Vanguard and beneficially own 36,981 shares and 1,900 shares of our common stock, respectively.

(9) According to a Schedule 13G/A filed with the SEC on January 29, 2014, AllianceBernstein LP has sole power to vote or direct the vote of 1,350,193 shares, sole power to dispose or to direct the disposition of 1,521,128 shares and shared power to dispose or to direct the disposition of 32,370 shares of our common stock.

(10) Including 1,328 shares of restricted stock awarded under our equity compensation plans not currently owned but issuable within 60 days to be invested in deferred stock units under our Deferral Plan.

(11) Including 1,691 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days.

(12) Including 12,589 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days and 1,400 shares of restricte stock awarded under our equity compensation plans not currently owned but issuable within 60 days.

(13) Including 11,423 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days.

(14) Including 15,693 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days and 1,457 shares of restricte stock awarded under our equity compensation plans not currently owned but issuable within 60 days to be invested in deferred stock units under our Deferral Plan.

(15) Including 1,300 shares of restricted stock awarded under our equity compensation plans not currently owned but issuable within 60 days.

(16) Including 26,385 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days and 1,428 shares of restricte stock awarded under our equity compensation plans not currently owned but issuable within 60 days to be invested in deferred stock units under our Deferral Plan.

(17) Including 12,030 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days.

(18) Including 17,118 shares not currently owned but issuable upon the exercise of stock options awarded under our equity compensation plans that are currently exercisable or will become exercisable within 60 days.

(19) Including 1,342 shares of restricted stock awarded under our equity compensation plans not currently owned but issuable within 60 days to be invested in deferred stock units under our Deferral Plan.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own mo than 10% of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports o beneficial ownership and reports of changes in beneficial ownership of our equity securities.

Based solely upon a review of Forms 3, Forms 4 and Forms 5 furnished to us under Rule 16a-3(e) during 2013, and written representations of our directors and officers, we believe that all directors, executive officers and beneficial owners of more than 10% of our common stock have filed with the SEC on a timely basis all reports required to be filed under Section 16(a) the Securities Exchange Act except that: Marco Q. Pescara filed a late Form 4 in connection with the sale of certain shares th were inadvertently omitted from a Form 4 timely filed in May 2013.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have a formal written policy concerning related person transactions, a copy of which is available on our website. Under that policy, a related person transaction is a transaction, arrangement or relationship involving us, on the one hand, and (i) ou director or executive officer, his or her immediate family members or any entity that any of them controls or in which any o them has a substantial beneficial ownership interest; or (ii) any person who is the beneficial owner of more than 5% of our voting securities or a member of the immediate family of such person. Related person transactions do not include (i) any employee benefit plan, policy, program, agreement or other arrangement that has been approved by the Board, the Compensation Committee or recommended by the Compensation Committee for approval by the Board, or (ii) any transactio (other than consulting or employment) in the ordinary course of business and/or in compliance with approved Company policy, if applicable, that does not involve an amount exceeding $100,000 in aggregate.

The Audit Committee evaluates each related person transaction for the purpose of recommending to the disinterested membe of the Board whether the transaction is fair, reasonable and within our policy, and should be ratified and approved by the Board. At least annually, management will provide the Audit Committee with information pertaining to related person transactions. Related person transactions entered into, but not approved or ratified as required by the policy concerning relate person transactions, will be subject to termination by us or the relevant subsidiary, if so directed by the Audit Committee, taking into account factors as it deems appropriate and relevant.

Lease Arrangements

As of March 31, 2014, we lease our Toano finishing, distribution and headquarters facility, which includes a store location, supplemental warehouse space adjacent to one of our store locations and 28 of our other store locations from F9 Properties, LLC f/k/a ANO, LLC (F9), a company that is wholly owned by Mr. Sullivan. The operating lease for our Toano facility h base period that runs through December 31, 2019. Our store leases generally have five-year base periods and one or more five-year renewal periods. Our rent expense attributable to F9 was $2.9 million in 2013 and we expect a similar rent expens attributable to F9 in 2014. The future minimum payments under our leases with F9 as of December 31, 2013 total approximately $14.2 million.

