Lumber Liquidators, Inc.
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PROSPECTUS SUMMARY

The following summary highlights information appearing elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully. In particular, you should read the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes relating to those statements.

The Company

Lumber Liquidators is the largest specialty retailer of hardwood flooring in the United States, based on industry sources and our experience. We believe we have achieved a reputation for offering great value, superior service and a broad selection of high-quality hardwood flooring products. We offer an extensive selection of premium hardwood flooring products under multiple proprietary brands at everyday low prices designed to appeal to a diverse customer base. We believe that our vertically integrated business model enables us to offer a broad assortment of high-quality products to our customers at a lower cost than our competitors. As of September 30, 2007, we sold our products through 111 Lumber Liquidators stores in 42 states, a call center, our website and a catalog. We believe that our brands, value proposition and integrated multi-channel approach are important competitive advantages.

We offer hardwood flooring products from more than 25 domestic and exotic wood species in both prefinished and unfinished brands of various widths and lengths. Our products are differentiated in terms of quality and price based on the species, grade of the hardwood, quality of finishing, as well as the length of the warranty. We also offer a broad assortment of flooring enhancements and installation accessories including moldings, noise-reducing underlays and adhesives. Our product offering is substantially comprised of our proprietary brands, including our premium Bellawood brand as well as our Builder s Pride, Virginia Mill Works, Schôn, Morning Star Bamboo and Dream Home brands. We have experienced strong historical growth, including net sales growth from $171.8 million in 2004 to $332.1 million in 2006, operating income growth from $7.2 million in 2004 to $21.4 million in 2006 and net income growth from $8.0 million in 2004 to $12.9 million in 2006, representing compound annual growth rates of approximately 39%, 73% and 27%, respectively. In the first nine months of 2007, our net sales were $299.8 million, which represents a 21% increase over the first nine months of 2006. Our operating income for the first nine months of 2007 declined to $13.9 million from $18.7 million in the first nine months of 2006, and our net income declined to $8.3 million from $11.3 million for the same periods. Our overall growth has been driven in large part by the opening of 86 stores since January 1, 2003 and our strong comparable store sales performance in each of those periods. On an annual basis, comparable store sales increased 19.0% from 2004 to 2005, and 17.3% from 2005 to 2006. In the first nine months of 2007, comparable store sales increased 8.6% over the first nine months of 2006, which increased 19.2% over the first nine months of 2005.

Our company started in 1994 when Tom Sullivan, the chairman of our board of directors, began selling discounted building materials. In 1996, he identified an opportunity to sell hardwood flooring at liquidator prices. Tom observed that traditional home improvement and flooring retailers underserved customers in terms of price, selection, product quality and overall value. Tom began working directly with vendors and mills to provide customers with broad, high-quality assortments at everyday low prices including premium categories. Since our first retail store opened in 1996, we have developed a national store base. Approximately 80% of our sales are to existing homeowners engaged in remodeling projects, and the remainder are to small independent contractors engaged in remodeling and new home-building projects. In 2004, we moved to our Toano, Virginia distribution center and finishing facility, where we currently finish approximately 70% of our premium Bellawood products. We maintain our in-house finishing capability to ensure product quality and to reduce third-party finishing costs.

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We have made a significant investment in developing our national brands, including our portfolio of proprietary product offerings. We believe Lumber Liquidators is now recognized across the United States as a destination for high-quality hardwood flooring at everyday low prices, while our Bellawood brand is known as a premium flooring brand within the industry. Our stores typically consist of a warehouse and an attached showroom located in industrial or commercial areas that have lower rents than traditional retail locations, are accessible from major roadways and have significant visibility to passing traffic. Our average store is approximately 6,400 square feet, of which approximately 800 square feet is devoted to the showroom selling area. We have designed our stores using a visually appealing and distinctive showroom format to enhance the customer experience while demonstrating our low-cost approach to doing business. We employ knowledgeable sales staff who can educate our customers about the product. We believe that our stores reinforce our customers belief that they get a good deal when they buy from us.

