

Lumber Liquidators Holdings, Inc.
Form 8-K
August 19, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 17, 2016

Lumber Liquidators Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

001-33767

27-1310817

(State or other jurisdiction of
incorporation)

(Commission File Number) (I.R.S. Employer Identification No.)

3000 John Deere Road, Toano, Virginia

23168

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(757) 259-4280**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement.

Entry into Third Amended and Restated Credit Agreement

On August 17, 2016, Lumber Liquidators Holdings, Inc. (the “Company”) and its domestic subsidiaries, including Lumber Liquidators, Inc. (“LLI”) and Lumber Liquidators Services, LLC (“LL Services” and, collectively with LLI, the “Borrowers”), entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”) with Bank of America, N.A. (the “Bank”) and Wells Fargo Bank, National Association (“Wells” and, collectively with the Bank, the “Lenders”) and the Bank in its capacity as administrative agent and collateral agent (in this capacity, the “Agent”) and Wells as syndication agent. The Credit Agreement amended and restated the Second Amended and Restated Revolving Credit Agreement that was entered into among the Borrowers and the Bank, as lender, administrative agent and collateral agent on April 24, 2015 (the “Existing Revolver”). Under the Credit Agreement, the Agent and the Lenders increased the maximum amount of borrowings under the revolving credit facility (the “Revolving Credit Facility”) from \$100 million under the Existing Revolver to \$150 million (but subject to the borrowing base described below). The Borrowers also have the option to increase the Revolving Credit Facility up to a maximum total amount of \$200 million subject to the satisfaction of the conditions to such increase specified in the Credit Agreement.

The payment and performance of the Borrowers’ obligations under the Revolving Credit Facility (as well as certain cash management and bank product obligations that may be owing to the Agent, any of the Lenders or any of their respective affiliates by any of the Borrowers or the Guarantors (as defined below)) are guaranteed by the Company and its other domestic subsidiaries other than LLI and LL Services (collectively, together with the Company, the “Guarantors”) and are secured by security interests in the Collateral (as defined in the Credit Agreement), which includes substantially all assets of the Company including, among other things, the Company’s inventory and accounts receivable as under the Existing Revolver and the Company’s East Coast distribution center located in Sandston, Virginia. Under the terms of the Credit Agreement, the Company has the ability to release the East Coast distribution center from the Collateral under certain conditions.

The Revolving Credit Facility matures on August 17, 2021. The Borrowers’ right to obtain any loan or letter of credit under the Revolving Credit Facility is subject to their satisfaction of customary funding conditions as specified in the Credit Agreement, including that all representations and warranties of the Borrowers and the Guarantors in the Credit Agreement and related loan or collateral documents must be true and correct in all material respects on and as of the date of the making of such loan or the issuance of such letter of credit, no default or event of default may then exist under the Credit Agreement (both before and after giving effect to each credit extension under it), and that the total outstanding loans and letters of credit may not exceed the maximum aggregate amount of credit permitted to be outstanding under the Credit Agreement after giving effect to the new loan or letter of credit.

The Revolving Credit Facility is available to the Borrowers up to the lesser of (1) \$150 million or (2) a borrowing base equal to the sum of specified percentages of the Borrowers’ eligible credit card receivables, eligible inventory

(including eligible in-transit inventory) and eligible owned real estate (the percentages and eligibility requirements for the borrowing base are specified in the Credit Agreement but the amount of the borrowing base attributable to eligible real estate cannot exceed \$20 million or 25% of the total borrowing base at any time), less certain reserves established by the Agent in accordance with the terms of the Credit Agreement. Letters of credit are subject to a sublimit of \$20 million under the Credit Agreement, which has not changed from the Existing Revolver. The Bank, as the swing line lender, also may in its discretion make swing line loans to the Borrowers under the Credit Agreement up to a sublimit of \$15 million, which loans will bear interest at the Base Rate (as defined in the Credit Agreement) plus the applicable margin described below. The Credit Agreement requires prepayment of the loans under the Revolving Credit Facility and cash collateralization of the letters of credit outstanding under the Revolving Credit Facility if and to the extent that the aggregate outstanding amount of such loans and letters of credit exceeds the maximum amount then permitted to be outstanding under the terms of the Credit Agreement.

