Lumber Liquidators Holdings, Inc.
Form DEF 14A
April 07, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant	x
Filed by a Party other than the Registrant	o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Lumber Liquidators Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1)	Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS May 23, 2016

To Our Stockholders:

The Annual Meeting of the Stockholders of Lumber Liquidators Holdings, Inc. will be held on Monday, May 23, 2016, at 10:00 a.m., at the Hilton Garden Inn Williamsburg, 1624 Richmond Road, Williamsburg, Virginia, for the following purposes:

1. To elect three directors, W. Stephen Cannon, John M. Presley and Thomas D. Sullivan, to hold office until the 2019 Annual Meeting of Stockholders and until their successors are elected and qualified (Proposal One);
2. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 (Proposal Two);
3. To approve, in an advisory (non-binding) vote, our executive compensation (Proposal Three);
4. To approve the Amended and Restated Lumber Liquidators Holdings, Inc. 2011 Equity Compensation Plan; and
5. To consider and act upon any other business which may properly come before the Annual Meeting.

Only stockholders of record at the close of business on March 24, 2016 are entitled to notice of, and to vote at, the Annual Meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

Whether or not you plan to attend the Annual Meeting, your vote is very important. Please vote. There are four ways that you can cast your vote by Internet, by telephone, by mail or in person at the Annual Meeting. Voting by the Internet or telephone is fast, convenient and your vote is immediately confirmed and tabulated. By using the Internet or telephone, you help us reduce postage and proxy tabulation costs. Please do not return the enclosed paper ballot if you are voting over the Internet or by telephone.

Any stockholder who later finds that he or she can be present at the Annual Meeting, or for any reason desires to do so, may revoke the proxy at any time before it is voted.

By order of the Board of Directors,

/s/ Jill Witter

Jill Witter
Secretary

Toano, Virginia
April 7, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 23, 2016.

The proxy statement and the 2015 Annual Report to Stockholders on Form 10-K are available at *www.investors.lumberliquidators.com/proxy.*

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PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Lumber Liquidators Holdings, Inc. (the Company, us or we) for use at the 2016 Annual Meeting of Stockholders (the Annual Meeting) to be held on Monday, May 23, 2016, at the time and place set forth in the notice of the meeting, and at any adjournments or postponements thereof.

We are providing access to our proxy materials, including this Proxy Statement, our annual report on Form 10-K and an electronic form of proxy card, primarily over the Internet rather than mailing paper copies of those materials to each shareholder. On or about April 7, 2016, we will mail to our shareholders a Notice of Internet Availability of Proxy Materials (the Notice), which provides website and other information for the purpose of accessing our proxy materials. You may access the proxy materials on the website referred to in the Notice or request a printed or electronic set of the proxy materials. Instructions on how to access the proxy materials through the Internet or to request a printed or electronic copy may be found in the Notice.

Shareholders may vote in any of the following four ways by Internet, by telephone, in person at the Annual Meeting or, if you requested printed copies of the proxy materials, by signing, dating and mailing the proxy card you receive in the envelope provided.

A properly executed proxy will be voted in the manner directed by the stockholder. If no instructions are specified, proxies will be voted for the directors listed in Proposal One and in favor of Proposals Two, Three and Four. In addition, if other matters properly come before the Annual Meeting or any adjournments or postponements thereof, the persons named in the accompanying proxy and acting thereunder will have discretion to vote on such matters in accordance with their best judgment. Any person has the power to revoke a proxy by submitting a subsequent vote using any of the methods described above, by voting in person at the Annual Meeting, or by giving written notice of revocation to our corporate secretary at any time before the proxy is exercised. Your latest proxy card, telephone vote or Internet proxy with respect to the same shares is the one that will be counted. Please note, however, that if your shares are held of record by a broker, bank or nominee and you wish to vote at the Annual Meeting, you will not be permitted to vote in person unless you first obtain a legal proxy issued in your name from the record holder.

A quorum is necessary for the transaction of business at the Annual Meeting. A quorum exists when a majority of the common stock entitled to vote at the Annual Meeting is present either in person or by proxy. Abstentions, broker non-votes and votes withheld for director nominees will count as shares present at the Annual Meeting for purposes of determining whether a quorum exists.

With respect to the election of directors, votes may be cast in favor or withheld. If a quorum is present, such election will be decided by plurality vote of the votes cast at the Annual Meeting, either in person or by proxy; therefore, abstentions, broker non-votes or withheld shares will have no effect on the outcome of the election. Brokers may not vote on the election of directors without instructions from the beneficial owners of the shares. The three nominees for director receiving the highest number of votes cast in person or by proxy at the Annual Meeting will be elected.

For approval of the ratification of auditors, advisory vote on executive compensation and approval of the Amended and Restated Lumber Liquidators Holdings, Inc. 2011 Equity Compensation Plan, votes may be cast in favor or against, or you may abstain from voting. If a quorum is present, the votes cast at the Annual Meeting in favor of each proposal, either in person or by proxy, must exceed the votes cast opposing the action for approval. Abstentions and broker non-votes will have no effect on the outcome of such proposals. Brokers have discretionary authority to vote on the ratification of auditors, but may not vote on the advisory vote on executive compensation or approval of the

Amended and Restated Lumber Liquidators Holdings, Inc. 2011 Equity Compensation Plan without instructions from the beneficial owners of the shares. Our inspector of elections will tabulate the votes cast by each proxy and in person at the Annual Meeting.

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We will bear the cost of the solicitation. In addition to mailing this material to stockholders, we have asked banks and brokers to forward copies to persons for whom they hold our stock and request authority for execution of the proxies. We will reimburse the banks and brokers for their reasonable out-of-pocket expenses in doing so. Our officers and regular employees, without being additionally compensated, may solicit proxies by mail, telephone, telegram, facsimile or personal contact. All reasonable proxy soliciting expenses will be paid by us in connection with the solicitation of votes for the Annual Meeting.

Our principal executive offices are located at 3000 John Deere Road, Toano, Virginia 23168, telephone number (757) 259-4280.

Record Date and Voting Securities

Only stockholders of record at the close of business on March 24, 2016 are entitled to notice of and to vote at the Annual Meeting. On that date, we had outstanding and entitled to vote 27,098,589 shares of common stock, $0.001 par value per share. Each outstanding share of our common stock entitles the record holder to one (1) vote on each matter.

Directions to Annual Meeting

Directions to attend the Annual Meeting, where you may vote in person, may be obtained by calling Investor Relations at (757) 566-7512.