From 1994 until 2004, Tom Sullivan was our sole shareholder and director. In December 2004, we issued approximately 7.9 million shares of convertible preferred stock to funds managed by TA Associates, Inc., a private equity investment firm, in return for $35.0 million. Immediately prior to the issuance of those shares, which are convertible into shares of common stock on a one-to-one basis, we implemented a 150,000 to 1 stock split to increase the number of common shares held by Tom from 100 to approximately 15.0 million. After completion of the initial public offering, Tom and TA Associates, each of whom is a selling stockholder, will control approximately 37% and 22% of our outstanding common stock, respectively (or approximately 20% and 33%, respectively, if the underwriters overallotment option is exercised in full), which also reflects the transfer of an estimated 926,000 shares from Tom to Kevin Sullivan, who is Tom s brother and one of our regional managers, pursuant to an existing stock-based compensation agreement between them (which we refer to in this prospectus as the Variable Plan). During the periods in which Tom was the sole shareholder, we made cash distributions to him from time to time, including amounts to enable him to pay taxes on deemed income during the period when we were an S corporation (from inception until December 2004). We distributed $42.6 million in cash to Tom in 2004, including $30.0 million of the proceeds from the sale of the convertible preferred stock (which represented a significant dilution of his ownership interest), $5.0 million to enable him to pay taxes on deemed income and $7.6 million of additional cash. As a result of these transactions, we had a total stockholder s deficit of $30.2 million as of December 31, 2004, which has steadily improved to stockholder s equity of $4.1 million as of September 30, 2007. We have not made any other cash or equity distributions to our directors, executive officers or other employees in the past three years (other than paying salaries and making equity-based compensation grants in the ordinary course), and no directors, officers or employees other than Tom will receive any proceeds from this offering.

Competitive Strengths

We believe the following competitive strengths contribute to our leading market position, differentiate us from our competition and will drive our future growth:

> ***Attractive Store Economics.*** We operate a store model that produces strong returns on investment by combining low capital investment, a small store footprint, minimal staffing and a high average sale of more than $1,750 in 2006. Our average new store across our markets has historically become profitable within three months of beginning operations and returned its initial cash investment within seven months. Our store model targets a pre-tax return on invested capital in excess of 140% for stores open more than three years (including all advertising costs). For the twelve months ended September 30, 2007, we did not have an unprofitable store on a four-wall basis in our portfolio (excluding stores open for less than three months). When measuring profitability on a four-wall basis, we take into account the sales and costs of sales at each individual store, as well as the expenses of that store, which include wages and benefits, rent and

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local advertising. We do not consider national advertising and store support costs, including those related to corporate overhead and our distribution facility, when calculating profitability on a four-wall basis.

Appealing Value Proposition. Our value proposition to the customer is a key driver of our business. Important components include:

Price. A fundamental part of our founding philosophy is to provide quality hardwood flooring brands at everyday low prices. We are able to maintain these prices across our product range because we purchase flooring directly from mills and brokers. In addition, we operate a low-cost store model with a no frills showroom, limited in-store inventory and locations in industrial or commercial areas that carry lower rent expense than many retail stores.

Selection. We have developed a broad product assortment of domestic and exotic hardwoods sold under proprietary brands that help us to differentiate our products from those of our competitors. We offer products across a range of price points and quality levels that allow us both to target discrete market segments and to appeal to diverse groups of customers.

Quality. We believe that we have achieved a reputation for quality, and that our proprietary brands are recognized for excellence by our customers. We work directly with our supplier mills and brokers to produce flooring that will meet our high quality standards and we also currently finish approximately 70% of our premium Bellawood products at our state-of-the-art Toano facility. We maintain an in-house inspection and quality control function and enforce strict certification requirements for Bellawood supplier mills. As a result, we offer a 50-year residential warranty on our premier Bellawood brands, which we believe is the industry s longest.

Availability. Since our founding, we have made it a priority to build long-term relationships with our key supplier mills and brokers. As we have grown, we believe our relationships with our suppliers have strengthened, which we believe helps us ensure our continued access to a broad selection of domestic and exotic hardwood products at attractive prices. We believe that these direct supplier relationships are relatively unique in our industry, and offer us a significant competitive advantage. In addition, we believe our supply chain and centralized inventory at our Toano distribution facility allow us to meet the delivery needs of our customers better than our competitors.