Loans outstanding under the Revolving Credit Facility can bear interest based on the Base Rate or the LIBOR Rate (as defined in the Credit Agreement). Interest on Base Rate loans is charged at varying per annum rates computed by applying a margin ranging from 0.50% to 0.75% over the Base Rate, depending on the Borrowers' average daily excess borrowing availability under the Revolving Credit Facility during the most recently completed fiscal quarter. Interest on LIBOR Rate loans and fees for standby letters of credit are charged at varying per annum rates computed by applying a margin ranging from 1.50% to 1.75% over the applicable LIBOR Rate (for one, two, three or six month interest periods as selected by the Borrowers) depending on the Borrowers' average daily excess borrowing availability under the Revolving Credit Facility during the most recently completed fiscal quarter. The Borrowers also pay a fee for each commercial letter of credit that is issued under the Revolving Credit Facility at the rate that is one-half of the rate then used to compute fees for standby letters of credit under the Revolving Credit Facility. In addition, the Borrowers pay an unused commitment fee of 0.25% per annum on the average daily unused amount of the Revolving Credit Facility during the most recently completed calendar quarter. Interest on Base Rate loans and all letter of credit fees are payable quarterly and interest on each LIBOR Rate loan is payable at the end of the loan's interest period (but not less frequently than quarterly). The Borrowers also will pay a fronting fee for each letter of credit issued under the Revolving Credit Facility at a rate to be mutually agreed by the Borrowers and the letter of credit issuer (but not to exceed 0.125% per annum). If any of certain specified events of default exists under the Credit Agreement, the rates used to compute interest on loans and fees for letters of credit shall be increased by two percentage points (2.00%). If any other event of default exists under the Credit Agreement, the Agent may (or, if directed by the Required Lenders, the Agent shall) increase the rates used to compute interest on loans and fees for letters of credit by two percentage points (2.00%).

The Credit Agreement contains a financial covenant to maintain a fixed charge coverage ratio of at least 1.0 to 1.0, calculated quarterly on a trailing four quarters basis, that becomes effective only when specified availability under the Revolving Credit Facility falls below the greater of \$15 million or 10% of the maximum revolver amount. The Credit Agreement also contains a number of covenants that, among other things, grant certain inspection rights to the Bank and limit or restrict the Company's cash management and the ability of the Company and its subsidiaries to incur additional liens; make acquisitions or investments; incur additional indebtedness; engage in mergers, consolidations, liquidations, dissolutions or dispositions; pay dividends or other restricted payments; prepay certain indebtedness; engage in transactions with affiliates; and use proceeds. The Credit Agreement contains customary events of default. If an event of default occurs, the lenders are entitled to accelerate the advances made thereunder and exercise rights against the collateral.

As of August 17, 2016, a total of \$24,813,000 of loans and letters of credit were outstanding under the Revolving Credit Facility.

The foregoing description of the Credit Agreement is qualified in its entirety by reference to the full text of the Credit Agreement, which has been filed with this Current Report on Form 8-K as Exhibit 10.1 and is incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.

See Item 1.01 above, the content of which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	Third Amended and Restated Credit Agreement, dated as of August 17, 2016, among Lumber Liquidators Holdings, Inc. and its domestic subsidiaries, including Lumber Liquidators, Inc. and Lumber Liquidators Services, LLC (collectively, the “Borrowers”), Bank of America, N.A. as administrative agent and collateral agent, and Bank of America, N.A. and Wells Fargo Bank, National Association, as Lenders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LUMBER LIQUIDATORS HOLDINGS, INC.

(Registrant)

Date: August 19, 2016 By: /s/ Jill Witter

Jill Witter

Secretary and Chief Compliance and Legal Officer

EXHIBIT INDEX

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