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PROPOSAL ONE

ELECTION OF DIRECTORS

The Board of Directors is currently fixed by resolution of the Board of Directors at nine (9) members divided into three classes. The three-year terms of each class are staggered so that the term of one class expires at each annual meeting. The term of office of our Class I directors will end at this year s Annual Meeting of Stockholders. There are currently four (4) Class I directors due to W. Stephen Cannon s appointment to that class in March 2016. The size of the Board of Directors will be reduced to eight (8) directors and the number of Class I directors will be reduced to three (3) upon the expiration of Macon F. Brock, Jr. s term at the Annual Meeting. Our Class II directors terms will end at the Annual Meeting of Stockholders in 2017. Our Class III directors terms will end at the Annual Meeting of Stockholders in 2018. Each director serves a three-year term and will continue in office until a successor has been elected and qualified, subject to earlier resignation, retirement or removal from office. The Board, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated W. Stephen Cannon, John M. Presley and Thomas D. Sullivan for reelection to the Board as Class I directors for three-year terms ending in 2019. The following pages set forth information concerning the nominees and the directors whose terms of office will continue after the Annual Meeting including certain experiences, qualifications, attributes and/or skills that led us to conclude that each of them should serve as a director.

If any nominee is unable to serve as a director, the persons named in the enclosed proxy reserve the right to vote for a lesser number of directors or for a substitute nominee designated by the Board, to the extent consistent with our Certificate of Incorporation and our Bylaws. All of the nominees listed above have consented to be nominated and to serve if elected. We do not expect that any nominee will be unable to serve.

Nominees for Election for Terms Expiring in 2019 (Class I)

W. Stephen Cannon, 64, has been a director since March 2016. Mr. Cannon was originally recommended for election to the Board by the Nominating and Corporate Governance Committee. Mr. Cannon joined Constantine Cannon LLP, a law firm, in 2005 as the managing partner of Constantine Cannon LLP s Washington D.C. office and has been chairperson of the firm since 2007. From 1994 to 2005, Mr. Cannon was the senior vice president, general counsel and secretary of Circuit City Stores, Inc., a retailer of consumer electronics, which, at the time, was publicly traded on the New York Stock Exchange. Prior to joining Circuit City, Mr. Cannon served as a partner at the law firm of Wunder, Diefenderfer, Ryan, Cannon and Thelen and spent ten years in government service, including positions at the U.S. Department of Justice and the U.S. Senate Committee on the Judiciary.

Mr. Cannon has demonstrated significant legal and business expertise through his role as general counsel of Circuit City, a public company with significant retail operations. This experience, among other things, assists the Board with its risk oversight. Mr. Cannon s legal expertise also provides him with an understanding of various public company requirements, including corporate governance and SEC developments. He also has previous experience serving as a director of a public company.

John M. Presley, 55, has been a director since April 2006. Mr. Presley currently serves as our president and chief executive officer. Prior to becoming our president and chief executive officer in November 2015, Mr. Presley was the managing director and chief executive officer of First Capital Bancorp in Glen Allen, Virginia from March 2008 to November 2015. Prior to March 2008, he was head of strategic initiatives at Fifth Third Bancorp, where he was responsible for executing banking strategies in existing and emerging markets. He served as chief financial officer for Marshall & Ilsley Corp. from 2004 to 2006. Earlier in his career, Mr. Presley was chief financial officer of National Commerce Financial Corp. in Memphis, Tennessee, and president and chief executive officer of First Market Bank in Richmond, Virginia. Mr. Presley holds a B.A. in economics and business administration from Rhodes College.

As a member of our Board since 2006 and our president and chief executive officer, Mr. Presley has experience with and knowledge of, among other things, our business plans, personnel, risks and financial results. Additionally, Mr. Presley possesses business, financial, risk management and banking industry expertise, as a chief executive officer and chief financial officer. He has thorough knowledge of generally accepted accounting principles and an understanding of internal control over financial reporting. Further, he

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has experience in preparing, auditing and analyzing financial statements. Mr. Presley has served on our Board for nearly nine years and was the Chairman of our Audit Committee, our audit committee financial expert, a member of our Nominating and Corporate Governance Committee and our lead outside director from our initial public offering in November 2007 (IPO) to November 2015. Mr. Presley also served as Chairman of our Board from May 2015 until his appointment as chief executive officer in November 2015. His service to the Company in these various capacities has provided him with insight, perspective and knowledge regarding our business, growth, operations and personnel.

Thomas D. Sullivan, 56, is our founder. He was the chairman of our Board from our inception in 1994 to May 2015, when he became acting chief executive officer and served as our acting chief executive officer until the appointment of Mr. Presley as chief executive officer in November 2015. Prior to September 2006, Mr. Sullivan also served as our president and chief executive officer since our incorporation in 1994. He currently advises and supports our marketing and advertising departments and is active in our sourcing initiatives. He is involved with employee development initiatives and plays a key role in setting and maintaining our corporate culture. In addition, he appears in some of our advertising materials and participates in public relations events on our behalf. Mr. Sullivan serves on the board of directors of several privately held companies.

As our founder, former president and chief executive officer, and former acting chief executive officer, Mr. Sullivan has an intimate understanding of our business, customers, employees, risks and culture. Furthermore, he has an in-depth knowledge of our industry, suppliers and competitors. He possesses an entrepreneurial mindset and acumen for sales and marketing that have been valuable to the growth of the Company.

The Board of Directors recommends a vote FOR the election of Messrs. Cannon, Presley and Sullivan.

Incumbent Directors Whose Terms Expire in 2017 (Class II)

Peter B. Robinson, 67, has been a director since April 2010. Mr. Robinson served as an executive vice president of Burger King Corporation responsible for Burger King s global marketing and strategy functions until his retirement in December 2010. Prior to assuming that role in December 2009, Mr. Robinson was an executive vice president and president of Burger King s Europe, Middle East and Africa business segment. Before joining Burger King, Mr. Robinson worked for General Mills, Inc. as president of Pillsbury USA, and senior vice president of General Mills Inc. from 2001 to 2006. Earlier in his career, Mr. Robinson held positions of increasing responsibility at The Pillsbury Company, PepsiCo, Kraft General Foods, and Procter & Gamble, Ltd. UK. Mr. Robinson holds a B.A. in economics from Newcastle University. He also serves on the board of directors of First Niagara Financial Group, Inc.

Mr. Robinson has more than 30 years of experience in the consumer foods industry in the United States, Europe, Middle East and Africa. Through this experience, he has acquired and developed leadership, operations and risk assessment skills. In addition, he possesses strategic development abilities, senior management experience and consumer marketing knowledge. Mr. Robinson has been a member of our Compensation Committee since May 2010. Through his service as a director, Mr. Robinson has gained insight, perspective and knowledge regarding our business, growth, operations and personnel.

Martin F. Roper, 53, has been a director since April 2006. Mr. Roper is the president and chief executive officer of The Boston Beer Company, Inc., where he has worked since 1994. Prior to assuming his current positions in January 2001, he had served as the president and chief operating officer of that company since December 1999. Mr. Roper has served on the board of directors of Boston Beer since 1999. He holds a B.A. in engineering and M.Eng. from Cambridge University and an M.B.A. from Harvard Business School.

As a director and chief executive officer of a publicly traded company, Mr. Roper has senior management, strategic development and financial skills. In addition, Mr. Roper possesses experience in public relations, consumer marketing, investor relations, product development and risk management. Mr. Roper has served on our Board for nearly ten years and has been Chairman of the Compensation Committee and a member of the Audit Committee since our IPO. His experience as a director has provided him with insight, perspective and knowledge regarding our business, growth, operations and personnel.