Established National Brands. We believe both Lumber Liquidators and Bellawood are well-known national brands. We have positioned Lumber Liquidators to represent an attractive value proposition to the customer, and believe we offer superior service and hardwood flooring expertise. Based on our market research, we believe that Bellawood, which accounted for approximately one-third of our 2006 net sales, is among the most-recognized brands in our industry. We are committed to supporting our brands and products through diverse national marketing campaigns that reach a wide variety of potential customers. We believe that we benefit from our long-term endorsement relationships with respected and well-known home improvement celebrities such as Bob Vila and Ty Pennington.

Integrated Multi-Channel Sales Model. We have an integrated multi-channel sales model that enables our national store network, call center, website and catalog to work together in a coordinated manner. Our sales strategy emphasizes customer service by providing superior convenience and education tools for our customers to learn about our products and the installation process. We strive to use our various sales channels to make our customers transactions easy and efficient.

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Experienced Management Team with a Proven Track Record. Our senior management team has extensive experience with publicly traded, high-growth retail companies. We believe our company benefits in particular from the leadership of Tom Sullivan, our founder and the chairman of our board of directors, who is a veteran of the specialty hardwood flooring retail business. Jeff Griffiths, our president and chief executive officer, has more than 30 years of experience in the retail industry and our chief financial officer, Dan Terrell, has more than 15 years of experience working with reporting companies in the retail industry. Over the past two years, we have assembled a management team with extensive experience in the specialty retail and hardline retail industries. Upon completion of this offering, our executive officers and directors will beneficially own approximately 38% of our company (excluding shares owned by TA Associates funds).

Growth Strategy

We intend to continue to increase revenues and profitability by strengthening our position as a leading provider of hardwood flooring within our growing market. Specific elements of our strategy for continued growth include the following:

Expand Our Store Base. The hardwood flooring market is highly fragmented, and we believe there is a significant opportunity to expand our store base. Because of the low capital investment to open new stores and the attractive returns on investment that our stores generate, we intend to continue to expand our store base. We plan to open at least 25 new stores in total during 2007 and between 30 and 40 new stores during each of the next several years thereafter.

Improve Existing Store Sales Growth. We seek to drive productivity through strong comparable store sales performance and by improving operational efficiencies. We expect sales growth will be driven by our investment in our proprietary brands, targeted marketing campaigns and more efficient sales and inventory planning and forecasting, as well as favorable long-term industry trends. In addition, we continue to build on what we believe is our strong track record of consistent store-level execution.

Expand Operating Margins. We attribute our success to our focus on and our ability to deliver on our value proposition to the customer, which results from leveraging our strength as a vertically-integrated, low-cost operator. As we continue to increase our revenues by opening new stores and marketing our proprietary brands, we also plan to decrease marginal costs by taking advantage of improving economies of scale in purchasing, leveraging our existing infrastructure and other fixed expenses and optimizing our finishing, distribution and supply chain management.

Leverage Brand Marketing Across Multiple Channels. We use our advertising and marketing activities and our multiple sales channels to help educate potential customers about hardwood flooring. As customers learn more about hardwood flooring and how best to shop for it, they also learn more about our products and value proposition, which we believe drives customer store visits and purchases of our products. We believe that as we continue to leverage our multi-channel strategy, we will drive repeat customer traffic. We have also made a significant advertising and marketing investment to link our brands to quality and value as well as to establish ourselves as the hardwood flooring experts. As we continue to grow and open more stores, we believe that our marketing and branding activities will become more efficient and targeted. We also believe that our customer acquisition costs will decline on both a per-customer and per-store basis.