We believe that the leases that we have signed to date with F9, which are described in more detail in Note 5 to our audited financial statements included in Item 8 of the Form 10-K filed with the SEC on February 19, 2014, are on fair market terms. 2013, any new leases or renewals of existing leases involving Mr. Sullivan or entities with which he is involved were handle

in accordance with our related person transaction policy.

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AUDITOR INFORMATION

Our management is responsible for our internal controls and the financial reporting process. Our independent registered publ accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report on its audit. Ern & Young served as our independent registered public accounting firm for the fiscal years ended December 31, 2013, 2012 an 2011. Representatives of Ernst & Young are expected to attend the Annual Meeting, be available to respond to appropriate questions from stockholders and have the opportunity to make a statement if they desire to do so.

Fees Paid to Independent Registered Public Accounting Firm

The following information is furnished with respect to the fees billed by our independent registered public accounting firm fo each of the last two fiscal years:

	2012	2013
Audit Fees	$ 655,000	$ 524,000
Audit-Related Fees	28,995	14,595
Tax Fees	328,126	125,130
Total Fees	$ 1,012,121	$ 663,725

Audit fees: The aggregate amount of fees billed to us by Ernst & Young for professional services rendered in connection wi the audit of our annual consolidated financial statements, the reviews of the consolidated financial statements for the fiscal quarters during the year and accounting consultations that relate to the audited consolidated financial statements and are necessary to comply with auditing standards.

Audit-Related fees: The aggregate amount of fees billed to us by Ernst & Young for professional services rendered in connection with changes in our control environment and IT audit and consulting fees.

Tax fees: The aggregate amount of fees billed to us by Ernst & Young for professional services related to federal, state and international tax return preparation, tax planning services and assistance with certain federal and state tax audits.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has determined that Ernst & Young s rendering of all other non-audit services is compatible with maintaining auditor independence. The Audit Committee has adopted a policy for the pre-approval of services provided by th independent registered public accounting firm. Under the policy, pre-approval is generally provided for particular services o categories of services, including planned services, project-based services and routine consultations projects. Each category i subject to a specific budget or quarterly dollar amount. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent registered public accounting firm is required to provide detailed back-up documentation at the time of approval. The Audit Committee has delegated certain pre-approval authority to its Chairman. The Chairman must report any decisions to the Audit Committee at its next scheduled meeting. Al services provided by Ernst & Young during 2012 and 2013 were pre-approved.

Audit Committee Report

The Audit Committee operates under a written charter adopted by the Board of Directors. The charter reflects the requirement of the Sarbanes-Oxley Act of 2002, the SEC and the NYSE. Each member of the Audit Committee is independent in accordance with the applicable rules of the NYSE, the SEC and our corporate governance guidelines.

The Audit Committee reviews and discusses the following matters with management and our independent registered public accounting firm, Ernst & Young LLP:

Quarterly and year-end results, consolidated financial statements and reports, prior to public disclosure.
Our disclosure controls and procedures, including internal control over financial reporting.

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The independence of our registered public accounting firm.

Management s report and the independent registered public accounting firm s report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee routinely meets with our internal auditors and independent registered public accounting firm, with and without management present.

The Audit Committee has oversight responsibilities only and it is not acting as an expert in accounting or auditing. The Audit Committee relies without independent verification on the information provided to its members and on the representations made by management and the independent auditors. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States or that the audit of our consolidated financial statements by the independent auditors has been carried out in accordance with auditing standards generally accepted in the United States.

Management has the primary responsibility for the preparation of our 2013 consolidated financial statements and the overall reporting process, including the systems of internal control over financial reporting, and has represented to the Audit Committee that our 2013 consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee reviewed and discussed the audited consolidated financial statements with management and the independent auditors. In accordance with the requirements established by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended and as adopted by the Public Company Accounting Oversight Board, these discussions included, among other things, a review of significant accounting policies, their application and estimates, and the independent auditors judgment about our accounting controls and the quality of our accounting practices.

The Audit Committee has received from the independent auditors written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding the auditors independence, and has discussed with the independent auditors, the independent auditors independence.

Relying on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, for filing with the SEC.