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Incumbent Directors Whose Terms Expire in 2018 (Class III)

Douglas T. Moore, 59, has been a director since April 2006. He currently serves as the president and chief executive officer of Med-Air Homecare, and principal of First Street Consulting, LLC, a retail consulting firm, where he has worked since June 2012. From February 2012 through June 2012, Mr. Moore served as the chief merchandising and marketing officer at hhgregg, Inc. From December 2010 through February 2012, Mr. Moore served as vice president operations for Safelite Group, a subsidiary of Belron, and as the principal of First Street Consulting, LLC. Prior to December 2010, Mr. Moore served as senior vice president, president appliances for Sears Holdings Corporation. From 2007 to 2008, Mr. Moore served as senior vice president, hardlines merchandising for Sears where he was the chief merchant for the appliance, lawn and garden, tools, home electronics and sporting goods businesses. Prior to joining Sears, Mr. Moore served for 17 years as a senior executive of Circuit City Stores, Inc., with his last position as executive vice president, chief merchandising officer. Circuit City filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code in November 2008. Mr. Moore has also held operational and consumer marketing positions at AMF Bowling, Inc., A.H. Robins Company, Inc. and the Carnation Company. He received his undergraduate degree and M.B.A. from the University of Virginia.

Through his more than 25 years of retail experience, Mr. Moore has developed an understanding of strategic and tactical business issues that include store operations, merchandising, supply chain, sourcing and human resource planning. He also possesses senior management, marketing, risk assessment and retail knowledge. He has served on our Board for nearly ten years and has been Chairman of our Nominating and Corporate Governance Committee and a member of our Audit Committee since our IPO. Through his service as a director, Mr. Moore has gained insight, perspective and knowledge regarding our business, growth, operations and personnel.

Nancy M. Taylor, 56, has been a director since April 2014. Ms. Taylor is the former president and chief executive officer of Tredegar Corporation, serving in such roles from January 2010 to June 2015, and, during such time, was a member of Tredegar s board of directors. Prior to such time, she was executive vice president of Tredegar responsible for corporate business development in addition to her role as president of Tredegar Film Products. Previously, she served in roles of increasing responsibility at Tredegar since she joined the company in 1991. Before joining Tredegar, she was an associate at the law firm of Hunton & Williams. Ms. Taylor received a B.A. from the College of the Holy Cross and a law degree from Catholic University of America.

Ms. Taylor has significant experience as a chief executive officer of a publicly traded international manufacturer. Through her experience, she has gained and developed extensive business, finance and leadership skills. Further, she possesses an understanding of strategic planning, risk assessment and international operations. In addition, she has experience serving as a director of a public company. Ms. Taylor has been a member of our Compensation Committee since May 2014 and a member of our Nominating and Corporate Governance Committee since January 2015. Additionally, Ms. Taylor was appointed Chairperson of our Board in November 2015. Through her service as a director, Ms. Taylor has gained insight, perspective and knowledge regarding our business, growth, operations and personnel.

Jimmie L. Wade, 61, has been a director since September 2011. Mr. Wade currently serves on the board of directors and finance committee of Advance Auto Parts, Inc. Mr. Wade joined Advance in February 1994 and served as president from October 1999 through May 2005 and from January 2009 until December 2011. He also held several other key senior executive roles with Advance at various times including executive vice president, from May 2005 to December 2008, and chief financial officer. Before joining Advance, Mr. Wade worked for S.H. Heironimus, Inc., a regional department store, as vice president, finance and operations. Earlier in his career, Mr. Wade held positions with American Motor Inns, Inc. and KPMG LLP. He also serves on the board of directors of Tuesday Morning Corporation, a leading closeout retailer, as well as its audit committee and compensation committee. Mr. Wade holds a B.S. in accounting from Virginia Tech and is a Certified Public Accountant.

Mr. Wade has extensive experience as a senior executive and director of a leading publicly traded specialty retailer that has achieved significant growth during his tenure. Through his experience, he has gained and developed extensive business, finance, distribution, marketing and leadership skills. Further, he possesses an understanding of strategic business planning, risk assessment and store operations. Mr. Wade has served on our Board for more than four years and has been a member of our Audit Committee since November 2011 and has served as Chairman of our Audit Committee and our audit committee financial expert since November 2015. Through his service as a director, Mr. Wade has gained insight, perspective and knowledge regarding our business, growth, operations and personnel.

Director Not Standing for Re-Election

Macon F. Brock, Jr., 73, has been a director since November 2007. Mr. Brock is not being nominated for re-election consistent with the requirements of the Company s Corporate Governance Guidelines, which provides that a director will be expected not to stand for re-election after reaching the age of 70, and will retire from the Board when his term expires at the Annual Meeting. Mr. Brock is a founder and chairman of the board of Dollar Tree, Inc. He served as the president of Dollar Tree from 1986 until 2001 and as chief executive officer from 1993 until 2003. He has been a director of Dollar Tree since 1986 and chairman of the board since 2001. Until 1991, Mr. Brock was an officer and director of K&K Toys, Inc. He also serves on the board of directors of several privately held companies and non-profit organizations and previously served on the board of directors of rue21, Inc. Mr. Brock earned his B.A. from Randolph-Macon College and served as a Captain in the U.S. Marine Corps.

As a founder and former chief executive officer of a nationwide retail company, Mr. Brock has experience with strategic business development, store operations, logistics, procurement, risk management, sales, marketing and other matters. In addition, he has experience serving as a director of a public company. Since joining our Board in 2007, Mr. Brock has served on both our Compensation Committee and Nominating and Corporate Governance Committee. Through his service as a director, Mr. Brock has gained insight, perspective and knowledge regarding our business, growth, operations and personnel. The Company thanks Mr. Brock for his years of service and wishes him well in his retirement.

CORPORATE GOVERNANCE

We are committed to having sound corporate governance principles. Our Code of Business Conduct and Ethics, which applies to our directors, officers and employees, our Corporate Governance Guidelines and the charters of the Audit, Compensation and Nominating and Corporate Governance Committees are available on our website, *www.lumberliquidators.com*, and are also available in print, free of charge, to any stockholder who requests them. Such requests should be directed to Corporate Secretary, Lumber Liquidators Holdings, Inc., 3000 John Deere Road, Toano, Virginia 23168.

Independence

The Board, in its business judgment, has determined that the following seven of its nine current members are independent from us, including under the independence standards contained in rules of the New York Stock Exchange (NYSE): Macon F. Brock, Jr., W. Stephen Cannon, Douglas T. Moore, Peter B. Robinson, Martin F. Roper, Nancy M. Taylor and Jimmie L. Wade. In reaching its conclusion regarding director independence, the Board considered whether we conduct business and have other relationships with organizations of which certain members of the Board or members of their immediate families are or were directors or officers. Our non-management directors had no transactions, arrangements or relationships with us, other than as directors and stockholders.