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Our Market

The hardwood flooring market represents approximately 10% of the overall U.S. floor coverings market. Catalina Research Inc. estimates that the value of U.S. hardwood flooring wholesale sales in 2005 was approximately $2.3 billion (representing retail sales of $4.1 billion), and, in addition, estimated in November 2005 that the market would grow at a compound annual growth rate of 7.4% through 2011. Although we anticipate there may be some volatility in the near term due to decreased housing demand, which that growth estimate may not fully reflect, we believe we will continue to benefit from several key long-term industry trends and characteristics including increased home improvement spending (which is driven by several factors including the aging of existing housing stock, increasing home ownership levels, the increasing average size of homes and favorable demographic trends), especially by persons engaged in home remodeling projects. Other trends that we expect to benefit from include the evolution of the hardwood flooring market to include both a wider range of wood species and products that are increasingly easier and less costly to install, and the greater attractiveness of hardwood flooring as industry innovations drive growth and its perceived cosmetic, durability and health advantages.

Risk Factors

We face a number of risks in operating our business, including risks that may prevent us from achieving our business objectives or that may affect our business, financial condition and operating results. You should consider these risks before investing in our company. For example:

Dependence on the Economy, Home Remodeling Activity and the Homebuilding Industry. Our industry is highly dependent on the remodeling of existing homes and new home construction, which depend on factors such as interest rates, tax policy, employment levels, consumer confidence, credit availability, real estate prices, demographic trends, weather conditions, natural disasters and general economic conditions. Market trends or other events that limit discretionary consumer spending, reduce spending on remodeling of existing homes and cause purchases of new homes to decline could adversely affect our operations. For example, Catalina Research estimates that U.S. hardwood flooring square-foot sales declined 10.6% in 2006 and declined 14.1% in the first half of 2007 compared to the same period in 2006, principally as a result of decreased new housing demand.

Unpredictability of Future Results. Our growth strategy, and the investment associated with the development of new stores, may cause our operating results to fluctuate and be unpredictable or decrease our profits. Our future results will depend on factors that include successfully selecting new markets and store locations, negotiating leases on acceptable terms, managing construction, occupancy and operating costs, maintaining the quality of our operations, developing consumer recognition of the quality of our products, meeting customer demand and the continued popularity of hardwood flooring. In addition, as we open more stores, our rate of expansion relative to the size of our store base will decline, newly opened stores may not succeed or may reach profitability more slowly than we expect, and the ramp-up to profitability may become longer in the future.

Managing our Growth Effectively. Our existing management information systems, including our store management systems and financial and management controls, may be unable to support our planned expansion. We will need to continue to enhance these systems, procedures and controls, to hire, train and retain regional managers, store managers and store staff and to integrate newly hired management personnel.

Continued Availability of Sufficient Suitable Hardwood. Some of the hardwood species we sell are scarce, and we cannot be assured of their continued availability. Our ability to obtain an adequate volume and quality of hard-to-find species depends on our suppliers ability to furnish

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those species, which, in turn, could be affected by events such as forest fires, insect infestation, tree diseases, prolonged drought, other adverse weather conditions, changes in government regulations relating to forest management practices and changes to regulations and forest management policies.

Reliance on and Relationships with Certain Suppliers. Our 10 largest suppliers accounted for approximately 63% of our purchases in 2006, including one supplier that represented approximately 14% of our purchases and acted as agent for a second supplier that accounted for another 7%. We generally do not have long-term contracts with our suppliers, and they may be unable to supply us in the future due to various factors. In addition, in order to retain the competitive advantage that we believe results from our direct supplier relationships, we need to continue to identify, develop and maintain relationships with qualified mills that can satisfy our high standards for quality and our requirements for hardwood in a timely and efficient manner.

Increased Hardwood or Delivery Costs. The costs of the species of hardwood that we use in our products and delivery costs (particularly fuel costs) can fluctuate due to various factors, and we may not always be able to increase the selling prices of our products in response to increases in those costs.

We also face a number of other risks relating to various aspects of our business and operations, including the possibility of disruptions to our management information systems, call center or website; our ability to hire and retain qualified officers, managers and employees; increasing competitive pressures; problems potentially arising at our single finishing and distribution center; the continued effectiveness of our advertising and product endorsement strategy; and concentrated shareholder ownership. You should carefully consider the risks discussed in Risk Factors before deciding to invest in our common stock.