AUDIT COMMITTEE

John M. Presley, *Chairperson*
Douglas T. Moore
Martin F. Roper
Jimmie L.Wade

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PROPOSAL TWO

RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2014. We are asking the stockholders to ratify this selection. If our stockholders fail to ratify the selection of Ernst & Young, the Audit Committee and our Board will consider whether to retain Ernst & Young and may retain that firm or another firm without resubmitting the matter to our stockholders. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered accounting firm at any time during the year if it determines that such a change would be in our and our stockholders best interest.

The affirmative vote of the holders of shares representing a majority of the votes cast at the Annual Meeting, in person or by proxy, is required to ratify the selection of the independent registered public accounting firm.

The Board of Directors recommends that you vote FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

PROPOSAL THREE

ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that we provide our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with Item 402 of the Securities and Exchange Commission s Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion. As noted above, we have elected to conduct this say-on-pay vote annually.

Accordingly, we ask our stockholders to vote on the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As discussed in the Compensation Discussion and Analysis section above, we believe that the compensation structure for our named executive officers is straightforward, flexible and effective in attracting and retaining talented personnel. In our judgment, the compensation paid to our named executive officers includes a healthy balance between fixed and performance-based compensation as well as a blend between cash and equity components. Furthermore, we maintain that the compensation for our named executive officers is aligned with the interests of our stockholders through incentives based on

increasing stockholder value. Finally, we believe that our compensation programs maintain an appropriate balance of risk an reward in relation to our business strategies and objectives.

The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this proxy statement. The vote is advisory, which means that the vote is not binding on the Company, our Board or the Compensation Committee of the Board. To the extent there is any significant vote against our named executive officer compensation as disclosed in this proxy statement, the Compensation Committee will evaluate whether any actions are necessary to address the concerns of stockholders.

The Board of Directors recommends that you vote FOR the proposed resolution approving the compensation of our named executive officers, as disclosed in this Proxy Statement.

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DEADLINES FOR SUBMISSION OF STOCKHOLDER PROPOSALS

Stockholders interested in submitting a proposal for inclusion in the proxy materials for the Annual Meeting of Stockholders to be held in 2015 may do so by following the procedures set forth in Rule 14a-8 of the Securities Exchange Act of 1934, as amended. To be eligible for inclusion, stockholder proposals must be received at our principal executive offices in Toano, Virginia on or before December 11, 2014.

If a stockholder wishes to present a proposal at the 2015 Annual Meeting of Stockholders but not have it included in our proxy materials for that meeting, the proposal: (1) must be received by us no later than December 11, 2014, (2) must present a proper matter for stockholder action under Delaware General Corporation Law, (3) must present a proper matter for consideration at such meeting under our Amended and Restated Certificate of Incorporation and Bylaws, (4) must be submitted in a manner that is consistent with the submission requirements provided in our Bylaws, and (5) must relate to subject matter which could not be excluded from a proxy statement under any rule promulgated by the SEC.

OTHER MATTERS

Management knows of no matters which may properly be and are likely to be brought before the Annual Meeting other than the matters discussed herein. However, if any other matters properly come before the Annual Meeting, the persons named in the enclosed proxy will vote in accordance with their best judgment.

AVAILABILITY OF ANNUAL REPORT ON FORM 10-K

A copy of an Annual Report on Form 10-K, including the financial statements and schedules thereto, required to be filed with the SEC for our most recent fiscal year, may be found on our website, *www.lumberliquidators.com*. In addition, we will provide each beneficial owner of our securities with a copy of the Annual Report without charge, upon receipt of a written request from such person. Such request should be sent to the Corporate Secretary, Lumber Liquidators Holdings, Inc., 3000 John Deere Road, Toano, Virginia 23168.

VOTING PROXIES

The Board recommends an affirmative vote on Proposals One through Three. Proxies will be voted as specified. If signed proxies are returned without specifying an affirmative or negative vote, the shares represented by such proxies will be voted FOR the nominees named in Proposal One and FOR Proposals Two and Three. Management is not aware of any matters than those specified herein that will be presented at the Annual Meeting, but if any other matters do properly come before the Annual Meeting, the proxy holders will vote upon those matters in accordance with their best judgment.

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