Board Leadership Structure Chairperson and Lead Outside Director

The Board does not have a policy on whether or not the roles of chief executive officer and chairperson of the Board should be separate and, if they are to be separate, whether the chairperson of the Board should be selected from the non-employee directors or be an employee. In our history, the offices of chief executive officer and chairperson of the Board have been at times combined and at times separated, and, when separated, the chairperson has at times been a non-employee director and at other times an employee. The Board considers such combination, separation and independence in conjunction with, among other things, its succession planning processes. Our Board believes that it should be free to make a choice regarding the leadership structure from time to time in any manner that is in our and our stockholders best interests. In the instance in which the chairperson of our Board is not an independent director, our Corporate Governance Guidelines provide for a lead outside director to be elected by vote of the outside directors.

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In 2015, there were several changes in our leadership structure. Mr. Sullivan, who is our founder and an employee of the Company, served as chairperson from our inception until May 21, 2015, when he relinquished that role, while still remaining on the Board, and assumed the positon as our acting chief executive officer. Mr. Presley, who had served as our lead outside director since our IPO and was an independent director at the time, then became chairperson of our Board. On November 16, 2015, Mr. Presley was appointed chief executive officer of the Company and relinquished his role as chairperson while still remaining on the Board. Mr. Sullivan continued to serve as a director and serves a special adviser to Mr. Presley. Ms. Taylor, who is an independent director, was then appointed chairperson. Ms. Taylor, as chairperson of our Board, is responsible for coordinating the activities of the other outside directors, including the establishment of the agenda for executive sessions of the outside directors, with or without the presence of management. In the event the chairperson is not independent in the future, a lead outside director will be appointed to fulfill these responsibilities.

Committees of the Board

The Board has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, each composed of directors the Board has determined to be independent. Each committee operates pursuant to a written charter adopted by the Board that sets forth its roles and responsibilities and provides for an annual evaluation of its performance. The charters of all three standing committees are available at the investor relations page of our website at *www.lumberliquidators.com* and will be provided to any stockholder without charge upon the stockholder s written request to our corporate secretary. Each year, committee and committee chair assignments are made at the Board meeting immediately following the Annual Meeting of Stockholders. The current composition of each committee is as follows:

Audit	Compensation	Nominating and Corporate Governance
Jimmie L. Wade*	Martin F. Roper*	Douglas T. Moore*
Douglas T. Moore	Macon F. Brock, Jr.	Macon F. Brock, Jr.
Martin F. Roper	Peter B. Robinson	Nancy M. Taylor
	Nancy M. Taylor	

* Indicates chairperson of the committee.

The Board may establish such other committees as it deems appropriate, in accordance with applicable law and regulations and our Certificate of Incorporation and Bylaws.

Audit Committee. The Audit Committee assists the Board in fulfilling the oversight responsibility of the Board to the stockholders relating to the integrity of our financial statements, compliance with legal and regulatory requirements, the qualifications, independence and performance of our independent registered public accounting firm and the performance of the internal audit function. The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The Audit Committee approves procedures for the pre-approval of audit and non-audit services provided to us by any independent auditors. It is also responsible for establishing, publishing, maintaining and overseeing our whistleblower procedures and our compliance and ethics program.

In addition to the current members, Mr. Presley served as a member and the chairperson of the Audit Committee in 2015 until he became our chief executive officer on November 16, 2015. The Board, in its business judgment, has determined that all of the current members of the Audit Committee are, and each member who served on the Audit

Committee during 2015 was during the period in which he served, independent, as determined in accordance with the rules of the NYSE and relevant federal securities laws and regulations. The Board also has determined that all of the Committee members are financially literate as defined by the rules of the NYSE and that Mr. Wade qualifies as an audit committee financial expert as defined by regulations of the Securities and Exchange Commission (SEC).

With the exception of Mr. Wade, who serves on the audit committee of Tuesday Morning Corporation, no member of the Audit Committee served on any audit or similar committee of any other publicly held company in 2015.

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Compensation Committee. The Compensation Committee has overall responsibility for evaluating and approving our executive officer incentive compensation, benefit, severance, equity-based or other compensation plans, policies and programs. The Compensation Committee may, in its discretion, engage outside consultants to assist in evaluating and determining appropriate compensation levels for our executives. The Compensation Committee has produced an annual report on executive compensation that is included in this Proxy Statement. The Board, in its business judgment, has determined that all of the members of the Compensation Committee are independent, as determined in accordance with the rules of the NYSE and any relevant federal securities laws and regulations. Refer to the section titled Executive Compensation for additional information.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee assists the Board in implementing sound corporate governance principles and practices. The Nominating and Corporate Governance Committee also is charged with considering and recruiting individuals qualified to become Board members, conducting inquiries into the background, independence and qualifications of any candidates and recommending to the Board the director nominees. In performing these duties, the Nominating and Corporate Governance Committee uses its network of contacts to compile potential candidates, but may also engage, if it deems appropriate, a professional search firm. It also reviews the qualifications and independence of the members of the Board and its various committees on a regular basis and makes any recommendations the committee members may deem appropriate from time to time concerning any recommended changes in the composition of the Board.

Ms. Taylor joined the Nominating and Corporate Governance Committee on January 29, 2015. In addition to the current members, Mr. Presley served as a member of the Nominating and Corporate Governance Committee in 2015 until he became our chief executive officer in November, 2015. The Board, in its business judgment, has determined that all of the current members of the Nominating and Corporate Governance Committee are, and each member who served on the Nominating and Corporate Governance Committee during 2015 was during the period in which he or she served, independent, as determined in accordance with the rules of the NYSE.

The Nominating and Corporate Governance Committee will consider timely stockholder recommendations for candidates to serve on the Board. Such recommendations shall be sent to our corporate secretary and shall include (1) all information relating to the recommended person that is required to be disclosed in solicitations of proxies for election of directors in an election contest and such other information as we may require pursuant to any policy governing the selection of directors, and (2) a written consent from the recommended individual to being named in the proxy statement as a nominee and to serving as a director if elected. If the recommendation is not timely and in proper form, the nominee will not be considered by the committee. To be timely for the 2017 Annual Meeting, the recommendation must be received within the time frame set forth in Deadlines for Submission of Stockholder Proposals below. Nominees for director are selected in the context of an assessment of the perceived needs of the Board at the time and on the basis of, among other things, the following:

strength of character	specific areas of expertise
judgment	understanding of our business
skill	principles of diversity

- education
- reputation
- business experience
- other personal attributes or special talents

Nominees should also be willing to spend the time necessary to discharge their responsibilities appropriately and to ensure that other existing or future commitments do not materially interfere with their responsibilities as members of the Board.

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In determining the composition of the Board, the Nominating and Corporate Governance Committee seeks to include a diverse and complimentary range of skills and experience among our directors. Although it does not have a formal diversity policy, the Nominating and Corporate Governance Committee believes that the presence of differing viewpoints on the Board is a benefit to us. Accordingly, the Nominating and Corporate Governance Committee considers principles of diversity, which include, among other things, diversity in backgrounds, perspectives, expertise and qualifications, when assessing the Board as a whole, and individual director candidates.