Our Corporate History and Principal Office

We were incorporated in Massachusetts in 1994 as Lumber Liquidators, Inc., and became a Delaware corporation in August 2007 in connection with this offering. Our corporate and principal executive office is located at 3000 John Deere Road, Toano, Virginia 23168. Our telephone number is (757) 259-4280, and we maintain a website at www.lumberliquidators.com on which we will post all reports we file with the Securities and Exchange Commission, or the SEC, under Section 13(a) of the Securities Exchange Act of 1934 after the closing of this offering. We also will post on this site our key corporate governance documents, including our board committee charters, our ethics policy and our principles of corporate governance. We also offer information about our premium Bellawood brand on a separate website at www.bellawood.com and about the Ty Pennington collection at www.tyscollection.com. Information on these websites is not, however, a part of this prospectus.

Although we may be a controlled company under the rules of the New York Stock Exchange (because our directors and officers may collectively beneficially own a majority of our common stock following this offering, depending on whether and to what extent the underwriters exercise their option to purchase additional shares and whether and to what extent those directors and officers exercise outstanding stock options they hold), we will not make use of the exemptions available to controlled companies under those rules, which permit a controlled company to have a board with fewer than a majority or no independent directors and to avoid having either a compensation committee or a nominating and corporate governance committee (or for such committees to include or consist of non-independent directors). After this offering closes, a majority of our directors will be independent, and our compensation and nominating and corporate governance committees will be comprised solely of independent directors.

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Sources of Market and Industry Data

This prospectus includes market share and industry data and forecasts that we have obtained from internal company surveys, market research, consultant surveys, publicly available information and industry publications and surveys. Information regarding the hardwood flooring market is derived from Catalina Research Inc. s *November 2005 Wood Flooring Report* and *March 2007, June 2007* and *September 2007 Floor Coverings Industry Quarterly Updates* and other sources identified herein. Information regarding our market position has been derived in part from information in *Floor Covering Weekly* and *Floor Focus* magazines. Except where otherwise noted, statements as to our position relative to our competitors or as to market share refer to the most recent available data.

Use of Trademarks and Trade Names

We have a number of registered marks, including Lumber Liquidators®, Bellawood®, 1-800-FLOORING®, the Lumber Liquidators design mark and others, in several jurisdictions including the United States, and we have also applied to register a number of other marks in various jurisdictions. See Business Intellectual Property and Trademarks. This prospectus also contains trademarks and trade names of other companies. All trademarks and trade names appearing in this prospectus are the property of their respective holders.

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The Offering

Common stock offered by us	3,800,000 Shares
Common stock offered by the selling stockholders	6,200,000 Shares
Common stock to be outstanding after this offering	26,752,118 Shares
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $36.4 million. We will not receive any proceeds from the sale of shares by the selling stockholders. The selling stockholders include the chairman of our board of directors. See Use of Proceeds for more information. We intend to repay all amounts outstanding under the term-loan portion of our senior secured loan agreement and our new revolving credit agreement (approximately $14.1 million in aggregate as of September 30, 2007) using proceeds from this offering. We intend to use the remainder of the net proceeds of this offering to provide additional long-term capital to support the growth of our business and for general corporate purposes.
Dividends	We do not anticipate paying any cash dividends in the foreseeable future.
New York Stock Exchange symbol	LL
Risk Factors	See Risk Factors beginning on page 11 and other information included in this prospectus for a discussion of factors that you should carefully consider before investing in our common stock.

The number of shares of common stock that will be outstanding after this offering in the table above excludes 1,846,847 shares of common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of $7.76 per share, of which 261,260 shares had vested as of September 30, 2007.

Except as otherwise noted, all information in this prospectus:

- assumes that the underwriters do not exercise their option to purchase up to 1,500,000 additional shares of common stock from the selling stockholders;
- gives effect to the conversion of 7,952,018 shares of series A convertible preferred stock held by TA Associates that were outstanding prior to this offering into 7,952,018 shares of common stock;
- excludes restricted stock grants of approximately 90,200 shares of common stock that we intend to grant to certain employees and service providers at the closing of the initial public offering; and
- excludes stock option grants that we intend to grant certain executive officers, employees and service providers on the day this offering is priced for sale to the public to purchase approximately 125,000 shares of common stock at the initial public offering price.