Special Committee and Demand Review Committee. In addition to the standing committees described above, in March 2015, a Special Committee of the Board of Directors (the Special Committee) was formed and has managed and addressed certain legal and regulatory matters facing the Company since its formation. The current members of the Special Committee are Ms. Taylor, who serves as the chairperson, Mr. Roper and Mr. Wade. Prior to becoming the Company s chief executive officer, Mr. Presley served as the chairperson of the Special Committee.

In June 2015, the Special Committee exercised its authority to create a three-person Demand Review Committee, which is tasked with investigating various derivative claims against certain current and former officers and directors of the Company and making a recommendation to the Board as to whether it would be in the best interests of the Company to pursue any of those claims. The Demand Review Committee is made up of Ms. Taylor, who serves as the chairperson, Mr. Roper and Mr. Wade.

Risk Management

We have developed and implemented processes designed to manage risk in our business. The Board s role in risk management is primarily one of oversight with the day-to-day responsibility for risk management implemented by our management team. The Board regularly reviews information provided by management regarding our business strategy, financial position and operations, and considers associated risks. In addition, the Board executes its oversight role through its Audit Committee and other committees which report regularly to the Board on their activities.

With regard to those committee activities, the Audit Committee has principal responsibility for implementing the Board s risk management oversight role. The Audit Committee reviews management s assessment of the key risks that we face, including the main controls upon which we rely to mitigate those risks. In particular, the Audit Committee focuses on financial and enterprise risk, including internal controls, and assesses our risk profile with our management and internal and external auditors. The internal control risk profile drives our internal audit plan. The Audit Committee also handles violations of our Code of Ethics and related corporate policies. The Nominating and Corporate Governance Committee assists in risk management by overseeing our compliance with legal and regulatory requirements and risks relating to our governance structure. The Compensation Committee reviews risks relating to our incentive compensation policies and arrangements. Further, the Board of Directors has the ability to create additional committees and has formed the Special Committee, which manages and addresses certain legal and regulatory matters facing the Company and reviews risks related to such legal and regulatory matters.

Board and Committee Attendance and Executive Sessions

During fiscal year 2015, the Board held a total of 8 meetings and took additional actions by unanimous written consent; the Audit Committee held 8 meetings and took additional actions by unanimous written consent; the Compensation Committee held 8 meetings and took additional actions by unanimous written consent; and the Nominating and Corporate Governance Committee held 3 meetings and took additional actions by unanimous written consent. At the meetings of the Board, it is the practice of the Board to hold an executive session without management present, as well as a separate executive session with just the independent directors. During fiscal year 2015, each director attended at least 75% of the meetings of the Board and committees on which he or she served, with the exception of Mr. Brock, who was absent for three Board meetings and two Nominating and Corporate Governance Committee meetings due to health reasons.

We strongly encourage all directors to attend Annual Meetings of Stockholders. All of our directors serving at the time attended the 2015 Annual Meeting of Stockholders, and it is expected that all current directors will attend the 2016 Annual Meeting of Stockholders.

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Communications to the Board

Stockholders, employees and other interested parties may contact an individual director, the Board as a group, the Chairperson of the Board or Lead Outside Director, as applicable, or a specified Board committee or group, including the non-employee directors as a group, at the following address: Corporate Secretary, Lumber Liquidators Holdings, Inc., 3000 John Deere Road, Toano, Virginia 23168, Attn: Board of Directors. We will receive and process communications before forwarding them to the addressee. Directors generally will not be forwarded communications that are primarily commercial in nature, relate to improper or irrelevant topics, or request general information about us, including inquiries regarding employment opportunities.

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EXECUTIVE OFFICERS

The following sets forth biographical information for our executive officers. Such information with respect to our founder, Thomas D. Sullivan, and our chief executive officer, John M. Presley, is set forth above in the Proposal One Election of Directors section.

Carl R. Daniels, 62, has been our senior vice president, supply chain since October 2011. From 2009 to 2011, Mr. Daniels served as senior vice president of supply chain and operations at Harbor Freight Tools, Inc. Prior to assuming this position, he served as vice president of distribution for Michaels, Inc. from 2008 to 2009 and senior vice president of logistics for Retail Ventures Services, Inc. from 2002 to 2008. Earlier in his career, he held executive level logistics positions at Midas International, Inc. and certain regional department stores and retailers. He holds a B.S. in business administration and industrial management from Youngstown State University.

Dennis R. Knowles, 51, has been our chief operating officer since March 2016. Prior to assuming this position, Mr. Knowles served in various roles at Lowe s Companies, Inc. from 2001 to 2015, most recently as chief store operations officer from 2012 to 2015 and as senior vice president of store operations and specialty sales from 2010 to 2012. Prior to 2001, Mr. Knowles served as a regional vice president with Payless Cashways.

Marco Q. Pescara, 51, has been our chief marketing officer since April 2006 and has been our chief merchandising and marketing officer since June 2015. Prior to joining the Company, 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 from Boston University and an M.B.A. from the University of Pittsburgh.

Gregory A. Whirley, Jr., 39, has been our senior vice president, finance since May 2015 and our interim chief financial officer since June 2015. Prior to assuming this position, Mr. Whirley was a senior manager at Ernst & Young LLP, where he had been employed since 2002. He holds a B.B.A. and an M.B.A. from the College of William and Mary.

Sandra C. Whitehouse, 61, 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.

Jill Witter, 61, has been our chief compliance and legal officer since August 2015. In March 2016, she assumed the additional position as secretary of the Company. Prior to joining the Company, Ms. Witter served as senior vice president, general counsel and ethics and compliance officer at Novation LLC from 2007 to 2015. Previously, Ms. Witter served as the general counsel of the Forest Resources Division of the International Paper Company from 2003 to 2006, vice president, general counsel at Rayonier Inc. from 2001 to 2003 and the vice president, general counsel and secretary of Sunglass Hut International from 1999 to 2001. She holds a B.A. and J.D. from the University of Missouri.

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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 and other internal and external factors. 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 between 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 in an effort to ensure that our compensation programs 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, and expects to continue to consult, with the chief executive officer 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 founder.

In determining the compensation of our executive officers, the Compensation Committee evaluates total overall compensation, as well as the mix of salary, cash bonus incentives, equity incentives and other components, 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 to corporate and individual performance as position and responsibilities increase.

Compensation Consultant

In 2012, the Compensation Committee retained Pearl Meyer (PM) in connection with a review and assessment of the Company s executive compensation program for purposes of determining compensation components and levels for 2013. PM prepared a report as part of that review and assessment (the 2013 Compensation Report). The following peer group, which was 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, was utilized in the 2013 Compensation Report.

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	

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In setting executive compensation in the first quarter of 2015, the Compensation Committee referenced the 2013 Compensation Report for an understanding of market practices and competitive compensation levels as part of its assessment of the design and competitiveness of the Company s executive compensation packages.

Later in 2015, the Compensation Committee engaged PM to analyze the competitiveness of our executive compensation programs. The Compensation Committee, after considering the SEC and NYSE standards and other factors, determined that PM was independent and that its engagement did not present any conflicts of interest. PM also determined 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.

PM reports directly to the Compensation Committee on all work assigned by the Compensation Committee. PM also interacts with management when necessary and appropriate to carry out its assignments, but only with the Compensation Committee s approval. PM, in its discretion, from time to time, seeks confirmation from management regarding the accuracy of information that is included in materials presented to the Compensation Committee.

PM s work in 2015 included a study comparing the compensation paid to the Company s top executives to the compensation paid to their counterparts at peer companies. The peer group included publicly traded discretionary retailers with revenues and market capitalizations that fell both above and below the Company. The following is a list of companies included in the peer group:

hhgregg, Inc.	Ethan Allen Interiors Inc.	West Marine, Inc.
Pier 1 Imports, Inc.	Select Comfort Corp.	Haverty Furniture Companies, Inc.
Knoll, Inc.	Hibbett Sports, Inc.	Zumiez, Inc.
Vitamin Shoppe, Inc.	Mattress Firm Holding Corp.	Kirkland s, Inc.
Conn s, Inc.	Monro Muffler Brake, Inc.	Tumi Holdings, Inc.
Shoe Carnival, Inc.	The Container Store Group, Inc.	

In its analysis, PM also referenced nationally recognized survey data using annual revenue of $1.1 billion as a target for the scope of the data set. Further, PM provided information about market trends in executive and director pay practices and advised the Company on compensation program design and structure.

The Compensation Committee consulted the information provided by PM in connection with the hiring of John M. Presley as the Company s chief executive officer, which is more fully described below. The Compensation Committee also consulted with PM on certain other compensation matters that arose during 2015 including acting executive roles, retention mechanisms and compensation designs for new and existing executives.

2015 Compensation Program

In 2015, the Company experienced a unique set of circumstances in connection with changes in its executive leadership. The Company not only reacted to developments as they arose but also sought to address compensation matters proactively. In doing so, the Company took steps it believed were necessary to attract, retain and motivate key personnel. The discussion below provides an overview of the Company s executive compensation program. In addition, the Company has included a separate description of the actual compensation paid to each named executive officer and the basis for such compensation.

In early 2015, consistent with past practice, the Compensation Committee evaluated our compensation program and, in so doing 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.
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After considering these objectives, the Compensation Committee decided to continue to utilize a mix of base salary, annual cash bonus awards and equity incentive awards in 2015 for our executives. 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. Levels of each of these components for each executive at such time were set in the first quarter of 2015.

As the year progressed, there was significant turnover among the Company s executives. The Company entered into separation agreements with certain of these executives in connection with their departure from the Company. Further, in response to this turnover, in certain situations, the Company promoted existing executives to new roles and revised their compensation to reflect their new responsibilities and created temporary compensation packages to reward executives in acting roles. In other situations, individuals were recruited to join the Company and compensation was set for such individuals at levels that the Company believed were appropriate to attract, retain and motivate them.

Further, in light of challenges facing the business, the Company considered the impact of those challenges on its ability to retain certain executives that the Company believed were important to the Company s future performance. To that end, the Company took steps to solidify the retention of these certain executives and further motivate them. As more fully described below, the Company entered into retention benefit agreements and severance benefit agreements with these executives and also issued them special restricted stock awards with vesting terms designed to retain and stabilize the executive team.

Base Salary. Base salary levels for our executive officers are reviewed each year and adjusted based upon a variety of factors including the executive s tenure with us, scope of responsibility and influence on our operations, individual performance and 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 2015, Mr. Lynch, our former president and chief executive officer, reviewed the base salary for each executive officer in place at such time, excluding Mr. Sullivan and himself, and presented the Compensation Committee with recommendations regarding changes in the base salaries for such executive officers. The Compensation Committee was provided with historical compensation information for Messrs. Lynch and Sullivan. The Compensation Committee considered Mr. Lynch s recommendations in determining the base salaries for all executive officers in place at such time. Thereafter, the Compensation Committee recommended adjustments to the base salaries of all of the executives based upon, among other things, their performance, contributions to the Company and competitive factors and such recommendation was approved by the Board.

As noted above, the Company promoted certain employees and hired new employees to fill the roles left by the executives who were no longer with the Company. The base salaries for the promoted employees were adjusted to reflect each individual s new duties. Base salaries for the new employees were set at levels deemed appropriate to attract and motivate them.

Annual Cash Bonus Awards. In 2015, 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 expressed as a percentage of annual base salary for each participant (the Target Bonus). The Target Bonuses are reviewed annually and vary among the Bonus Plan participants based upon, among other things, their responsibilities, ability to influence operations and performance, internal equity considerations, and position. With the exception of Mr. Sullivan, whose greatest potential payment is 120% of the Target Bonus, the maximum potential annual cash bonus award that our executives could achieve was 200% of their Target Bonus, based only on our achievement of certain objective financial performance measures. Certain new executives that were hired during the year had the opportunity to earn a prorated bonus under the Bonus Plan based upon the duration of their service during the year.

For the 2015 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 the appropriate levels of total compensation. The applicable scale for 2015 is set forth below:

Actual 2015 Operating Income		Percentage of Target Bonus	
Below $115,083,894		Zero	
$115,083,894	$120,314,981	25	%
$120,314,982	$125,546,067	50	%
$125,546,068	$130,777,153	75	%
$130,777,154	$133,091,908	100	%
$133,091,909	$135,406,664	125	%
$135,406,665	$137,721,420	150	%
$137,721,421	$140,223,413	175	%
Above $140,223,413		200	%

In 2015, our actual operating income was a loss of $83,192,768. Accordingly, the threshold performance measure under the Bonus Plan was not attained and no amounts were awarded to participants under the Bonus Plan.

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 our 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 medical 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. We intend equity awards to be a meaningful portion of our executive officers total compensation in order to align their interests with our long-term growth and the creation of stockholder value.

Consistent with past practices, in early 2015, Mr. Lynch provided the Compensation Committee with recommendations regarding equity awards to each executive officer in place at such time, excluding himself. In determining the amounts of the equity awards for named executive officers, with the exception of Mr. Lynch, the Compensation Committee considered the 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, these equity awards were based upon their respective responsibilities and performance as well as retention considerations and compensation levels among our other executive officers. Moreover, consistent with awards in recent years, the equity grants made in the first quarter of 2015 to our executives was a mix of 75% non-qualified stock options and 25% restricted stock awards, which vest ratably over four years.

With regard to the new executive hires during 2015, the Company addressed each situation individually to determine equity grants that the Company believed were sufficient to attract, motivate and retain each individual. Further, the mix of equity awards between non-qualified stock options and restricted stock varied amongst the individuals.

Similarly, equity grants were awarded to certain executives in connection with their promotions to reflect their new responsibilities and further align their interests with shareholders.

Additional Compensation Arrangements. In late Summer 2015, the Company considered matters in connection with the retention and motivation of certain executives that were believed to be important to the Company s business and operations. To address these matters, the Company approved certain additional compensation arrangements for those executives. Such arrangements included severance benefit agreements

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providing for benefits in the event that the executive s employment with the Company is terminated without cause, retention agreements providing for cash payments for continued service to the Company and special restricted stock grants with vesting designed to promote retention.