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Summary Financial Data

You should read the data set forth below in conjunction with our financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Financial Information and other financial information included elsewhere in this prospectus. We derived the summary financial data as of December 31, 2005 and 2006 and for each of the years ended December 31, 2004, 2005 and 2006 from our audited financial statements and the related notes appearing elsewhere in this prospectus. We derived the summary financial data as of December 31, 2004 from our audited financial statements and the related notes not included in this prospectus. We derived the summary financial data as of and for the years ended December 31, 2002 and 2003 from our unaudited financial statements not included in this prospectus. The summary statements of income data for the nine months ended September 30, 2006 and 2007 and the summary balance sheet data as of September 30, 2007 have been derived from our unaudited financial statements appearing elsewhere in this prospectus which, in the opinion of our management, have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of our operating results and financial position for those periods and as of those dates. The summary unaudited financial data for the nine months ended September 30, 2007 are not necessarily indicative of our results for the year ending December 31, 2007 and our historical results are not necessarily indicative of our results for any future period.

	Year Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006(1)	2006(1)	2007(1)
	(in thousands, except share and per share amounts)						
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Statement of Income Data							
Net sales	$ 65,382	$ 100,866	$ 171,766	$ 244,947	$ 332,060	$ 247,219	$ 299,797
Cost of sales	43,051	67,870	115,857	158,844	221,931	163,955	200,404
Gross profit	22,331	32,996	55,909	86,103	110,129	83,264	99,393
Selling, general and administrative expenses	17,545	29,566	48,461	67,900	88,716	64,611	85,491
Impairment loss on long-lived assets		955	293				
Operating income	4,786	2,475	7,155	18,203	21,413	18,653	13,902
Interest expense	160	218	429	638	722	548	607
Other (income) expense(2)	(318)	(428)	190	(96)	(368)	(303)	(168)
Income before income taxes	4,944	2,685	6,536	17,661	21,059	18,408	13,463
Provision for income taxes(3)	163	65	(1,450)	6,948	8,161	7,133	5,185
Net income	$ 4,781	$ 2,620	$ 7,986	$ 10,713	$ 12,898	$ 11,275	$ 8,278
Net income per common share:							
Basic	$ 0.32	$ 0.17	$ 0.53	$ 0.71	$ 0.86	$ 0.75	$ 0.55
Diluted	$ 0.32	$ 0.17	$ 0.51	$ 0.46	$ 0.56	$ 0.49	$ 0.36
Weighted average common shares outstanding(4):							

Basic	15,000,100	15,000,100	15,000,100	15,000,100	15,000,100	15,000,100	15,000,100
Diluted	15,000,100	15,000,100	15,675,477	23,063,174	22,989,403	23,001,681	23,096,460
Pro Forma Income Statement Data(5):							
Pro forma net income					$ 13,022		$ 10,142
Pro forma net income per common share:							
Basic					$ 0.55		$ 0.42
Diluted					$ 0.54		$ 0.42
Pro forma weighted average common shares outstanding:							
Basic					23,857,170		23,970,544
Diluted					23,905,730		24,145,892

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(1) We adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (R), *Share-Based Payment* (SFAS No. 123(R)), using the prospective-transition method, effective January 1, 2006.
(2) Includes interest income.
(3) Effective December 1, 2004, we elected to be taxed as a C corporation for federal and state income tax purposes. Prior to this election, we were not subject to federal or certain state income taxation at the corporation level.
(4) Share amounts as of December 31, 2002 and 2003 have been adjusted to reflect the December 2004 common stock dividend of 150,000:1 to Tom Sullivan, our founder and chairman of our board of directors.
(5) The pro forma statement of income data for the year ended December 31, 2006 and nine months ended September 30, 2007 were derived from our Unaudited Pro Forma Financial Information included elsewhere in this prospectus.

	As of December 31,			As of September 30,
	2002	2003	2004	