Mr. Daniels and Ms. Witter were the only named executive officers to participate in some or all of these compensation arrangements, with a discussion of their arrangements included in more detail below. All other named executive officers did not participate in these compensation arrangements as they were newly hired, recently promoted, and/or previously had entered into similar arrangements with the Company.

Named Executive Officers. Due to the turnover and business challenges in 2015, the Company has a large number of named executive officers and the compensation for certain of the named executive officers was tailored to their specific circumstances. The following is a summary of the compensation for the named executive officers in 2015. The named executive officers have certain employment or other arrangements discussed below and also may have certain severance arrangements that are discussed in more detail under Potential Payments Upon Termination of Change of Control beginning on page 28.

John M. Presley. Mr. Presley assumed the role of chief executive officer of the Company in November 2015. As set forth in his employment agreement, his base salary was set at $625,000. Mr. Presley also received an equity award of 150,000 non-qualified stock options with three-year, ratable vesting. As noted above, the Compensation Committee considered information from PM in determining Mr. Presley s compensation.

In 2015, Mr. Presley received compensation for his service on the Board (including Chairperson for part of the year) and certain of its committees prior to assuming the chief executive officer position, with the basis for such compensation being discussed in more detail under Director Compensation and included in the All Other Compensation column of the Summary Compensation Table. A description of that compensation is included in the Summary Compensation Table on page 21 and under Discussion of the Summary Compensation Table and Grants of Plan-Based Awards Table beginning on page 24.

Thomas D. Sullivan. Mr. Sullivan is an employee of the Company and receives a salary and other compensation for his services in that capacity. In early 2015, as part of the Company s regular review process described above, Mr. Sullivan received a merit increase of 2.77% in his annual base salary, which increased his annual salary to $350,309. In May 2015, Mr. Sullivan assumed the role of acting chief executive officer. In evaluating the appropriate compensation for such role, the Compensation Committee looked at, among other things, the historical pay for the role and the information available to it in the 2013 Compensation Report. In connection with his new position, the Compensation Committee determined that, in addition to maintaining his base salary, Mr. Sullivan should receive certain equity incentive awards that are described more fully under Discussion of the Summary Compensation Table and Grants of Plan-Based Awards Table beginning on page 24. After Mr. Presley assumed the chief executive officer position, Mr. Sullivan continued to receive his base salary. Mr. Sullivan participated in the Bonus Plan in 2015, but because the Company did not achieve its performance goal under the Bonus Plan, no amounts were paid out to Mr. Sullivan. Mr. Sullivan serves on our Board (and held the role of Chairperson for part of 2015) but does not receive an annual retainer or other compensation for serving as a director.

Robert M. Lynch. Mr. Lynch served as our chief executive officer until his resignation in May 2015. In early 2015, as part of the Company s regular review process described above, Mr. Lynch received a merit increase of 2.77% in his annual base salary, which increased his annual salary to $745,725. Mr. Lynch did not receive any equity incentive awards in 2015 and did not receive any payments under the Bonus Plan. Mr. Lynch served on our Board prior to his resignation but did not receive an annual retainer or other compensation in connection with such service.

Gregory A. Whirley, Jr. Mr. Whirley joined the Company in May 2015 as senior vice president, finance and assumed the role of interim chief financial officer on June 1, 2015. In connection with his hiring and after considering a recommendation by Mr. Lynch as chief executive officer and compensation arrangements for the existing executives, his base salary was set at $300,000 and he was paid a signing bonus of $75,000. Mr. Whirley also received an equity grant valued at $300,000 with 75% of such amount in non-qualified stock options and 25% in restricted stock awards, which vest ratably over four years. Mr. Whirley participated in the Bonus Plan in 2015 on a prorated basis based upon his date of hire but because the Company did not achieve its performance goal under the Bonus Plan, no amounts were paid out to Mr. Whirley.

Daniel E. Terrell. Mr. Terrell served as our chief financial officer until May 31, 2015. In early 2015, as part of the Company s regular review process described above, Mr. Terrell received a merit increase of 2.00% in his annual base salary, which increased his annual salary to $360,679. Mr. Terrell also received an equity grant valued at $250,000 with 75% of such amount in non-qualified stock options and 25% in restricted stock awards, which vest ratably over four years. Mr. Terrell did not receive any payments under the Bonus Plan in 2015. At the time of the termination of his role as our chief financial officer in June 2015, the Company entered into a consultancy, separation and release agreement (the consultancy agreement) with Mr. Terrell whereby, among other things, Mr. Terrell agreed to provide certain consulting services on behalf of the Company. The terms of the consultancy agreement are more fully described under Discussion of the Summary Compensation Table and Grants of Plan-Based Awards Table beginning on page 24.

Marco Q. Pescara. In early 2015, as part of the Company s regular review process described above, Mr. Pescara, who was serving as our chief marketing officer at the time, received a merit increase of 3.00% in his annual base salary, which increased his annual salary to $333,582. Mr. Pescara also received an equity grant valued at $250,000 with 75% of such amount in non-qualified stock options and 25% in restricted stock awards, which vest ratably over four years. Thereafter, in June 2015, Mr. Pescara was promoted to chief merchandising and marketing officer. In connection with his promotion and after considering his new responsibilities, a recommendation by Mr. Sullivan as acting chief executive officer and compensation arrangements for the existing executives, Mr. Pescara s annual base salary was increased to $433,628. He was also issued an equity award, consisting of 75% non-qualified stock options and 25% restricted stock, with a total cumulative value of $300,000 and a ratable, four year vesting period. Mr. Pescara participated in the Bonus Plan in 2015 but because the Company did not achieve its performance goal under the Bonus Plan, no amounts were paid out to Mr. Pescara.

Jill Witter. Ms. Witter assumed the role of chief compliance and legal officer of the Company in August 2015. In connection with her hiring and after considering the 2013 Compensation Report and additional market information, her base salary was set at $375,000 and she received relocation reimbursement assistance up to $100,000. She was also issued an equity grant that was composed of the following: (1) non-qualified stock options with a cumulative value of $400,000 and a ratable, three-year vesting period beginning on the third anniversary of the grant date; and (2) a restricted stock award with a cumulative value of $400,000 and a ratable, four-year vesting period. Subject to the discretion of the Compensation Committee, this equity grant is expected to be the sole award granted to Ms. Witter over the next few years. Ms. Witter participated in the Bonus Plan in 2015 on a prorated basis based upon her date of hire but because the Company did not achieve its performance goal under the Bonus Plan, no amounts were paid out to Ms. Witter.

Carl R. Daniels. In early 2015, as part of the Company s regular review process described above, Mr. Daniels received a merit increase of 4.50% in his annual base salary, which increased his annual salary to $326,990. Mr. Daniels also received an equity grant valued at $350,000 with 75% of such amount in non-qualified stock options and 25% in restricted stock awards, which vest ratably over four years.

Later in 2015, Mr. Daniels received certain additional compensation consistent with the programs discussed above. In particular, the Company entered into a retention agreement with Mr. Daniels, which entitles him to receive a cash bonus of $98,000 if Mr. Daniels remains employed by the Company through December 31, 2016. The Company also issued Mr. Daniels a restricted stock award with a cumulative value of $175,000 and a ratable, three-year vesting period. Mr. Daniels participated in the Bonus Plan in 2015 but because the Company did not achieve its performance goal under the Bonus Plan, no amounts were paid out to Mr. Daniels.

Claw Back Provisions

Under our equity award agreements, in the event the Compensation Committee determines that an executive willfully engaged in conduct harmful to us, the equity award may be forfeited and/or the executive may be required to repay any stock acquired 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

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Compensation Committee may require an executive to repay all or any portion of 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 information required to be reported under securities laws, the Company is required to prepare a restatement of its financial statements, then 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

Our Insider Trading Policy provides that no insider may pledge the Company s securities or hold the Company s securities in a margined account. Further, our policy prohibits our 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 arrangements with respect to the Company s securities. For purposes of our Insider Trading Policy, a copy of which can be found on our website, insiders include, among others, our officers and directors.

2016 Compensation Program

As noted above, in 2015, the Compensation Committee engaged PM to analyze the Company s compensation programs. In conducting its review and assessment for 2016, the Compensation Committee considered the information provided by PM. The Compensation Committee then determined that no material structural changes to our historical executive compensation program were necessary. As a result, under the leadership of the Compensation Committee, we intend to continue our management of executive compensation with 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 and stock compensation and between short-term and long-term incentives. Although the components remain the same, there are a few changes noted below.

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 on the basis of our achievement of certain objective financial performance measures to maintain alignment and consistency among our executives. As opposed to prior years where the performance measure for the annual cash

bonus was based upon operating income, the annual cash bonus plan for 2016 will be based upon a combination of net sales, gross profit and adjusted operating income.

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Equity awards 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. For 2016, the annual equity grants to executives were awarded such that 50% of the value of the grant was issued in non-qualified stock options and 50% in restricted stock award. This is a change from our practice of issuing equity grants with a mix of 75% non-qualified stock options and 25% restricted stock. This change in mix to increase the percentage of full-value awards was prompted, in part, by the Compensation Committee s mindfulness of the volume of shares currently available under the 2011 Plan and desire to maintain flexibility for future key hires. In connection with the proposed amendment and restatement of the 2011 Plan, the Company is seeking the approval of an additional number of shares available for award in order to ensure that the Company can continue to utilize equity to attract, retain and incent key personnel.

Compensation Risk Assessment

Among other things, the Compensation Committee reviews our compensation policies and practices to determine whether they 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 or 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 annual 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 inherent with performance-based compensation. Additionally, our use of mitigation tools such as claw back provisions, oversight by an 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 executive compensation arrangements to be consistent with our best interests and the interests of our stockholders. Because our corporate objectives may not always be consistent with the requirements of full deductibility, we may have compensation arrangements 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 may 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 all employees with an opportunity to contribute up to 50% 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. In addition, a Roth feature was added to the plan during 2015 that allows all employees to contribute up to 50% of their eligible compensation on an after tax basis. Consistent with the 401(k) plan, in 2015, we matched 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. This matching contribution was allocated to both traditional 401(k) deferrals and Roth contributions. Employees are immediately 100% vested in the Company s matching contributions. In 2015, Messrs. Sullivan, Lynch, Whirley, Pescara and Daniels and Ms. Witter contributed to the 401(k) plan.

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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 the 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 Company has elected to follow such advisory vote. Accordingly, at the Company s 2015 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 2015 Annual Meeting for the compensation program offered to the Company s named executive officers with more than 96.8% of 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.

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 that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for filing with the Securities and Exchange Commission.

COMPENSATION COMMITTEE

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

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 our Compensation Committee.

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Annual Compensation of Executive Officers

Summary Compensation Table

The following table and descriptions set forth information concerning compensation paid to or earned by the three (3) chief executive officers and the two (2) chief financial officers who served during 2015, and the three other most highly compensated individuals who were serving as our executive officers at the end of the 2015 fiscal year and whose annual salary and bonus exceeded $100,000 during the 2015 fiscal year. We refer to these individuals throughout this Proxy Statement as our named executive officers.

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 to these valuations, see Note 6 Stock-Based Compensation to our audited financial statements included in Item 8 of the Form 10-K filed with the SEC on February 29, 2016.

(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. Presley was not a named executive officer in 2014 and 2013. All other compensation includes $299,000 in payments earned while serving on the Board of Directors, the Audit Committee as chairperson, the Nominating and Corporate Governance Committee, and the Special Committee of the Board of Directors.

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(4) Mr. Sullivan was not a named executive officer in 2014 and 2013. All other compensation includes $9,338 in health benefits, group health plan contributions and life insurance premiums and $10,369 in matching contributions to our 401(k) plan. The compensation paid to Mr. Sullivan in connection with his service as acting chief executive officer are discussed in more detail under Discussion of the Summary Compensation Table and Grants of Plan-Based Awards Table beginning on page 24.

(5) All other compensation includes $5,629, $13,243 and $11,784 in health benefits, group health plan contributions and life insurance premiums for 2015, 2014 and 2013, respectively, and $4,465, $4,465 and $4,423 in matching contributions to our 401(k) plan for 2015, 2014 and 2013, respectively, and $125,000 relocation expense reimbursement in 2014.

(6) Mr. Whirley was not a named executive officer in 2014 and 2013. The bonus is a signing bonus paid in connection with his hire. All other compensation includes $5,253 in health benefits, group health plan contributions and life insurance premiums and $3,692 in matching contributions to our 401(k) plan.

(7) All other compensation includes $3,031, $8,211 and $3,872 in health benefits, group health plan contributions and life insurance premiums for 2015, 2014 and 2013, respectively and $115,140 in severance payments, $23,466 in vacation payments and $90,170 in consulting fees in 2015.

(8) Ms. Witter was not a named executive officer in 2014 and 2013. All other compensation includes $6,260 in health benefits, group health plan contributions and life insurance premiums, $577 in matching contributions to our 401(k) plan and $97,647 relocation expense reimbursement.

(9) All other compensation includes $12,758, $17,069 and $15,344 in health benefits, group health plan contributions and life insurance premiums for 2015, 2014 and 2013, respectively, and $10,343, $14,623 and $10,074 in matching contributions to our 401(k) plan for 2015, 2014 and 2013, respectively.

(10) All other compensation includes $4,491, $8,211 and $5,881 in group health plan contributions and life insurance premiums for 2015, 2014 and 2013, respectively, and $7,123, $17,517 and $14,232 in matching contributions to our 401(k) plan for 2015, 2014 and 2013, respectively.

Grants of Plan-Based Awards

The following table provides information on grants of plan-based awards made to our named executive officers during fiscal 2015:

Grants of Plan-Based Awards for Fiscal Year 2015